

Report
2013 >

Energiewende.
Safe.
Hands on.

2013

Condensed version

Report
2013 >

Energiewende.
Safe.
Hands on.

2020

Condensed version

Goal system 2013 > 2014 – 2016 > 2020

Finance

Goal dimension finance	Financial performance indicators	Report on risks and opportunities	Expected trend in financial performance indicators
p. 46 et seq.	p. 66 et seqq.	p. 102 et seqq.	p. 118 et seq.

Customers

Goal dimension customers	Non-financial perfor- mance indicators	Report on risks and opportunities	Expected trend in the customers area
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Employees

Goal dimension employees	Non-financial perfor- mance indicators	Report on risks and opportunities	Expected trend in the employees area
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Compliance

Goal dimension compliance	Non-financial perfor- mance indicators	Report on risks and opportunities	Expected trend in the compliance area
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Ecology

Goal dimension ecology	Non-financial perfor- mance indicators	Report on risks and opportunities	Expected trend in the ecology area
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Our segments




Segment
Sales¹

Tasks: advisory service; sale of electricity, gas and other products; providing of energy-related services; "Sustainable City" project development; support for local authorities, including signing of franchises; collaboration with public utilities

51.1 billion kWh of electricity sales (B2C/B2B)

67.7 billion kWh of gas sales (B2C/B2B)

227.1 € million adjusted EBITDA




Segment
Grids¹

Tasks: transport and distribution of electricity and gas; providing of grid-related services; water supply; electricity supply and distribution grid²: 155,000 km; gas pipeline and distribution grid²: 16,000 km; communication network²: 2,000 km

67.9 TWh of electricity transport volumes

27.8 TWh of gas transport volumes

961.8 € million adjusted EBITDA




Segment
Renewable Energies¹

Tasks: project management, construction and operation of power plants generating power from renewable energies

6,344 GWh of generation

1,059 MW of installed capacity

216.4 € million adjusted EBITDA



Segment
Generation and Trading¹

Tasks: advisory service, construction, operation and decommissioning of conventional and nuclear power plants; trading in electricity, building up of gas midstream operations (grid gas level); waste disposal

51,744 GWh of generation

12,653 MW of installed capacity

834.7 € million adjusted EBITDA

¹ The figures indicated are taken from the single segments for the year 2013.

² Rounded figures.

Profile >

We paved the way for ENBW's future in 2013.

Through the EnBW 2020 programme, we will safeguard our role as one of Germany's largest energy supply companies while actively promoting the Energiewende.

Today we supply electricity, gas, water and energy-related products and services to approximately 5.5 million customers. In order to remain the first point of contact for energy issues, we are positioning ourselves "close to the customer" and responding with new offerings to the growing demand for local and sustainable energy solutions.

We are in the process of redesigning our energy fleet and grids to become the "engine room of the Energiewende" – first and foremost by expanding wind and hydropower and, with the aid of our grid subsidiaries, by increasingly integrating renewable energies into the energy system.

About this report

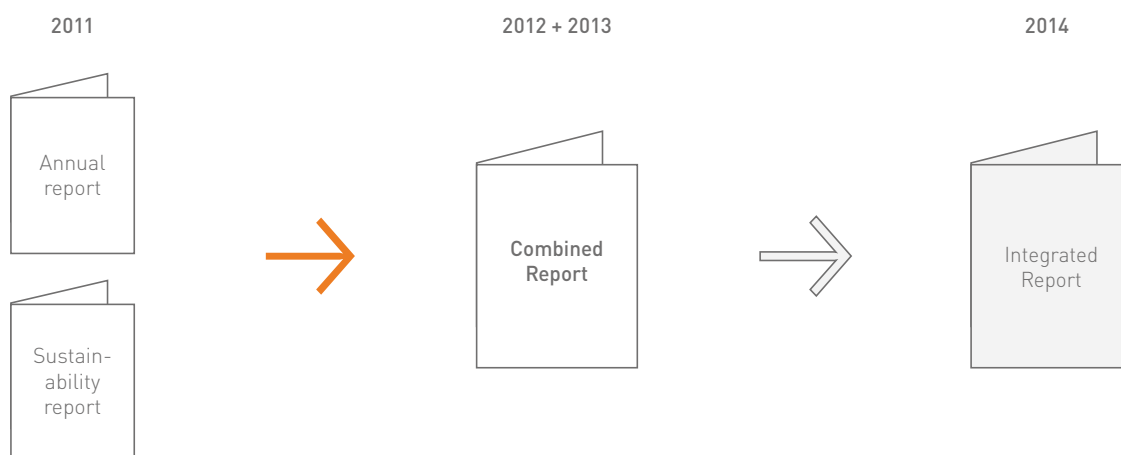
The Combined Report 2013

We have further combined the content of financial and sustainability reporting within this second Combined Report on EnBW. This move represents a further step towards more concise, transparent and informative integrated reporting, thereby satisfying our stakeholders' demand for more information. This Combined Report reflects a strengthening of integrated thinking within the company, and arises from a holistic observation that reflects both financial and non-financial corporate performance. It takes into account not only economic, but also ecological and social dimensions.

By presenting financial and non-financial corporate targets – which are measured using top performance indicators – we are underscoring the importance of a transparent and comprehensive orientation to our performance and our stakeholders.

As part of realigning our corporate reporting, we aim to publish for the 2014 reporting year our first integrated report in line with guidelines of the International Integrated Reporting Council (IIRC). This emphasises to an even greater extent the intermeshing of our business model with our corporate and functional strategies, the interaction between financial and non-financial targets, and our comprehensive performance-orientation.

The path to integrated reporting at EnBW



This Combined Report contains the Group management report for the 2013 fiscal year and a condensed version of the EnBW consolidated financial statements that does not include the notes to these financial statements. We publish the complete consolidated financial statements and other documents relating to the financial statements at www.enbw.com/report2013.

More about integrated reporting at EnBW is available at www.enbw.com/integrated-reporting.

A version of the report configured to individual readers' interests can be customised on the EnBW website at www.enbw.com/report2013.

The contents of this report serve solely to provide information, and do not comprise an offer, or any recommendation to invest. Please take this into consideration, as well as further important remarks contained on page 154.

Basis of presentation

The information about the EnBW Group's results of operations, net assets and financial position is based on the requirements of International Financial Reporting Standards (IFRS), and, where applicable, German commercial law and German accounting standards (DRS). Internal controlling mechanisms ensure that the information presented in this report is reliable.

The materiality analysis that was conducted for the first time in 2013 with EnBW's central stakeholders, and an internal survey conducted among senior EnBW management, form an important basis for the selection and detail of the topics described in this report. Both financial and non-financial topics of importance for this report were identified and commented upon in depth based on this survey and an internal questionnaire. The objective is to develop early strategies to manage potential opportunities and risks. The resultant materiality matrix consequently reflects the topics' importance for both external and internal stakeholders.

Sustainability topics are reported upon applying the Global Reporting Initiative (GRI) G3.1 guidelines, including its Electric Utilities Sector Supplement. Our sustainability reporting also complies with the "Communication on Progress" requirements for the UN Global Compact.

All data and calculation methods contained in this report are based on German and international financial and sustainability reporting standards. The respective specialist units applied representative methods to generate all data and information relating to the reporting period. The reporting period comprises the 2013 fiscal year. We took relevant information until 13 February 2014 into account. Along with EnBW AG, which is headquartered in Karlsruhe, Germany, EnBW's scope of consolidation for its financial reporting also includes all of its important subsidiaries. The reporting limits for the non-financial performance indicators correspond to the scope of consolidation for the financial reporting, unless otherwise stated.

More about the Global Reporting Initiative is available at www.globalreporting.org and at www.enbw.com/gri-index.

More about the materiality analysis you get in the [Report 2013](#) > In dialogue with our stakeholders > page 41 et seq.

Independent auditing and assurance

The condensed financial statements for the 2013 fiscal year that form part of the Combined Report do not include the notes to the consolidated financial statements. The full set of consolidated financial statements – including the notes to the consolidated financial statements – and the combined management report for the company and the Group, both for the 2013 fiscal year, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor and Group auditor elected by the annual general meeting of EnBW Energie Baden-Württemberg AG on 25 April 2013. Based on its audit, KPMG AG Wirtschaftsprüfungsgesellschaft arrived at the overall conclusion that the audit did not lead to any reservations and issued an unqualified audit opinion. The full set of consolidated financial statements and the combined management report for the company and the Group, both for the 2013 fiscal year, as well as the unqualified audit opinion issued by the auditor, can be accessed on the website of EnBW Energie Baden-Württemberg AG at www.enbw.com/report2013.

In addition, KPMG AG Wirtschaftsprüfungsgesellschaft provided limited assurance on selected sustainability performance information. This assurance engagement was conducted in

accordance with the International Standard on Assurance Engagements (ISAE) 3000 and International Standard on Assurance Engagements (ISAE) 3410. More information on EnBW's website at www.enbw.com/report2013 continues to form part of the assurance engagement. Information and key figures included in the scope of the assurance engagement are highlighted accordingly.

The GRI confirmed that the A+ level of the GRI guidelines (Version 3.1) was complied with in the EnBW 2013 report. The declaration of compliance with the German Sustainability Code was also submitted in February 2014. The independent assurance report of the selected sustainability performance information and the GRI statement are available at www.enbw.com/gri-index.



German
SUSTAINABILITY
Code



TurningPoint

— EnBW



Going clean
through
Stuttgart
with
Willi Diez >

The magazine
to the Report



Wind farms
in the
waves >



Big plans
for a small
village >

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Explanation of term in the glossary



Top performance indicator

Interview with the EnBW Board of Management

"We want to position EnBW overall so that it is more streamlined, more effective and more oriented to its customers."

Dr. Frank Mastiaux

> Mr. Mastiaux, Mr. Kusterer, where does EnBW find itself in spring 2014?

Dr. Frank Mastiaux: Our company faces two major challenges simultaneously: in our operating business, profitability is being burdened by falling electricity wholesale prices and spreads, the full auctioning of CO₂ allowances, shorter deployment periods for our coal power stations, and intense competition. At the same time, we are realigning the entire company in order to actively exploit the opportunities that the Energiewende in Germany is opening up. Although this is a Herculean task, it's also releasing new energy and new ideas. This has brought with it the feeling of an entirely fresh start at EnBW – and this is the energy that we need in order to be successful.

although this was entirely in line with the range that we announced at the start of 2013. Adjusted EBITDA from our Generation and Trading segment reported a sharp decline of 25.8% to € 834.7 million. We are pleased that our "Fokus" efficiency programme allowed us to achieve a net profit of € 624 million in 2013 – far ahead of our original expectations. Combined with our stringent investment discipline, this allowed us to reduce the Group's adjusted net debt by 13.6% to € 7,275.0 million. EnBW's financial stability has been secured, and "Fokus" has made a critical contribution in this context.

> Let's pick up on this topic of "investment discipline": Mr. Zimmer, EnBW is currently building new power plants, although at the same time it's announcing the closures of others. How are we to make sense of this?

Dr. Hans-Josef Zimmer: This year, we will commission two highly-efficient hard coal units in Karlsruhe and Mannheim with capacities of around 900 megawatts each. This will be followed in 2015 in Düsseldorf by one of the most powerful and most efficient gas and steam turbine power stations in the world with an efficiency of over 61%. Its CO₂ emissions will be 50% lower than an average German power station. So, first of all: We're replacing old power stations with new, more efficient and more environmentally-compatible generation units. Secondly, we will continue to need conventional power plants in the future in order to ensure supply security and handle peak demand. But it's also true to say that the commercial situation for conventional generation plants in Germany has worsened considerably.

Thomas Kusterer: From a financial perspective, the 2013 fiscal year performed largely in line with our expectations, although the problems mentioned by Frank Mastiaux did leave their marks. Group operating earnings were down by 5.3% year-on-year to € 2,216.6 million,

> Mr. Mastiaux, the only constant in energy policy in Germany over the last few years has been constant change. How can you set up and implement a long-term corporate strategy on this basis?



Dr. Frank Mastiaux, Chairman of the Board of Management, Chief Executive Officer

Dr. Frank Mastiaux: The Energiewende in Germany is the result of a political process in a democratically-governed country. So, we see it as the expression of society's collective desire to do without nuclear power, reduce conventional generation and promote other environmentally-compatible energy forms. This is connected with a general decentralisation, you could almost say, democratisation, of energy supplies. There's not a lot to discuss about this social decision, although there's plenty of scope for debate about how the policies of the Energiewende are to be structured specifically. EnBW is playing an active role in this debate, and submitting its own ideas and proposals. In its 2020 strategy, EnBW sees the new energy world as an opportunity, and is aligning itself with its main aspects, although it remains flexible as far as timing and specific topics are concerned. One example: the role that electricity generated from offshore wind farms will play for EnBW in the future depends on the result of the revision of the German Renewable Energies Act that is currently underway.

> The motto of the EnBW 2020 Strategy is "Energiewende. Safe. Hands on." Since it was presented in June 2013, what progress have you made in implementing this new strategy?

Dr. Frank Mastiaux: You've already talked about the far-reaching changes in the energy sector. In this type of environment, a company needs to be quick, flexible and efficient if it is to retain its position on the market. Which is why the core elements of our reorientation are a new Group structure and a new management model. In order to reduce complexity, and create an integrated Group under the guiding principle of "ONE EnBW", we are currently merging important Group companies with the EnBW AG parent company. We want to position EnBW overall so that it is more streamlined, more effective and more oriented to its customers. We aim to support the implementation of our strategy through this approach. We want to grow in three areas: renewable energies, in the regulated grid business, and through new and innovative services.

Dr. Dirk Mausbeck: I'd just like to add one thing at this point: the creation of a new busi-

ness unit – "Investments and Relationships with Municipal and Local Utilities" – reflects the great importance that municipal and local utilities have for EnBW as customers and partners. Along with sales and advice, this new business unit will also be involved with the "Sustainable City" development project, and in entering into and managing franchises. In general, we can say: we want to further intensify relationships with all our customer groups – indeed, take them to a new level. Many of our end-customers have become energy-producers themselves. They need a reliable system partner and adviser: EnBW.



Dr. Dirk Mausbeck, Chief Commercial Officer

> Mr. Mastiaux spoke about innovative services. What can we understand by this?

Dr. Dirk Mausbeck: We're putting all our effort into offering our customers creative and newly-developed services, and into being a good partner. This is based on energy contracting, where we've already been operating successfully on the market for several years. We're consistently expanding this area, and developing it further. We're redesigning other products, such as savings guarantees and building energy efficiency, going beyond what the previous energy business offered. We're harnessing our employees' knowledge of the energy business to tap new business areas for our customers. Examples include smart home solutions, sustainable cities and mobility concepts.

"We want to further intensify relationships with all our customer groups – indeed, take them to a new level."

Dr. Dirk Mausbeck



Dr. Hans-Josef Zimmer, Chief Technical Officer

“Innovation, customer proximity and business success are closely connected in the new energy world.”

Dr. Hans-Josef Zimmer

› Innovation is another fixed star in EnBW’s strategic firmament. Mr. Zimmer, you’re responsible for research and innovation. What is EnBW planning to do in this area?

Dr. Hans-Josef Zimmer: Innovation, customer proximity and business success are closely connected in the new energy world. By identifying and anticipating our customers’ needs at an early stage, we’re able to develop targeted innovations, make our ideas quickly marketable, and differentiate ourselves from our competitors in doing so. At the end of 2013, we approved the creation of a new innovation management function that is closely intermeshed with research, in order to develop new business models that span various areas. With its “innovation campus”, this innovation management function will have a platform on which it can bring innovative ideas to market-maturity more rapidly – in collaboration with partners. We’ve quite consciously situated this campus outside our corporate and process landscape in order to promote the development of new business ideas in an independent and creative environment.

› Mr. Beck, EnBW employed around 20,000 staff at the end of 2013. Given all the changes that are underway – how large will the workforce be by 2020?

Dr. Bernhard Beck: I can’t give you an exact figure, of course, but the total number of employees is bound to be lower than it is

today, not least due to the reduction in the workforce combined with our “Fokus” efficiency programme, which we’ve already finished. There are three trends overall, which partly run in different directions: Firstly, EnBW needs to be even more efficient, including in the deployment of its personnel, if it’s to stay competitive. Secondly, workforce numbers need to be adjusted in areas with falling profits, such as in the Generation and Trading segment, and also in our so-called Overheads area. Thirdly, we will be hiring in the new business areas that EnBW wants to tap. The message for our staff is clear: we need flexibility, commitment and a readiness to change if our EnBW 2020 Strategy is to prove successful.

› EnBW clearly faces major challenges. If the 2020 Strategy works, then the Group will just return to its 2012 profit level. Mr. Kusterer, how do capital markets and investors see this target – as somewhat disappointing, or as somewhat ambitious?

Thomas Kusterer: Capital market players are familiar with our sector, and are very well informed – including by our company’s professional investor relations function. They’re very well aware of the challenges that our entire energy sector faces, and that EnBW in 2020 will be positioned completely differently in many areas compared to how it is today. EnBW’s 2020 profits will be determined much more by renewable energies, services, and income from the regulated



Thomas Kusterer, Chief Financial Officer

business. Its income sources are going to be more diversified, and the business portfolio's risk-return profile will see an overall improvement. I think the capital market sees EnBW's 2020 targets as ambitious, but realistic. And all of the three important rating agencies confirmed EnBW's A rating in 2013.

> Mr. Mastiaux, something that the rating agencies also take into consideration – EnBW is almost entirely owned by public-sector shareholders. Is this a blessing or a curse?

Dr. Frank Mastiaux: At a time when energy policy is having such a critical impact on the energy sector, as it is now, it's good to have public-sector owners. We have a period of several years of transformation ahead of us. We're happy that our shareholders have a naturally long-term outlook, and are not oriented to the ups and downs of the capital markets. This creates mutual understanding, and the awareness that we are all pulling together – and that we're on the same side.

> This combined 2013 report is significantly different to last year's. A lot more weight has been given to non-financial aspects. Mr. Kusterer, what is the idea behind these changes?

Thomas Kusterer: For the 2014 fiscal year, EnBW is aiming to issue an integrated report in line with guidelines of the International Integrated Reporting Council (IIRC). The Combined Report 2013 is an important step forward in this direction. An integrated report expresses the fact that a company's performance isn't determined solely in terms of financial criteria – in terms of euros and cents. Integrated reporting underpins EnBW's further development as a company that is sustainable and viable for the future. Along with Finance, we've defined the target dimensions of Customers, Employees, Compliance and Ecology. We've reported on this basis in 2013, and we'll continue to use these dimensions for future reporting.

Dr. Bernhard Beck: Compliance is an important topic, and we've done a lot in this area. A company of EnBW's size and significance needs to be accepted by society for it to operate successfully. EnBW's compliance management system is oriented to the avoidance of liability risks and reputational

damage. It provides advice and orientation for managers and employees in an increasingly complex regulatory environment. We see continuous training on topics such as corruption, competition and anti-trust law, as well as data protection, as the most important measure to best prevent compliance infringement.

"We need flexibility, commitment and a readiness to change if our EnBW 2020 Strategy is to prove successful."

Dr. Bernhard Beck



Dr. Bernhard Beck LL.M., Chief Personnel Officer

> Mr. Mastiaux, what are you and your Board of Management team planning for 2014?

Dr. Frank Mastiaux: How long have you got? No, but seriously: The first thing is to structure our current business development as best as possible, despite what are predicted to be difficult overall framework conditions. A key task will then to be to assess the significance of the new government's energy policy decisions for our corporate strategy, and then use this as the basis for corresponding measures and actions. At the same time, we're pushing ahead with the business and functional units' sub-strategies. Besides this, we're maintaining continuous dialogue with our employees in order to listen to what they have to say to us, and to foster their enthusiasm for the EnBW 2020 Strategy. Personally – and I can only speak for myself – I'm planning to do a lot of running and to keep fit, and also still have some time left over for my family, despite the demands of my job.

"EnBW's 2020 profits will be determined much more by renewable energies, services, and income from the regulated business."

Thomas Kusterer

Gentlemen, thank you very much for this interview.

The Board of Management



Thomas Kusterer

born 1968 in Pforzheim
Member of the Board of Management
Chief Financial Officer
since 1 April 2011
Appointed until 31 March 2019
Ettlingen

Dr. Bernhard Beck LL.M.

born 1954 in Tuttlingen
Member of the Board of Management
Chief Personnel Officer
since 1 October 2002
Appointed until 30 September 2017
Stuttgart



Dr. Frank Mastiaux

born 1964 in Essen
Chairman of the Board of Management
Chief Executive Officer
since 1 October 2012
Appointed until 30 September 2017
Karlsruhe

Dr. Hans-Josef Zimmer

born 1958 in Merzig
Member of the Board of Management
Chief Technical Officer
since 1 January 2012
Appointed until 31 December 2016
Steinfeld (Pfalz)

Dr. Dirk Mausbeck

born 1962 in Bensberg
Member of the Board of Management
Chief Commercial Officer
since 1 October 2011
Appointed until 30 September 2014
Karlsruhe

Report of the Supervisory Board (condensed)

The Supervisory Board performed all the tasks incumbent on it in the financial year 2013, as required by the law and the Articles of Incorporation. It supervised the management of the company, advised the Board of Management its management of the company and was involved in all decisions significant for the company and the Group. The Board of Management kept the Supervisory Board regularly informed, without delay and comprehensively, of all significant aspects of business development and policy, corporate strategy and planning, the economic performance of the company and the Group as well as of the risk situation, risk management, the internal control system and compliance. Discrepancies between the actual development of business and the plans and targets formulated were all discussed in detail and explained.

Key topics of the discussions by the full Supervisory Board

At five ordinary meetings held on 28 February 2013, 24 April 2013, 6 June 2013, 26 September 2013 and 5 December 2013, and two extraordinary meetings on 8 February 2013 and 26 June 2013, as well as by way of two resolutions passed in written procedures, the Supervisory Board addressed the oral and written reports and draft resolutions of the Board of Management in detail. In addition, it requested reports and information from the Board of Management which were immediately and comprehensively provided in each case. Discussions and resolutions by the full Supervisory Board focused on the following issues:

- Regular detailed reports by the Board of Management on the development of business and the profitability of the company and the Group, including in particular the development of revenue and earnings and the net assets and financial position, as well as reports on personnel development and significant risks for the Group and individual segments
- In-depth consultations and discussions with the Board of Management on EnBW's strategic alignment
- Detailed deliberations and discussions with the Board of Management about the future corporate structure as well as the approval of the measures put forward by the Board of Management to reduce the Group's complexity
- Extensive reviewing of the German government's energy policy and its effect on EnBW, including in particular the financial burden resulting from the policy and the deterioration in the energy industry's environment
- Detailed examination of the package of measures proposed by the Board of Management to improve the company's results of operations as well as the ongoing optimisation of the EnBW Group's operating processes, especially the "Focus" efficiency programme and the "EnBW 2020" programme introduced to underpin the Group's future strategic alignment
- In-depth discussions and examination of the situation pertaining to transmission grids, particularly the question of system security and grid expansion, as well as approval on the grid expansion strategy
- Detailed and regular reporting and in-depth discussion and consultation on the whole topic of EWE Aktiengesellschaft/VNG-Verbundnetz Gas Aktiengesellschaft
- Regular reporting on commitments in Turkey (Borusan EnBW Enerji A.S. joint venture) as well as approval for the acquisition of wind farm licences and wind projects in Turkey
- In-depth discussion of the topic of franchises in Baden-Württemberg and further potential for cooperation with municipal partners as well as approval of the submission of a franchising agreement and cooperation offer to the City of Stuttgart and of the cooperation model with the City of Heilbronn
- Extensive consultation and discussions on current sales issues
- Regular reporting on major capital expenditure projects, in particular progress made with the construction of the RDK 8 coal-fired power plant in Karlsruhe and the Baltic 2 offshore wind farm in the German Baltic Sea, as well as other projects under the generation strategy
- Regular reports on the status of divestiture projects
- Intensive addressing of the decommissioning strategy for nuclear power plants belonging to the EnBW Group as well as the question of interim and ultimate storage
- Detailed examination of the sustainable raw materials procurement including the formulation of rules of conduct
- Decisions on decommissioning power plant units in Marbach, Walheim and Karlsruhe (MAR Block III and GT II, WAL 1 and 2 as well as RDK 4)
- Approval of the concluding of multi-year contract with AREVA GmbH to secure a high level of availability and the safe operation of the Neckarwestheim (GKN II) and Philippsburg (KKP 2) plants
- Regular reporting on pending litigation against companies of the Bykov Group

- > Commissioning an external efficacy audit of the compliance management system by PwC Wirtschaftsprüfungsgesellschaft and follow-up to the positive results thereof
- > Proposals made to the Annual General Meeting on 25 April 2013, in particular for adjusting the remuneration of members of the Supervisory Board
- > Amendments to the Supervisory Board's bylaws to improve the efficiency of its work
- > Approval of the budget for the 2014 financial year and acknowledgement of the medium-term planning for the period from 2014 to 2016 consisting of the income statement, balance sheet and cash flow statement

Between the meetings, the Supervisory Board was informed in writing by the Board of Management about all business transactions of particular importance for the company or the Group. In addition, there was ongoing communication between the Chairman of the Supervisory Board and the Board of Management, in particular the CEO, to discuss issues relating to the strategic direction, planning, business development, risk situation, risk management, compliance, important individual transactions as well as pending decisions.

Attendance at all Supervisory Board meetings was very high. The majority of the Supervisory Board members attended all Supervisory Board meetings. Only Supervisory Board member Günther Cramer was unable to participate in less than half of the meetings in the financial year 2013.



Dr. Claus Dieter Hoffmann, Chairman of the Supervisory Board

Work of the committees

The committees set up by the Supervisory Board again met regularly in the financial year 2013, thereby contributing to an efficient performance of the Boards tasks. The respective committee members are listed on page 144 of the Annual Report 2013. The committee chairmen reported regularly on the work of the committee in the next respective meeting of the full Supervisory Board.

Corporate governance

The Supervisory Board again gave special attention to the various issues of corporate governance in the financial year 2013. These issues are described in detail in the corporate governance report. The corporate governance report is part of the declaration of conformity which the company has made available to the public on its website in accordance with Section 289a para. 1 sentence 2 of the German Commercial Code (HGB) www.enbw.com/report2013.

Audit of the separate and consolidated financial statements

Following a thorough examination by the Audit Committee, the Supervisory Board undertook a detailed review of the consolidated financial statements as of 31 December 2013 audited by KPMG AG Wirtschaftsprüfungsgesellschaft and issued with an unqualified audit opinion, the combined Management Report for the financial year 2013 and the Board of Management's proposals for the appropriation of profit for the financial year 2013. The Supervisory Board did not have any reservations following its review. It concurred with the audit results presented by the independent auditor, approved the separate financial statements prepared by the Board of Management as of 31 December 2013 – which have thus been ratified – and the consolidated financial statements as of 31 December 2013, along with the combined Management Report for the financial year 2013, and agreed with the Board of Management's proposal for the appropriation of profit for the financial year 2013.

Reference to the complete version of the report of the Supervisory Board

Further details on the topics of the “Work of the committees”, “Corporate governance”, “Audit of the separate and consolidated financial statements” as well as “Personnel changes at the level of the Board of Management and Supervisory Board” can be found in the full version of the report of the Supervisory Board published by the company at www.enbw.com/report2013.

Karlsruhe, 6 March 2014
The Supervisory Board



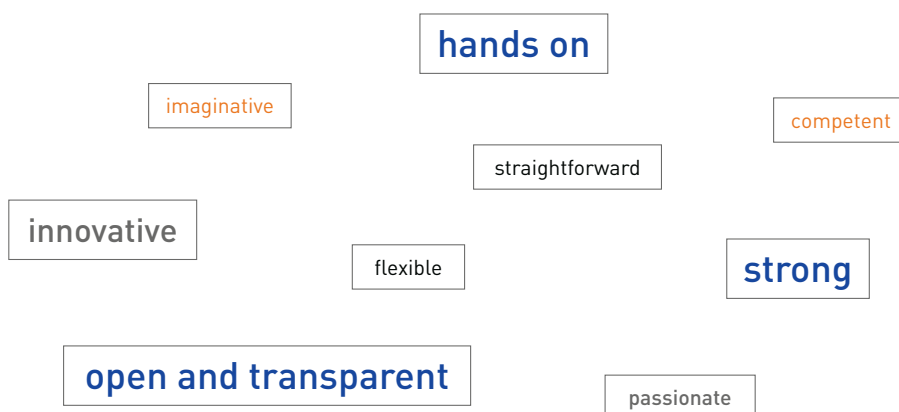
Dr. Claus Dieter Hoffmann
Chairman

> EnBW at a glance

Energiewende. Safe. Hands on.



EnBW is a major participant in the Energiewende and takes advantage of the opportunities arising from sea changes in the energy market. Under the motto “Energiewende. Safe. Hands on.” we have realigned our strategy and are fundamentally redefining EnBW’s business model. Our aim is to secure the sustainability of our company and tap growth potential.



*EnBW has a
new signature*



Straightforward. Talking to one another.

As an energy company, EnBW affects the lives of millions of people. We are aware of this responsibility. With this in mind, we actively seek dialogue with all stakeholders outside and in the company. We want to understand and be understood, which will help to foster trust and acceptance in society.



Customers

EnBW mentors

EnBW is positioning itself closer to customers. Among other measures, a new mentoring program has been initiated: Top management strengthens contacts with important customers from industry and trade, seeking to find out more about customer requirements and foster trust.



Already more than 240 companies in the EnBW energy efficient networks

The 250th network meeting took place in September. All in all, the participating industrial companies have so far improved energy efficiency by around 282 million kWh a year. Along with lowering energy costs, this also represents CO₂ savings of 100,000 tons a year.

“Brains of this day and age” at EnBW

Cancer researcher Prof. Dr. med. Dr. h.c. mult. Harald zur Hausen who is also a Nobel prize winner for medicine was a guest at EnBW.

The company opened this type of event for the first time to the interested public as well. The aim is to give people live experience of significant personalities and unconventional thinkers on the topic of society and commitment in a small group and to provide opportunities for new impetus.



Corporate social responsibility



Handelsblatt Annual Conference with EnBW's participation

The Handelsblatt Annual Conference, which took place in January for the 20th time, is renowned throughout the world as a venue for the energy industry. Keynote speeches were also held by EnBW's CEO Dr. Frank Mastiaux and CFO Thomas Kusterer.

Experts in discussion at the Wind Energy Event 2013

This year's programme was focused on challenges specific to the individual region. The expansion of wind power must be compatible with nature and the landscape, with citizen involvement.



Municipalities / public utilities



4th EnBW's Municipal Energy Day

Around 1,200 mayors, local and national politicians, along with senior executives of public utilities met with experts from the energy industry and representatives of associations and the world of science to discuss the energy supply of the future.

Employees



New forms of communication promote dialogue

The Board of Management places emphasis on maintaining dialogue with the employees. Since 2013, the Board has more frequently and regularly engaged in open dialogue with the EnBW team, by e-post, video messaging or live on site.

Annual General Meeting of EnBW

Dr. Frank Mastiaux, EnBW's Chief Executive Officer, introduces the Group's strategic realignment to the shareholders. EnBW is to focus on the opportunities arising from the Energiewende while, above all, reinforcing the company's stronger orientation towards the markets and its customers.



Shareholders / investors



Analysts hosted at EnBW's first Capital Market Day

Numerous analysts from banks, investment companies and the rating agencies from London and Frankfurt were hosted in September. Members of the Board of Management explained the strategic direction which the company will pursue through to 2020.

EnBW. New.

EnBW supplies and advises around 5.5 million customers. They are at the heart of our business model: private customers, trade, industry, municipalities and public utilities. The expansion of renewable energies with the requisite redesigning of the grids and extension of the service portfolio are the hallmarks of our new organisation. It is underpinned by the Group's concept of its new structure: ONE EnBW.

ONE EnBW: New organisation structure



More information can be found in the Management Report > Business model > Structure and business activity > p. 28

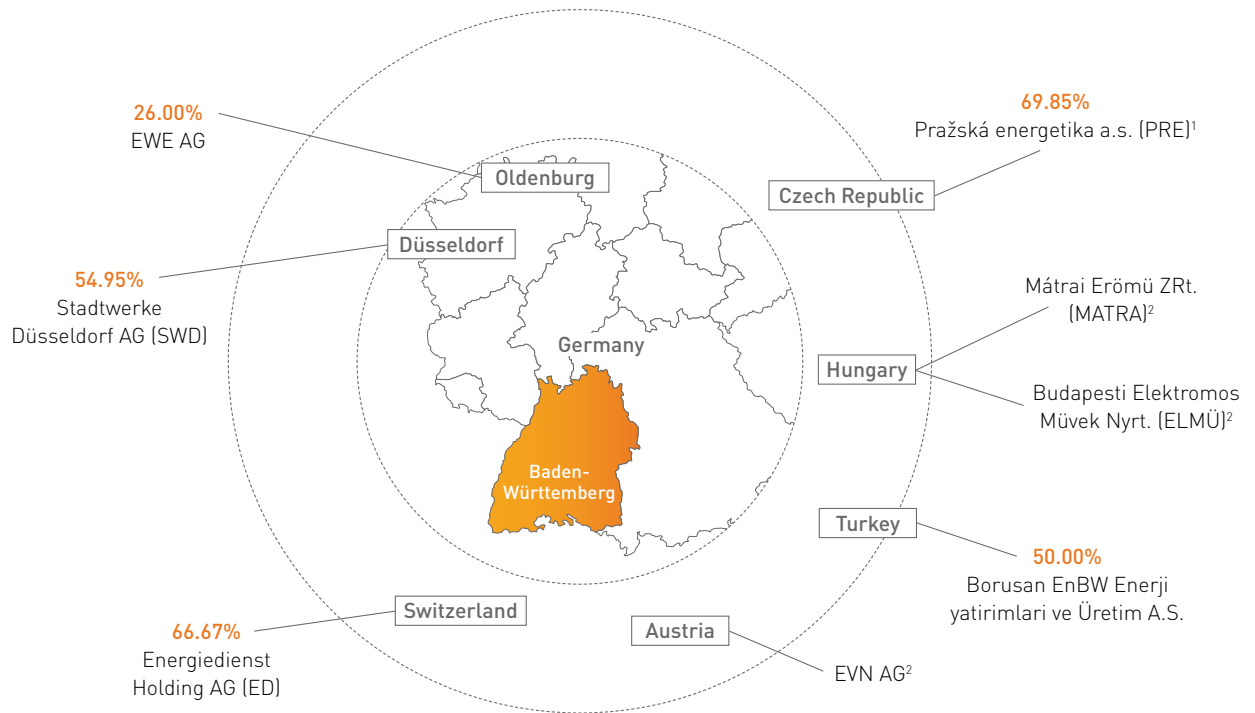
ONE EnBW!

*↓ leaner, more effective and efficient,
with stronger customer orientation!*

Singular profile of EnBW

- > Only integrated energy utility in Germany with its own transmission grids
- > Strong roots in the innovative and prosperous economic region of Baden-Württemberg
- > High proportion of stable regulated business (grids, renewable energies)
- > 99.6% publicly owned

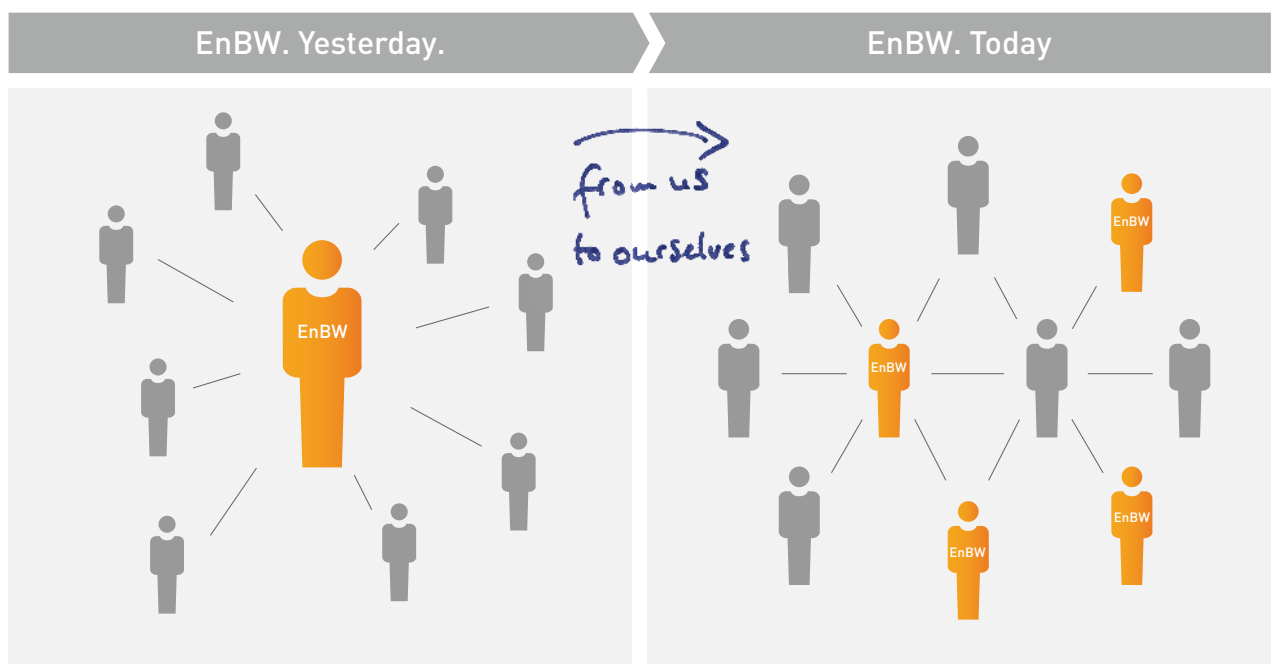
Business radius outside Baden-Württemberg



¹ Directly and indirectly held shares.

² Assigning of the participating interest to EnBW's own Contractual Trust Arrangement (CTA) at the end of the financial year 2013.

Change in perspective



EnBW. Integrated.

With its strong roots in Baden-Württemberg, EnBW ranks among the most important energy supply companies and energy service providers in Germany and Europe. As an integrated company, the EnBW Group operates across the entire value chain, offering a broad-based business portfolio. Business operations are divided into four segments.

Segment

Sales¹



Tasks:

Advisory service; sale of electricity, gas and other products; providing of energy-related services; "Sustainable City" project development; support for local authorities, including signing of franchises; collaboration with public utilities

Sales in 2013:

Electricity B2C and B2B: 51.1 billion kWh
Gas B2C and B2B: 67.7 billion kWh

Employees as of 31/12/2013:

3,461

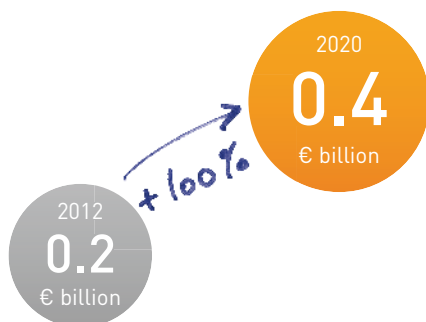
Capital expenditures in 2013²:

€ 56.8 million

Adjusted EBITDA in 2013:

€ 227.1 million / 10.2% share in the EnBW Group's adjusted EBITDA

Development of adjusted EBITDA 2012 – 2020:



Segment

Grids¹



Tasks:

Transport and distribution of electricity and gas; providing of grid-related services; water supply

Grid lengths in 2013³:

155.000 km of electricity transmission and distribution grids
16.000 km of long-distance gas transmission and distribution grids
2.000 km of communication network

Transport volume in 2013:

Electricity: 67.9 TWh
Gas: 27.8 TWh

Employees as of 31/12/2013:

7,487

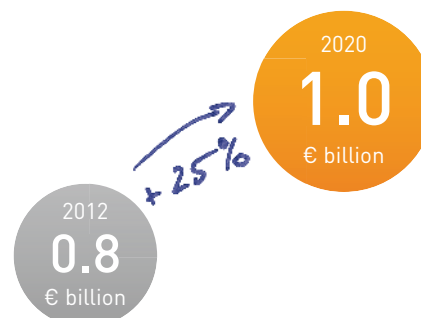
Capital expenditures in 2013²:

€ 462.0 million

Adjusted EBITDA in 2013:

€ 961.8 million / 43.4% share in the EnBW Group's adjusted EBITDA

Development of adjusted EBITDA 2012 – 2020:



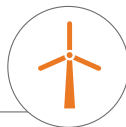
¹ The figures indicated are taken from the segments.

² Capital expenditures on intangible assets and property, plant and equipment.

³ Rounded figures.

Segment

Renewable Energies¹



Tasks:

Project management, construction and operation of power plants generating power from renewable energies

Generation portfolio 2013:

Generation: 6,344 GWh

Installed capacity: 1,059 MW

Employees as of 31/12/2013:

485

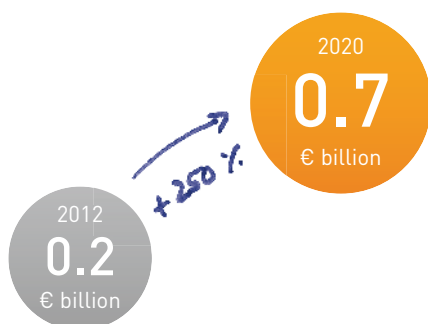
Capital expenditures in 2013²:

€ 305.1 million

Adjusted EBITDA in 2013:

€ 216.4 million/9.8% share in the EnBW Group's adjusted EBITDA

Development of adjusted EBITDA 2012 – 2020:



Segment

Generation and Trading¹



Tasks:

Advisory service, construction, operation and decommissioning of conventional and nuclear power plants; trading in electricity, building up of gas midstream operations (grid gas level); waste disposal

Generation portfolio 2013:

Generation: 51,744 GWh

Installed capacity: 12,653 MW

Employees as of 31/12/2013:

5,431

Capital expenditures in 2013²:

€ 206.2 million

Adjusted EBITDA in 2013:

€ 834.7 million/37.7% share in the EnBW Group's adjusted EBITDA

Development of adjusted EBITDA 2012 – 2020:



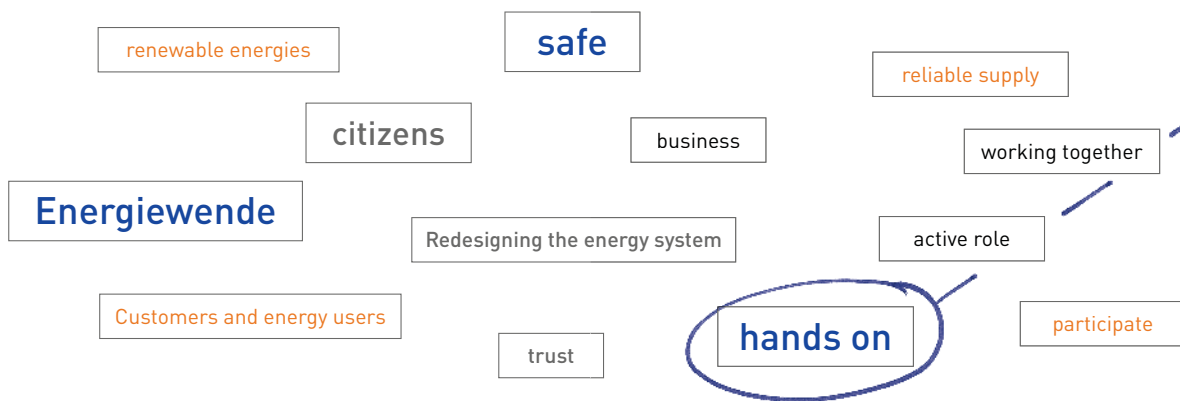
¹ The figures indicated are taken from the segments.

² Capital expenditures on intangible assets and property, plant and equipment.

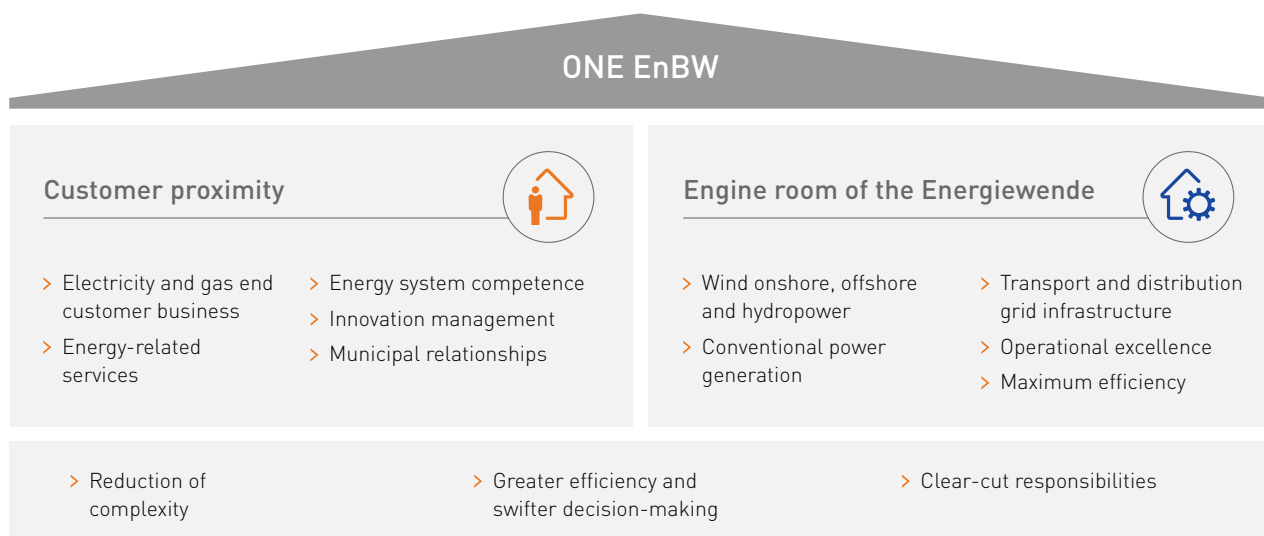
EnBW. 2020.

EnBW 2020 will be significantly different from EnBW today. The share of renewable energies from wind and water in the generation portfolio will more than treble. Extensive investments in expanding the grid serve to secure the infrastructure of the changed energy system. New solutions and products innovations customised to accommodate the special requirements of various customer groups will strengthen EnBW's competitive position.

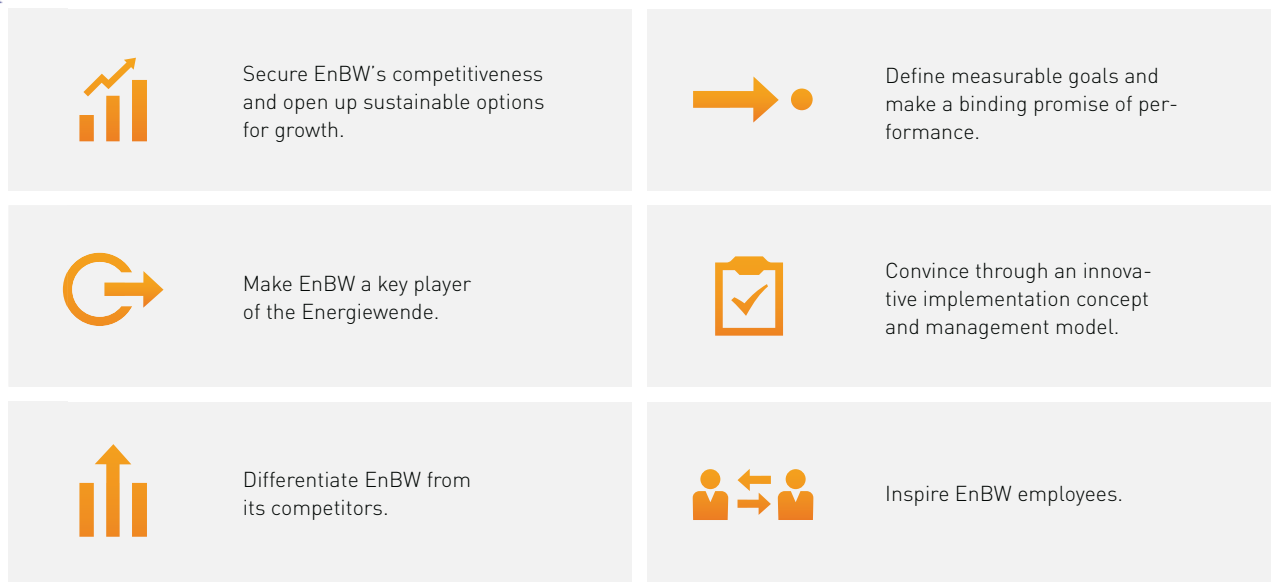
The EnBW 2020 Strategy



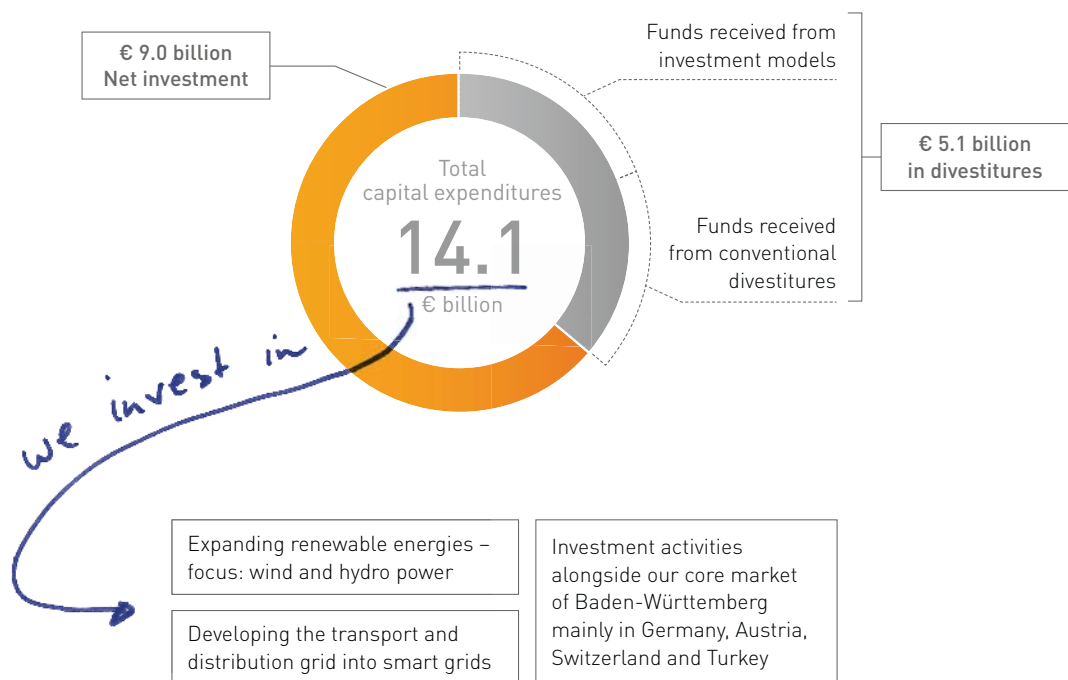
The Strategy House



The goals of the EnBW 2020 Strategy



Extensive investments and divestitures by 2020



More information can be found in the Management Report > Strategy and goals > p. 43 et seqq.

Goals. 2020.

A new system of goals has been derived from the EnBW 2020 Strategy and encompasses five dimensions: finance, customers, employees, compliance and ecology. This system will enable us to combine the financial and non-financial aspects of our business activity. We measure the degree to which goals have been achieved by way of meaningful performance indicators.

Finance

Goal	Key performance indicator	2013	Target	
Securing profitability	Adjusted EBITDA in € billion	2.2	2.3 – 2.5	The operating result is to return to the level achieved before the Energiewende. The regulated business and the Renewable Energies Segment have a share of 70% in the result.
Safeguarding the good credit rating	Dynamic leverage ratio	3.28	<3.3	In proportion to the operating result, leverage remains within narrow boundaries. EnBW enjoys good credit standing.
Raising the Group's value	ROCE in %	9.7	8.5 – 11	ROCE is higher than the cost of capital. EnBW creates value.

2020

Page 46 et seq. Goal dimension finance

Page 66 et seq. Financial performance indicators

Page 102 et seq. Report on risks and opportunities

Page 118 et seq. Expected trend in financial performance indicators

Customers

Goal	Key performance indicator	2013	Target	
Avoid greenhouse gas emissions ¹	Avoided CO ₂ emissions in million of tons	5.4	8.8	EnBW contribution to climate protection is active and measurable.
Increasing brand attractiveness	EnBW/Yello Brand Attractiveness Index	42/38	44/40	EnBW and Yello our attractive brands which support sales and winning new customers.
Customer proximity	EnBW/Yello Customer Satisfaction Index	111/148	>136/>159	The bond with customers is strong.
Supply reliability	SAIDI ² (electricity) in min/year	15	<25	Supply reliability in the area covered by the grid is guaranteed

2020

Page 47 et seq. Goal dimension customers

Page 84 Non-financial performance indicators/customers

Page 106 et seq. Report on risks and opportunities

Page 119 et seq. Expected trend in the customers area

¹ Owing to changes in the calculation methodology the figures are not comparable with the data so far reported.
² Figure valid only for Germany.

Employees

Goal	Key performance indicator	2013	Target	
Employee commitment	Employee Commitment Index (MCI)	58	65	EnBW is an attractive employer.
Occupational health & safety	LTIF	5.9	≤Year-earlier figure	The number of industrial accidents is low and continues to fall.
Health protection	Sickness absence rate in %	4.5	4.0	The care EnBW takes of its employees' health is paying off.

2020

Page 48 et seq. Goal dimension employees

Page 84 et seq. Non-financial performance indicators/employees

Page 104 et seq. Report on risks and opportunities

Page 120 Expected trend in the employees area

Compliance

Goal	Key performance indicator	2013	Target	
Avoidance of compliance breaches	Employees trained in corruption prevention and antitrust law in %	86.9	85	Training in compliance matters is exemplary at EnBW.

2020

Page 49 Goal dimension compliance

Page 88 et seq. Non-financial performance indicators/compliance

Page 106 Report on risks and opportunities

Page 121 Expected trend in the compliance area

Ecology

Goal	Key performance indicator	2013	Target	
Realise reduction potential of greenhouse gases	CO ₂ intensity of own electricity generation in g/kWh	403	< 450	The emission of greenhouse gases at EnBW is below the national average.
Expand renewable energies (RE)	RE installed capacity in GW and RE share in generation capacity in %	2.6/19.1	5.0/> 40	The share of renewable energies in EnBW's generation capacity has doubled compared with 2012.

2020

Page 49 et seq. Goal dimension ecology

Page 90 et seq. Non-financial performance indicators/ecology

Page 103 Report on risks and opportunities

Page 121 Expected trend in the ecology area

Combined Management Report

on the EnBW Group and EnBW AG

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The cross-references marked in bold with orange arrows in brackets and the orange separator sheets are not part of the audited management report.

Fundamentals of the Group

Business model


EnBW is the only fully integrated energy supply company with its own transmission grids in Germany. In view of the sea changes in the environment, we are fundamentally realigning our business model to allow us to take advantage of the opportunities arising from the Energiewende. Our new structure is characterised by a more consistent orientation towards customer requirements and the expansion of renewable energies.

Structure and business activity

The EnBW Group

With its strong roots in Baden-Württemberg, EnBW ranks among the most important energy supply companies and energy service providers in Germany and Europe. As an integrated energy supplier, the EnBW Group operates along the entire value chain, offering an extensive portfolio of services. With a workforce of around 20,000 employees, we supply electricity, gas, water and energy-related products and services to approximately 5.5 million customers.

Our operations are divided into four segments:

- The **Sales Segment** encompasses the distribution of electricity and gas, and the provision of energy-related services, such as invoicing services as well energy supply and energy savings contracting .

- The **Grids Segment** comprises stages along the value chain entailing the transportation and distribution of electricity and gas, the providing of grid-related services, for instance the operation of grids for third parties, and water supply services.
- Activities in the field of renewable energies generation are combined under the **Renewable Energies Segment**.
- The **Generation and Trading Segment** includes power generated from other sources and trading in electricity, the gas midstream business (long-distance gas distribution) as well as waste disposal activities.

Furthermore, the **Other/Consolidation Segment** combines EnBW AG and other activities which are not allocated to the individual segments reported separately.

The EnBW Group's value chain is described below in a simplified form:

The EnBW Group's value chain



The EnBW Group's principal place of business is in Karlsruhe. It maintains other large locations in Stuttgart, Biberach and Esslingen. The various regional and sales centres of the company are situated in Baden-Württemberg. Sales offices are spread throughout Germany. EnBW's major assets consist of numerous power plants and other energy generation power plants, electricity and gas grids, distribution facilities and gas storage facilities. These fixed assets are located mainly in Germany.

EnBW's energy sales amounted to 228.0 billion kWh in the financial year 2013. Around 91% of the EnBW Group's revenue

in 2013 totalling €20,540.3 million was generated in Germany. The international share of its revenue amounted to approximately 9%.

EnBW holds majority stakes in Düsseldorf's municipal utilities. It owns a participating interest of 26% in EWE Aktiengesellschaft, the fifth largest energy supply company in Germany, as well as other participating investments in Germany. In the region of Europe, EnBW operates in selected countries, first and foremost in the electricity business. It has participating interests in Switzerland and Austria as well as the Czech Republic

where it acquired a majority stake in the energy supplier Pražská energetika a.s. (PRE) in 2010 and consequently the economic and commercial management of this company. EnBW is present in the Turkish market through a joint venture with the industrial company Borusan EnBW Enerji Yatırımları ve Üretim A.S. (Borusan). Together with our partner, we are building up renewable energy generation capacities.

ONE EnBW: a new organisation structure

Against the backdrop of far-reaching changes in the energy industry, and with a view to fulfilling regulatory requirements, EnBW is in the process of realigning its Group organization structure. The aim is to achieve an integrated Group under the slogan of “ONE EnBW” without the central holding company. Combining its major core companies is aimed at reducing the complexity of the EnBW Group. Their integration into EnBW AG is to have taken place by 30 April 2014. Moreover, owing to regulatory requirements, EnBW Regional AG, our grid subsidiary which focuses on the distribution grid infrastructure in Baden-Württemberg, is to assume the legal form of a GmbH (limited company under German law) and be renamed as Netze BW GmbH as per 31 January 2014. As part of this change in corporate form, the Municipal Relationships and Investments business unit was created for the purpose of providing dedicated support for local authorities and public utilities. The reorganisation is being carried out in accordance with the guiding principle of repositioning EnBW as a leaner, more effective company with an even stronger customer orientation. Numerous executive and supervisory bodies of companies will become redundant, and the number of Board of Management remits is to be reduced.

EnBW AG

The share of EnBW AG is listed on Deutsche Börse’s General Standard. A stake of 46.75% in EnBW’s share capital is held by

the Federal State of Baden-Württemberg through NECKARPRI-Beteiligungsgesellschaft mbH and by Zweckverband Oberschwäbische Elektrizitätswerke (OEW) through OEW Energie-Beteiligungs GmbH. The overall shareholder structure as per 31 December 2013 breaks down as follows:

Equity holders of EnBW AG in % ¹	
OEW Energie-Beteiligungs GmbH	46.75
NECKARPRI-Beteiligungsgesellschaft mbH	46.75
Badische Energieaktionärs-Vereinigung	2.45
Gemeindeelektrizitätsverband Schwarzwald-Donau	0.97
Neckar-Elektrizitätsverband	0.63
EnBW Energie Baden-Württemberg AG	2.08
Free float	0.39

¹ The figures do not add up to 100% due to rounding differences.

As the business development, the economic situation and the risks and opportunities relating to the future development of EnBW AG are the same as those applicable to the business development, economic situation and the risks and opportunities relating to the future development of the EnBW Group, the management report of EnBW AG is combined with that of the EnBW Group.

Management and supervision

Board of Management

As of 31 December 2013, EnBW AG’s Board of Management had five members. The Board of Management conducts the business of the Group in joint responsibility. Besides the responsibilities of the CEO, the tasks of the Board of Management are structured into the remits of “Personnel and Law”, “Finance”, “Sales and Grids” as well as “Technology”.

Allocation of responsibilities at Board of Management level

CEO Dr. Frank Mastiaux	Personnel/Law Dr. Bernhard Beck LL.M. (Chief Personnel Officer)	Finance Thomas Kusterer	Sales/Grids Dr. Dirk Mausbeck	Technology Dr. Hans-Josef Zimmer
Group management Group and investments development Policies/sustainability Corporate communication Audit Transformation/ EnBW 2020 programme Innovation management IT Procurement	Executives management/ personal development Labour/collective bargaining policy Law Infrastructure/real estate Compliance/ data protection HSSE	Accounting/tax Controlling/ investment management Finance/ Investor Relations ICS/risk management Mergers and acquisitions Energy sector	Sales Marketing Distribution grids Municipal Relations Trading Operations Unbundling compliance/ regulation	Generation – Development portfolio Generation – Operations Generation – Nuclear Generation – Technology Waste disposal Transmission grids Grid technology

Supervisory Board

The Supervisory Board consists of 20 members in accordance with Section 8 para. 1 of the Articles of Association. In accordance with the German Co-determination Act (MitbestG), an equal number of members represent shareholders and employees. Three employee representatives are nominated by the ver.di trade union.

The Supervisory Board appoints the members of the Board of Management, and also advises them in their managerial activities. It analyses the business development and planning as well as the strategy of the company with the Board of Management at regular intervals and ratifies the annual financial statements. The Supervisory Board is always involved in all decisions of fundamental importance for the company. Transactions and measures subject to the approval of the Supervisory Board are defined in its bylaws. In order to carry out its tasks in the best possible way, the Supervisory Board has formed the following standing committees: a personnel committee, a finance and investment committee, an audit committee, a nomination committee and a mediation committee in accordance with Section 27 para. 3 of the German Co-determination Act (MitbestG), as well as an ad-hoc committee.

Further information on the Board of Management and Supervisory Board can be found in the Declaration of Compliance including the corporate governance report as well as in the report of the Supervisory Board posted on our website under the "Investors" heading (www.enbw.com/company/investors/corporate-governance/index.html).

Corporate governance

As an important component of our corporate culture, good corporate governance forms the basis and leading principle of our activities. We are convinced that responsible and transparent corporate governance strengthens the trust and confidence that customers, capital providers, employees and the general public invest in the company, thereby contributing to its long-term success and profitability. The Board of Management and Supervisory Board seek to manage and supervise the management of the company above and beyond mere compliance with statutory provisions in accordance with recognised benchmarks of good corporate governance and in harmony with the principles of a social market economy, with the aim of preserving the company and ensuring a sustainable increase in its enterprise value. As a consequence, EnBW complies with all of the recommendations of the German Corporate Governance Code, including those after it was amended on 13 May 2013.

As in previous years, Dr. Bernhard Beck, the Board of Management member responsible for corporate governance, monitored conformity with the German Corporate Governance Code at EnBW and reported extensively to the Board of Management and Supervisory Board on all topical matters to do with corporate governance. Both boards acknowledged his report and subsequently approved the company's Declaration of Compliance in 2013.

The Declaration of Compliance, including the corporate governance report and statement of compliance, are available on the company's website at www.enbw.com/company/investors/corporate-governance/german-corporate-governance-code/index.html.

Compliance

Compliance, in other words, all measures to comply with legal regulations and internal guidelines, is regarded as an essential management and supervisory task at EnBW. A Group-wide compliance organisation has been established and developed further since 2009, and the requisite guidelines and processes have been defined. The main emphasis of compliance activities is focused on prevention, detection and the sanctioning of corruption and violations of competition and anti-trust law as well as data protection.

Preventive compliance measures are based on a compliance risk assessment conducted throughout the Group and determined as part of an annual EnBW compliance program ([Report on risks and opportunities > Risk and opportunity position > p. 106](#)). As regards data protection, EnBW strives to set in place a Group-wide uniform data protection standard. To this end, a data management system was conceived in the reporting year and its implementation is currently under way. Since 2009, internal and external informants and whistleblowers can report compliance infringements or suspected cases to Corporate Compliance and Data Protection. This internal reporting path was supplemented in summer 2013 to include an ombudsman as an external point of contact. Corporate Compliance and Data Protection reports to the Board of Management and the Audit Committee of the Supervisory Board on a quarterly basis on the status reached in implementing measures and on current compliance infringements. An annual report is submitted to the Supervisory Board.

Outside our company, we support initiatives for the prevention of corruption. As a member of UN Global Compact, we participate in the implementation of the principle for fighting corruption. We have been actively contributing to the "Partnering for Corruption Initiative" of the World Economic Forums Davos since 2008. In addition, EnBW is committed to DICO – Deutsches Institut für Compliance e.V. (German Institute for compliance).

In the year under review, the Management Board and the Supervisory Board commissioned PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft (PwC), Essen, to assess the efficacy of the Group-wide compliance management system against the Auditing Standard 980 of the German Institute of Auditors (IDW). The audit covered the period from July through to December 2013 and included specific areas of corruption and anti-trust law. PwC presented the findings of the audit at the annual accounts meetings of the Board of Management, the Audit Committee and the Supervisory Board. The finalised audit report will be available in mid-March 2014.



Customers and markets

Our home market is Baden-Württemberg where we are positioned as a market leader. Based in our core market, we operate throughout Germany and in Europe: Stadtwerke Düsseldorf, in which EnBW holds a stake, has a large share of the market in the Düsseldorf region. EnBW is also present in Central Europe through its participating investment in PRE, the third largest energy supply company in the Czech Republic. Energiedienst Holding AG, another participating investment of EnBW, supplies companies in the region of South Baden and Switzerland with electricity and grid-related services. We participate in the growth market of Turkey through a joint venture with the Borusan Group.

Products and services

The approximately 5.5 million customers to whom we supply energy are assigned to two customer Groups: B2C (business to customer) and B2B (business to business).

The **B2C** group includes private customers, commercial, housing industry and agricultural customers. In this area, EnBW offers products and services in the electricity, gas and heat flow businesses in Baden-Württemberg and throughout Germany. EnBW enjoys a nationwide presence as an electricity and gas supplier through its Yello brand. Together with NaturEnergie+ Deutschland GmbH, it offers green electricity and other sustainably oriented products and services for private customers, also on a nationwide basis. In addition, energy-related services such as building and thermographic checks, heating alongside window and facade analyses supplement EnBW's offering.

Our product and services range for local energy solutions is becoming increasingly important. This includes our newly launched product for heating and lighting in the Smart Home. In the area of electromobility , we offer B2C customers prepaid charge cards on a non-contractual basis  Research and Innovation > Selected results > p. 53).


Customer groups product matrix


	Supply of energy	Decentralised energy systems		Energy efficiency		Smart world	Sustainable mobility
B2C	Electricity, gas	Heating	Liquefied gas	Analysis and advisory service	Retrofitting of buildings	Smart home	Electric vehicles Charging cards Wall box
B2B	Electricity, gas	Photovoltaics Utilities supply (heating, refrigeration, compressed air, steam)	Bio natural gas – upstream Liquefied gas	Analysis and advisory service	Production sites	Direct sales Energy logistics Metering point operation/metering point services	Charging cards Electric vehicles Charging infrastructure Back-end services

The **B2B** customer group comprises large commercial enterprises, industrial customers as well as redistributors, public utilities and municipalities.

Procuring energy has become an increasingly important issue in the B2B business due to the pressure from rising costs, competition and change. In purchasing energy, companies are caught between growing economic risks, increasing uncertainty due to fluctuations in the sales markets and potential opportunities from the Energiewende. In the selection of a suitable procurement model, B2B customers of EnBW display a range of very different requirements. Some customers place importance on planning reliability with transparent, fixed prices, or risk avoidance by diversifying the price risk. Other customers are more interested in flexibility or in influencing their energy costs by taking advantage of opportunities on the exchange or by adopting multi-supplier strategies. In order to accommodate these customer requirements, EnBW offers its customers an




extensive and flexible B2B product portfolio with manifold product modules in versatile combinations.

In order to promote this, EnBW energy experts work together with our customers, irrespective of the size of the respective company, the industry or the volume of energy required, to find product solutions customised to meet the various needs. Depending on the customer's risk tolerance and the degree of flexibility desired, the product portfolio ranges from full supply or index-linked full supply  through to an open supply contract with the option of structured procurement right, and all the way through to fully structured procurement, including accounting grid management.

As regards installed thermal output, EnBW ranks among Germany's largest suppliers of energy and environmental services. Its Sales & Solutions GmbH subsidiary is a leader on the German market for industrial contracting . New customer potential can be developed in this field through analysis and advisory services.

Product matrix public utilities and municipalities

	Supply of energy	Decentralised energy systems	Energy efficiency	Smart world	Infrastructure services		
Public utilities and municipalities	Electricity, gas	Photovoltaics Utilities supply (heating, refrigeration, steam)	CHP local heating networks Liquefied gas	Analysis and advisory service Building energy efficiency	Climate protection concepts/ citizen involvement	Metering station operation and services	Charging infrastructure (electromobility) Street lighting Transformer service Operations / services for water and waste water Developer responsibilities

Another sales focus is on building up cooperations with **public utilities and municipalities** in Baden-Württemberg. Along with our electricity, gas and gas heating supply products, we already offer a growing and broad range of energy-efficiency and grid-related services such as energy supply and energy-saving contracting , as well as analysis and advisory services for municipal and local authority properties, and for other public facilities and buildings. Furthermore, the range of products and services also includes providing the charging infrastructure and back-end services  for electromobility . In the field of sustainable mobility, we offer an alternative fuel in liquefied petroleum gas (LPG) through Thermogas Gas- und Gerätevertriebs-GmbH.

We aim to expand our regional anchoring and proximity to municipalities and local authorities even further in the future, however. For this reason, we launched our new “Investments and Relationships with Municipal and Local Utilities” business unit in February 2014. We wish to be represented even more strongly within the federal state of Baden-Württemberg, and with a unified external profile. This new structure also offers many advantages for municipalities and local authorities: This area is responsible not only for grid topics such as concessions and investments, but also offers municipalities and local authorities all Group products and services on a one-stop shop basis – for example, joint solutions in the onshore area, services related to the expansion of renewable energies within the German federal state of Baden-Württemberg, electricity and gas sales, and broadband telecommunications.

Regional and national market development/multi-brand strategy






¹ Operations in the Düsseldorf region.

With our multi-brand strategy and our strong brands, we are close to our customers, and aligned to their needs with our efficiency and quality.

Structure of the market and competition

In the B2B sector the market volume in Germany stood at 196 TWh for electricity and 298 TWh for gas in 2012. The competitive environment is dominated by supraregional suppliers such as Vattenfall Europe, E.ON Bayern (E.ON) or Süwag Energie (RWE), discounters such as Extraenergie, Eprimo or Stromio as well as a large number of public utilities.

The market volume for electricity in the B2B business rose to 288 TWh for electricity and 289 TWh for gas in 2012. The most important competitors are E.ON, RWE and Vattenfall and their subsidiaries. In addition, regional suppliers, redistributors and public utilities, examples being MVV, N-ergie, Badenova or EWM, also count among the competitors. Furthermore, international companies such as GDF Suez, Enovos, Shell, Total and Wingas also operate nationwide. The already fierce competition is intensified by offerings such as energy advisory services or contracting . Moreover, competition for prestigious customers is also very pronounced.

Local energy systems are considered to be the most important market in the field of energy services, with measures to enhance energy efficiency close behind. The areas of the Smart World  and electromobility  are currently still generating low revenues but, in the medium term, harbour huge potential. Owing to enormous differentiation possibilities in conventional businesses, competition is tough in a strongly fragmented market, although the intensity varies depending on the business and customer group.

Long-term market trends

The electricity and gas B2C business is expected to reach a market volume of 184 TWh and 281 to 289 TWh respectively by 2020. Against the background of the Energiewende, the market for local energy solutions is bound to attract competitors outside the industry as well. Generally speaking, the offering will shift from pure commodity price competition in the direction of solution offerings with added value which can, if and when required, also be combined with services.

Customer demand will be determined by the trend towards autonomy and decentralised power generation, declining consumption due to improvements in energy efficiency, rising price and cost consciousness, growing propensity to switch suppliers and a move towards sustainability. All in all, the demand volume in the B2C electricity and gas markets will therefore remain steady at best and decline in the medium to long term. At the same time, the market environment will be characterised by the endeavours of a growing number of cities and communities to put their grids and their supply in the hands of municipalities again.

Market research

According to a survey conducted by Forsa on behalf of EnBW in January 2013, the most important factor in switching suppliers is the price. However, this is not the only decision criterion for residential electricity customers. Ecology and service quality are playing and increasingly important role in the selection process.

Many of Germany's citizens are already drawing the consequences from the Energiewende, as reflected by their own consumption patterns. According to the Forsa survey carried out in June 2013 on behalf of the Federation of German Consumer Organisations, 43% of all the respondents indicated that they had changed their own behaviour somewhat or taken measures in connection with the Energiewende. Some 28% of consumers save energy procuring energy-saving light bulbs and energy-efficient household devices. The energy-efficient retrofitting of buildings, including new heating systems, follows with 9% in second place in terms of the measures taken.

Generation portfolio of the EnBW Group

Breakdown of the EnBW Group's generation portfolio ¹ Electrical output ² in MW (as of 31/12)	2013	2012
Renewable Energies	2,642	2,527
Run-of-river power plants	978	882
Storage/pumped storage power plants using the natural flow of water ²	1,322	1,311
Onshore wind	186	170
Offshore wind	48	48
Other renewable energies	108	116
Thermal power plants³	11,160	10,873
Brown coal	1,034	1,034
Hard coal	4,249	3,987
Gas	1,177	1,154
Other thermal power plants	822	820
Pumped storage power plants that do not use the natural flow of water ²	545	545
Nuclear power plants	3,333	3,333
Installed capacity of EnBW Group (without standby reserve)	13,802	13,400
of which renewable in %	19.1	18.9
of which low carbon in % ⁴	12.5	12.7

¹ Generation portfolio includes long-term procurement agreements and generation from partly owned power plants.

² Capacity values irrespective of marketing channel, for storage: generation capacity.

³ Including pumped storage power plants that do not use the natural flow of water.

⁴ Excluding renewable energies; only gas power plants and storage power plants that do not use the natural flow of water.

EnBW Group's own generation ¹ by primary energy source in GWh	2013	2012
Renewable Energies	7,476	7,230
of which subsidised under the German Renewable Energies Act (EEG)	670	574
Run-of-river power plants	5,699	5,442
Storage power plants/pumped storage power plants using the natural flow of water	974	955
Onshore wind	292	278
Offshore wind	191	204
Other renewable energies	320	351
Thermal power plants²	51,072	51,821
Hard coal	18,209	16,230
Brown coal	7,062	6,754
Gas	759	1,178
Other thermal power plants	321	281
Pumped storage power plants during pumping operation	1,494	1,579
Nuclear power plants	23,227	25,799
EnBW Group's own generation	58,548	59,051
of which renewable in %	12.8	12.2
of which low carbon in % ³	3.8	4.7

¹ Long-term supply contracts and partly owned power plants are included in own generation.


² Including pumped storage power plants that do not use the natural flow of water.

³ Excluding renewable energies; only gas power plants and storage power plants that do not use the natural flow of water.

Measured by electrical output, the EnBW Group's generation portfolio had grown from 13,400 MW at a year-end 2012 to 13,802 MW by the end of the reporting year. Of this volume, 2,642 MW, the equivalent of 19.1%, was accounted for by energy generation based on renewable energy sources compared with 2,527 MW the year before. New capacity installation was primarily attributable to run-of-river power plants, for instance the fifth machine of the Rheinkraftwerk Iffezheim, and to onshore wind. The electrical output of the thermal power plants, including pumped storage power plants, had climbed by almost 300 MW to 11,160 MW by the reporting date. This growth in installed capacity resulted primarily from increasing the number of power plants operated with hard coal. EnBW's thermal generation portfolio is well balanced in its fuels mix and the age structure of the facilities.

The EnBW Group's own production stood at 58,548 GWh in 2013, which is virtually unchanged against the previous year. Generation from renewable sources of energy had expanded by 3.4% to 7,476 GWh (previous year: 7,230 GWh); the proportion in own generation rose from 12.2% to 12.8% compared with the year-earlier period. In 2013, the EnBW Group produced 51,072 GWh from thermal power plants, including pump storage power plants during pumping operation, as against 51,821 in 2012. The proportion of thermal electricity generated by EnBW declined from 87.8% in 2012 to 87.2% in the reporting year. CO₂ emissions from EnBW's own generation stood at 403 g CO₂/kWh (previous year: 369 g CO₂/kWh), which continues to be significantly below the nationwide average for the year 2012 of 522 g CO₂/kWh.

In breaking down the output figures and the work of the EnBW Group's generation portfolio into the company's individual segments, a number of primarily technically influenced effects on the allocation must be taken into account. The following two effects are particularly noteworthy:

- > Dividing up output and work of pumped storage power plants with and without using the natural flow of water is neither expedient nor possible for technical reasons. All pumped storage power plants have therefore been assigned to the conventional generation under the Generation and Trading Segment.
- > A significant and well established offer of the Sales Segment in the market is contracting . Supplying customers with electricity, heat, steam and refrigeration takes place through local power plants belonging to and operated by EnBW. Irrespective of whether these plants are driven by renewable or conventional sources of energy, their output and work are allocated to the Sales Segment.

Taking account of these and other factors of influence, 12,653 MW of the EnBW Group's generation portfolio were attributable to the Generation and Trading Segment and 1,059 MW to the Renewable Energies Segment. As regards Group's own production, the Generation and Trading Segment accounted for 51,744 GWh, which corresponds to 88.4% of generation in total, and the Renewable Energies Segment for 6,344 GWh, equivalent to 10.8%.

Breakdown of the EnBW Group's generation portfolio by segment ¹ Electrical output ² 2013 in MW (as of 31/12)	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
Renewable Energies	22	9	911	1,700	0	2,642
Thermal power plants ³	59	0	148	10,953	0	11,160
Installed capacity of EnBW Group (without standby reserve)	81	9	1,059	12,653	0	13,802
of which renewable in %	27.2	100.0	86.0	13.4	0.0	19.1

¹ Long-term supply contracts and partly owned power plants are included in own electricity generation.

² Capacity values irrespective of marketing channel, for storage: generation capacity.

³ Including pumped storage power plants that do not use the natural flow of water.

EnBW Group's own generation by segment ¹ and by primary energy source in 2013 in GWh	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
Renewable Energies	173	50	6,094	1,101	58	7,476
Thermal power plants ²	179	0	250	50,643	0	51,072
EnBW Group's own generation	352	50	6,344	51,744	58	58,548
of which renewable in %	49.1	100.0	96.1	2.1	100.0	12.8

¹ Long-term supply contracts and partly owned power plants are included in own electricity generation.

² Including pumped storage power plants that do not use the natural flow of water.

Segments

Our operating activities are divided into the four segments of Sales, Grids, Renewable Energies and Generation and Trading.

Sales

The Sales Segment plays a key role in EnBW's strategic realignment. In our endeavours to become the best full-line partner for energy, we focus consistently on the individual requirements of our customers and foster direct dialogue with them. The new Sales organisation structure and work-flows are already a key component of the Group's 2020 structure today.

The **Municipal Relationships and Investments** business unit was created on 31 January 2014 during the process of changing the legal form of EnBW Regional AG and renaming it as Netze BW GmbH. The forming of this new organisation unit reflects the significance that EnBW accords to municipalities and public utilities as well as regional business units of the public sector as its customers and partners. Along with sales and advisory services, the range of tasks of the new business unit encompasses the development of the "Sustainable City" project as well as support for municipalities, including concluding franchise agreements and cooperating with public utilities.

Segment Sales ¹	
Tasks: advisory service; sale of electricity, gas and other products; providing of energy-related services; "Sustainable City" project development; support for local authorities, including signing of franchises; collaboration with public utilities	
Electricity sales (B2C/B2B) in 2013 in billion KWh:	Gas sales (B2C/B2B) in 2013 in billion KWh:
51.1	67.7
Adj. EBITDA in 2013 in € million:	Share in adj. EBITDA in 2013 in %:
227.1	10.2
Employees as of 31/12/2013:	Capital expenditure ² in 2013 in € million:
3,461	56.8

¹ The figures indicated are taken from the segment.

² Capital expenditures on intangible assets and property, plant and equipment.

As an active partner for the sustainable future of electricity, gas, district heating, water as well as, to an increasing degree, energy services to retail and commercial customers, **EnBW Vertrieb GmbH** concentrates on sales under the EnBW brand. Its offering focuses on Baden-Württemberg (📍 www.enbw.com).

Yello Strom GmbH is responsible for national sales of electricity, gas and other products to retail and commercial customers through the Yello Strom brand (📍 www.yellostrom.de).

Sales & Solutions GmbH (SSG), with its EnBW and Watt brands, specialises in the national sale of electricity and gas to major industrial customers, redistributors, industrial customers, SMEs, chains and municipalities. Its range of services also extends to energy, efficiency and system services (📍 www.enbw.com).

Energiedienst Holding AG (ED), with its subsidiaries EnAlpin AG (Switzerland), NaturEnergie AG and Energiedienst AG, fields electricity sales in south Baden and Switzerland. As an energy service provider with an ecological profile, ED has been supplying all of its retail and commercial customers in its home market of South Baden more than ten years with green electricity generated 100% from hydro-electric power (📍 www.energiedienst.de).

NaturEnergie+ Deutschland GmbH acts as an energy service provider through its NaturEnergiePlus Brand to environmentally oriented customers throughout Germany (📍 www.naturenergieplus.de).

EnBW Ostwürttemberg DonauRies AG (ODR) ranks among Germany's most innovative regional suppliers, particularly as regards technology and processes for cutting-edge infrastructures supporting the implementation of the Energiewende (📍 www.odr.de).

ZEAG Energie AG (ZEAG) secures the supply of energy in the region of Heilbronn. ZEAG's objective is to generate a major part of carbon dioxide-free electricity itself as far as possible in the region (📍 www.zeag-energie.de).

EnBW operates in the business of selling electricity through its participating investment in **Stadtwerke Düsseldorf AG (SWD)** in North Rhine-Westphalia. SWD delivers energy and water and offers infrastructure services (📍 www.swd-ag.de).

The customers of **GasVersorgung Süddeutschland GmbH (GVS)** are largely public utilities as well as industrial customers. GVS's home territory covers Germany, Switzerland, Liechtenstein and Austria. GVS offers its customers a product portfolio which includes flexible deliveries and flat deliveries, increasingly supplemented by a broad-based range of services. GVS's indirect shareholders are EnBW and the Italian energy group Eni (📍 www.gvs-erdgas.de).

EnBW Operations GmbH (EOG) is EnBW's service provider for the complete meter-to-cash settlement of suppliers and grid operators. It offers process services and Systems solutions for this purpose. The settlement of energy-related services and decentralised generation facilities in private households also features in the service portfolio of EOG (📍 www.enbw.com).

Grids

Segment Grids¹	
Tasks: transport and distribution of electricity and gas; providing of grid-related services; water supply; electricity supply and distribution grid ² : 155,000 km; gas pipeline and distribution grid ² : 16,000 km; communication network ² : 2,000 km	
Grid lengths ² in 2013 in km:	Transport volume in 2013 in TWh:
Electricity: 155,000	Electricity: 67.9
Gas: 16,000	Gas: 27.8
Adj. EBITDA in 2013 in € million:	Share in adj. EBITDA in 2013 in %:
961.8	43.4
Employees as of 31/12/2013:	Capital expenditure ³ in 2013 in € million:
7,487	462.0

¹ The figures indicated are taken from the segment.

² Rounded figures.

³ Capital expenditures on intangible assets and property, plant and equipment.

The electricity and gas grid lengths of the EnBW Group are shown in the tables below:

Electricity grid length of the EnBW Group including service connections ¹ in km	2013	2012
Transmission grid		
Extra high-voltage 380 kV	2,000	2,000
Extra high-voltage 220 kV	1,700	1,700
Distribution grid		
High-voltage 110 kV	8,600	8,600
Medium voltage 30/20/10 kV	46,300	46,200
Low voltage 0.4 kV	96,000	96,300

¹ Rounded figures.

Gas grid length of the EnBW Group including service connections ¹ in km	2013	2012
Long-distance grid		
High pressure	1,900	2,000
Distribution grid		
High pressure	2,200	2,200
Medium pressure	7,400	7,200
Low pressure	4,900	4,900

¹ Rounded figures.

Special statutory provisions, designed to guarantee independence, apply to transmission grid operators in Germany. The German supervisory authority responsible for transmission grid operators is the Federal Network Agency (BNetzA).

TransnetBW GmbH (TNG), one of the four transmission grid operators in Germany, is an independent company owned by the EnBW Group. Accordingly, the transmission grid (380 kV and 220 kV) remains within the Group, but stricter unbundling provisions apply between TNG as the Independent Transmission Operator (ITO) and EnBW. TNG is the owner of the transport grid infrastructure and operates the transmission grid in Baden-Württemberg. Its statutory duty consists in permanently guaranteeing system security. TNG is thus responsible for the maintenance and the demand-driven expansion of the transmission grid. In addition, it continuously controls and manages the electricity flows within Baden-Württemberg. It also regulates the electricity exchange between neighbouring transmission system operators within and outside Germany. The company currently maintains business relations with some 400 balancing group managers (www.transnetbw.de).

terranets bw GmbH (terranets bw) is an independent long-distance transmission system operator for natural gas and has been certified by the Federal Network Agency and the European Commission as an Independent Transmission Operator (ITO) since the end of 2012. The indirect shareholders of terranets bw are EnBW and the Italian energy group Eni. It acts as a separate entity under the umbrella of the parent company EnBW Eni Verwaltungsgesellschaft mbH, fulfilling its duties as operator of a long-distance transmission system for natural gas. Its main tasks include the safe, economical and non-discriminatory transport of natural gas (www.terranets-bw.de).

Netze BW GmbH (NETZ) became the successor company to **EnBW Regional AG (REG)** as of 31 January 2014. As the largest distribution network operator in Baden-Württemberg, NETZ is responsible for the distribution of electricity and gas through its own distribution network. It provides transparent and non-discriminatory access to EnBW's electricity and

gas as well as the reliable distribution of electricity and gas to suppliers within and outside the Group.

Its market partners are grid users in their role as energy suppliers and parties feeding energy into the grid. Sales support for the municipalities was hived off from REG and is now provided by EnBW AG's new Municipal Relationships and Investments business unit since 31 January 2014. These restructuring measures were instrumental in implementing the strategic plans for ONE EnBW as well as the regulatory unbundling rules ([Business model > Structure and business activity > p. 28](#)).

NETZ has taken over the water business from REG. It is in charge of drinking water supplies in Stuttgart. Furthermore, it also offers water and waste water operations throughout the whole of Baden-Württemberg. NETZ covers grid-related and other services in the electricity and gas business (www.netze-bw).


Together with other grid operators in the EnBW Group, such as Energiedienst Netze GmbH, Netzgesellschaft Ostwürttemberg GmbH and Erdgas Südwest Netz GmbH, NETZ ensures the efficient and safe operation of the electricity and gas grids across large parts of Baden-Württemberg. EnBW companies also function as reliable local partners with the aim of advancing the Energiewende in an expedient manner. For example, long-standing relationships with municipalities in the electricity and gas grid were concluded in more than 20 grid sectors in the financial year 2013 alone.

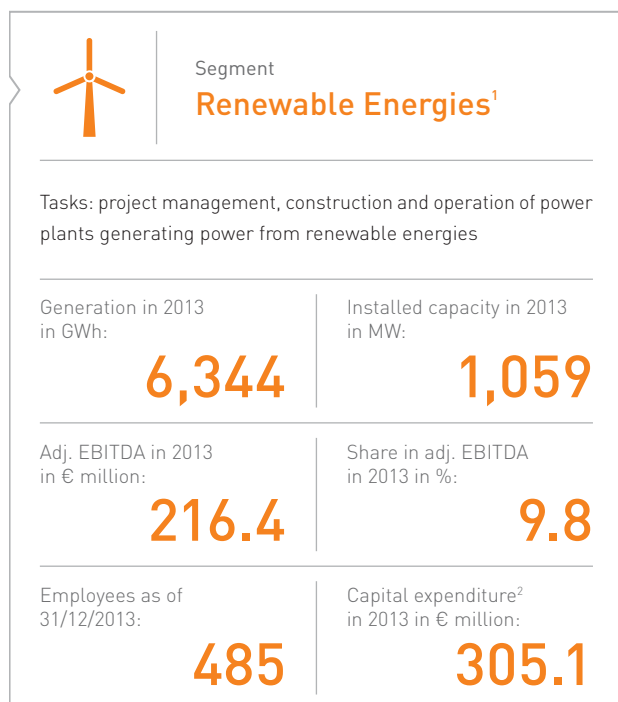
Renewable Energies

EnBW boasts a well diversified portfolio of generation facilities based on renewable energies. Hydropower is particularly significant for historical and geographical reasons.

EnBW is in the process of expanding its generation capacity from renewable energy sources. The Rheinfeldern hydroelectric power station of our subsidiary, Energiedienst Holding AG, which was officially put into operation in 2011, and the EnBW Baltic 1 wind farm, with a generation capacity of 48 MW, were the first milestones in the transforming electricity production in favour of renewable energies. The commissioning of the fifth machine of the Rheinkraftwerk Iffezheim with an output of 38 MW in the summer of 2013 has raised the capacity of the power plant to 148 MW in total. Approximately 120 million KWh of electricity a year can now be additionally generated from hydropower.

Activities in the field of renewable energies encompass the entire value chain, from project development through to operation and management both for the Group's own plants as well as a service provided for third parties. In addition to building new wind turbines, repowering, which involves the modernisation and upgrading of existing facilities, is another potential growth area in Germany.

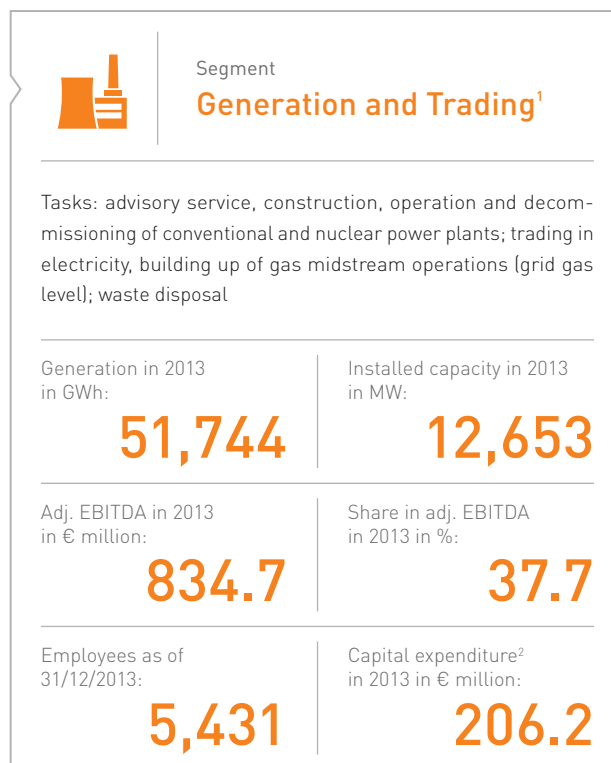
The emphasis we place in the field of renewable energies is on onshore wind farms in Germany and on hydropower and wind farms in Turkey which we realise together with Borusan, our local joint venture partner. More than 160 sites for over 500 wind turbines are being inspected in Baden-Württemberg for their suitability and financial viability. In October 2012 we signed the contracts for a 50 MW wind farm in Balabanli in Turkey, some 120 km to the west of Istanbul. This is currently under construction and is scheduled to go online towards the end of 2014. In mid-December 2013, supplier contracts for five more wind farms with a total output of 207 MW were signed. The EnBW Baltic 1 offshore wind farm had already gone into operation back in 2011. Mid-2013, the foundation work on the offshore construction site was commenced for the EnBW Baltic 2 project which boasts a generation capacity of 288 MW. The realisation of further projects in the North Sea with an overall capacity of an anticipated 1,200 MW depends on the framework conditions under the pending Renewable Energies Act (EEG) . The possibilities for expansion in electricity generation from run-of-river plants in Baden-Württemberg are limited on account of physical geography. Projects in Turkey and Switzerland are under review.



¹ The figures indicated are taken from the segment.

² Capital expenditures on intangible assets and property, plant and equipment.

Generation and Trading



¹ The figures indicated are taken from the segment.

² Capital expenditures on intangible assets and property, plant and equipment.

Owing to the decline in exchange prices which are impacted, among other factors, by the large volume of installed capacity and the provision of energy from renewable sources, the economic situation of thermal power production in Germany which is critical for supplying reliability is deteriorating. Taking account of the current financial position of conventional power plants and based on the statutory provisions, EnBW applied to shut down five conventional power plants with an overall output of 668 MW on 05 July 2013. In mid-December 2013, EnBW was informed by the Federal Network Agency about the approval of the application by TNG for the recognition of the systemic significance of these power plants for 24 months. With a view to safeguarding its legal position, EnBW lodged a complaint with the Düsseldorf Higher Regional Court on 17 January 2014.

The commissioning phase of the highly efficient hard coal power plants in Karlsruhe and Mannheim which are currently under construction, each with a capacity of around 900 MW, has commenced. Commercial commissioning of the power plant in Karlsruhe (RDK 8) has been scheduled for the first half of 2014. The hard coal power plant in Mannheim (GKM 9) is to follow a year later. Furthermore, one of the most powerful and most efficient gas and steam turbine power plants in the world with efficiencies of over 61% is to be built at Lausward in the Düsseldorf port. Its CO₂ emissions

will be 50% lower than the average German power plants. The power plant is to go online in 2015/2016.

EnBW Erneuerbare und Konventionelle Erzeugung AG (EZG) operates the lion's share of EnBW's power plant fleet. Electricity and district heating are generated from facilities using a range of energy sources. Most thermal power plants are operated as environmentally compatible combined heat and power facilities (🔗 www.enbw.com).

EnBW Kernkraft GmbH (EnKK) is responsible for operating the Philippsburg 2 (KKP 2) and Neckarwestheim II (GKN II) nuclear power plants as well as managing the post-operation phase of the Philippsburg 1 power plant (KKP 1) which was shut down in March 2011 and Neckarwestheim I (GKN I) and the decommissioning of the Obrigheim (KWO) power plant. The application for permission to be granted for the shut-down and initial decommissioning of KKP 1 and GKN I were submitted on 24 April 2013. The KKP 2 and GKN II power plants will lose their licence for power operation once the cut-off allowance allocated under the law has been consumed but at the latest on 31 December 2019 and on 31 December 2022 respectively (🔗 www.enbw.com).

EZG is active in the field of waste disposal, as is Stadtwerke Düsseldorf AG. In this area, the EnBW Group concentrates on the disposal of waste in thermal waste treatment plants and the related waste-to-energy management and recycles around 1.3 million tons of waste a year. The activities relating to thermal waste management are based on long-term contracts with districts and towns in Baden-Württemberg and North Rhine-Westphalia ensuring waste disposal reliability for the municipal partners.

Already in 2007, EnBW secured long-term rights to use salt caverns in the region of Etzel for the purpose of storing natural gas. Since the end of September 2012, **EnBW Etzel Speicher GmbH**, a wholly-owned subsidiary of EnBW Erneuerbare und Konventionelle Erzeugung AG, has been in charge of a natural gas storage facility in Etzel. In order to achieve synergy effects, EnBW and Electricité de France (EDF), which also controls storage caverns in the Etzel region, have established a 50:50 joint venture to secure the commercial operation of the above-ground facility (🔗 www.enbw.com).

EnBW Trading GmbH (ETG) operates in the field of trading and procurement and forms the interface between generation and sales as well as the wholesale market. This entity is responsible for trading with physical and financial products for electricity, primary energy sources (coal, gas, oil) as well as CO₂ allowances 📄 and guarantees of origin. Accordingly, ETG is responsible for the fuel procurement and logistics, emission allowance management, electricity marketing as well as power station deployment planning and management with regard to EnBW's generation portfolio. As one of the suppliers of balancing energy 📄 in Germany, it supports the transmission system operators in terms of system security. In addition, ETG has taken over the commercial optimisation of EnBW gas assets and contracts and is in charge of securing the medium and long-term gas procurement volumes for EnBW by way of its own import contracts and investments in the requisite infrastructure. For the sales function, it ensures that energy needs are covered.

ETG trades on the most important energy exchanges across Europe, including the European Energy Exchange (EEX) in Leipzig, the European Power Exchange (EPEX Spot) in Paris, the NordPool Spot (Elbas) in Oslo, the Energy Exchange Austria (EXAA) in Vienna, and the International Commodity Exchange (ICE) in London. In addition, ETG is active in OTC (over-the-counter) trading 📄 with some 170 German and international partners.

As part of its activities, it also assumes the function of risk manager for market-related risks along the value added chain. These are, in particular, price and quantity risks relating to procurement and sales. In addition to supporting the operating business, ETG also trades for its own account, subject to strict regulations and caps.

In dialogue with our stakeholders

Maintaining active dialogue with all the company's stakeholders is important to EnBW. The company uses the stimulating exchange of views to record the requirements and wishes of its stakeholders while taking the opportunity of explaining its own interests and aspirations. This creates mutual understanding and trust as well as acceptance in society as a prerequisite for underpinning entrepreneurial activity.


EnBW and its stakeholders



Our stakeholders

EnBW influences the lives of millions of people by virtue of its size and significance, the key role it plays in providing elementary infrastructure and the impact of its activities on the environment. We are aware of this responsibility and actively seek dialogue with all stakeholders within and outside the company. In dialogue with our stakeholders, we listen carefully to their interests, expectations of EnBW, needs and wishes and take them into account in developing our corporate strategy and in our business decisions. The systematic approach to dialogue with external stakeholders is to reinforced in the future. At the same time, we inform for all stakeholders about the company's needs and the necessary prerequisites for an efficient, reliable and sustainable supply of energy. This dialogue fosters mutual understanding and acceptance in society which forms the basis for EnBW's business.


Customers: Customers are among EnBW's most important stakeholders. We regularly exchange information with our customers in addition to our basic service offerings. In the **EnBW-Online Customer Centre** residential and commercial customers can inform themselves about their electricity tariffs and transfer their electricity readings from the comfort of their homes or check their consumption. Furthermore, it is possible to obtain information in the local **Customer Centres** and clarify any questions face to face. The individual brands of the EnBW Group also promote dialogue with their customers. With this in mind, Yello Strom invited customers to **workshops** in Cologne in order to develop innovative product ideas. In addition, the **"Stuttgart Campaign"** supports the process of dialogue between EnBW employees and the citizens of Stuttgart. Furthermore, EnBW participates in numerous **trade fairs** – in 2013, for instance, we were represented at E-world in Essen, at the CEB Clean Energy Building in Stuttgart and at the World of Energy Solution. Together with

partners, new solutions for the “Smart Home”  were presented at the International Consumer Electronics Fair (IFA) in Berlin. “EnBW Energy Efficiency Networks” provides a service to encourage the exchange of information between companies. The aim is to address topics concerning energy together, to share our experiences and to achieve results about energy efficiency more effectively. To date more than 260 companies have participated in 26 efficiency networks organised throughout Germany by EnBW, 14 of which have already been concluded.





Municipalities and public utilities: Maintaining dialogue, which was stepped up in 2013, and fostering collaboration with municipalities and public utilities is a key concern of EnBW. EnBW invited some 1,200 local politicians and energy experts to the **4th Baden-Württemberg Municipal Energy Day** in March. This is a platform designed to encourage the exchange of information on the subject of municipal energy supply. In addition, experts discussed the status and goals of expanding wind energy at the **Wind Energy Event** in April. EnBW has hosted select **groups of visitors**, including public utilities, municipalities and politicians from local and regional politics, at **renewable energy power plants** since 2010. In 2013, EnBW welcomed 2,245 visitors to the EnBW Baltic 1 offshore wind farm in the Baltic Sea, for instance, as well as to onshore facilities in Schopfloch in the Black Forest and in Berghülen. Of the more than 100 events organised a year for municipalities with annual invitations issued by EnBW, some ten **Regional Advisory Council meetings** count among the most important ones. Municipal decision makers meet EnBW management at these events. As part of the “Sustainable City” model, EnBW has partnered the **Information Centre in Leutkirch** since April. This sets the stage for a marketplace of communication and showcases the successes and opportunities while making the sustainable city a tangible experience. Following the combination of the Gas-Gemeinschaft Baden-Württemberg with EnBW Energiegemeinschaft, the new **EnBW Energiegemeinschaft e.V.** imparts topical expertise and knowledge on energy and technology to more than 3,000 members.

Shareholders, investors and banks: The Investor Relations Department is responsible for EnBW’s capital markets communication. The aim is to promote open, constructive and ongoing dialogue with shareholders, investors and banks. We supplement our disclosure duties fulfilled by our quarterly and annual financial reports by organising **telephone conferences** and, in this context, making investor presentations as well as numerous **investor relations press releases** throughout the year. Moreover, our shareholders are provided with extensive information at the **Annual General Meeting**. Institutional investors, both on the equity and borrowed capital side, as well as analysts and rating agencies are informed on a one-to-one basis and in group discussions. Our multi-day **Investor Update** for key European financial markets such as Frankfurt, London and Zurich takes place in the early months of the year. In addition, we have set up other

dialogue platforms to support personal communication. This includes the annual **Bank Day** which we have held for more than a decade for representatives from our principal banks which participate in the syndicated loan. EnBW arranged a **Capital Market Day** for the first time in 2013. This analysts’ event, which takes place once a year, constitutes another platform for dialogue. Similar to the Bank Day, EnBW’s Board of Management members present topical issues and are available to the participants for a question and answer round. On the occasion of the Capital Market Day 2013 we published the second edition of the **EnBW Factbook** with a detailed collection of facts and figures on the company and the market environment.

Employees: The group of employee stakeholders includes all employees, managers, works council members and other members of employee committees as well as potential applicants and the entire labour market. Accordingly, the instruments of stakeholder dialogue reflect this complexity and include, for instance, Intranet and Internet contributions, communication via e-mail, **career trade fairs** and **information events for employees** arranged locally. The Board of Management places emphasis on maintaining dialogue with the employees. It has engaged more frequently and regularly in open dialogue since 2013. Another important instrument of dialogue in this context was the **employees survey** conducted in the autumn of 2013 ( The EnBW Group > Non-financial performance indicators > p.84).

Corporate social responsibility: The focus of dialogue with society at large is on direct contact with residents living in the vicinity of large-scale technical installations and on discerningly informing the interested public. **EnBW information centres** at a number of locations enable people to gain an insight into the operation of power plants and inform themselves about topics relating to the energy industry. More than 41,000 visitors took up the offer to visit EnBW in 2013 (2012: more than 45,000), learn about the entire energy mix used by EnBW and gain an insight into renewable, conventional and nuclear energy generation. To contribute to a better understanding of the interaction between the energy industry and climate protection as well as to safeguard Baden-Württemberg as a research location, EnBW set up a **foundation for energy and climate protection in Baden-Württemberg (Stiftung Energie & Klimaschutz Baden-Württemberg)** in 2007. The aim of this international network of renowned experts is to encourage a cross-border, fact-based and even controversial discussion of measures in the field of energy consumption and generation that can help to achieve the climate protection targets. EnBW is involved in research and development and actively seeks to engage in dialogue with the business and scientific communities. At the end of November 2012, we presented the report commissioned from Frontier Economics on “The Future of the German Renewable Energies Act – Options for Action and Approaches to Reform” to the specialist community. In September 2013, we were one of the initiators, together with

the Massachusetts Institute of Technology (MIT) and the Technical University of Berlin, of a two-day conference on the subject of “Paths towards a New Energy Market Design”. We host our “Energy and Business Club” three times a year in Berlin and Stuttgart to discuss topical issues of energy policy and the industry with leading experts and interested experts from the public. We use **social media** such as Facebook ( www.facebook.com/EnBW), Twitter ( www.twitter.com/EnBW) and YouTube ( www.youtube.com/user/EnBW) to provide information on our activities and to engage in dialogue with our target groups. Our posts mainly deal with the topics of saving energy, innovative products and career opportunities, but also corporate announcements by EnBW. The end of January saw our new online platform ( www.dialog-energie-zukunft.de) go live which is committed to taking a neutral stand and encourages expansive and controversial discussion on energy topics. The special **“DIALOGUE. ENERGY. FUTURE”** blog is intended to reflect a broad swathe of public opinion, thereby fostering the exchange of opinion on current issues and fundamental topics pertaining to the Energiewende. In order to cover as wide a range of opinions as possible, we ask experts from the world of politics, commerce, research, civil society and the press to share their views. We are happy to have the opportunity of contributing our expertise in the energy sector to this discussion. Our slogan is “Rethinking energy together”.

Politics: At the political level, we also engage in open and regular discussion. The Commerce and Policy/Sustainability Department maintains **representative offices in Berlin, Stuttgart and Brussels** with the aim of promoting political dialogue with the Federal government and the individual federal states as well as with the EU. We pursue political initiatives and legislative processes, reports within the Group and represent the Group’s standpoint in our contributions to the political debate. We actively participate in developing informed political opinion and provide stimulus in respect of all important issues involving the Energiewende (promoting renewable energies, market design and grids, for example). We seek to engage in dialogue with the German parliament, the government, stakeholder and non-government organisations (NGOs) and give advice on legal and economic framework conditions. We achieve this through **position papers**, organising our own **special events**, conducting **background discussions** and involving our stakeholders in events. Our objective is to promote the exchange of expert opinion, demonstrate our willingness to communicate and maintain dialogue.

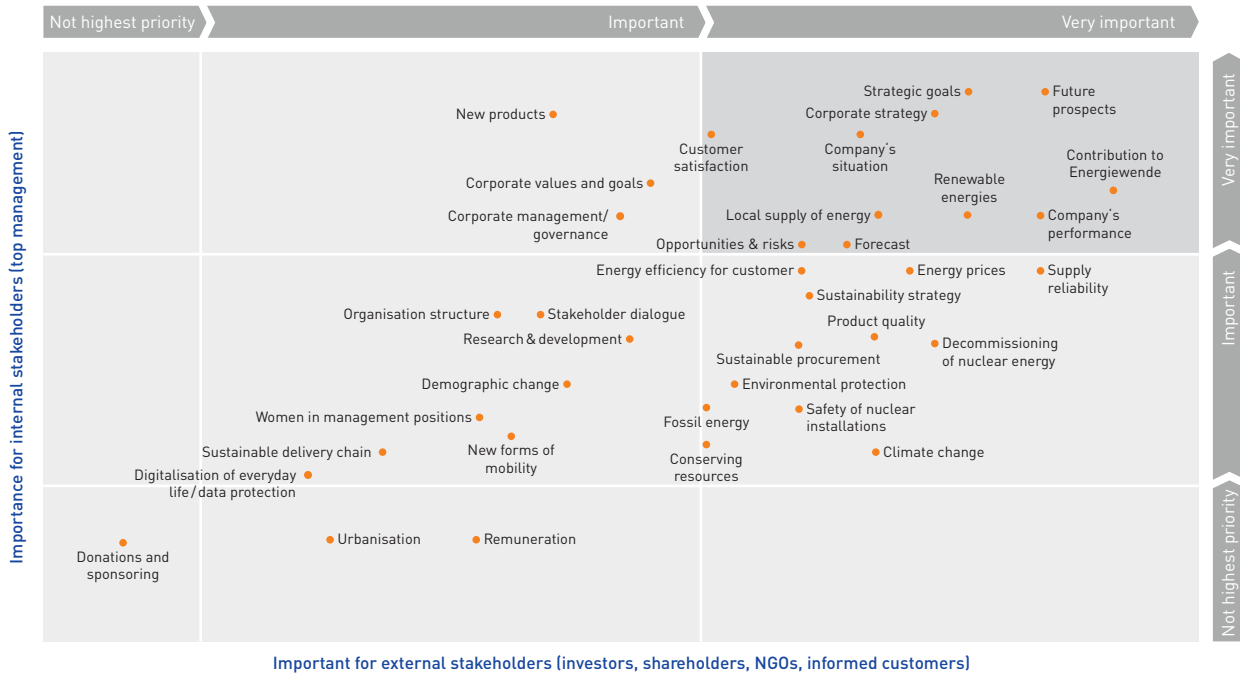
We do not make any donations to politicians, parties or political institutions. At EnBW, we have adopted stringent compliance and sponsoring rules and regulations which we also apply to our lobbying activities. EnBW is, for instance, represented at party conventions with its logo, supports festive and business events where the emphasis is on dialogue and advertises to a limited extent in party-linked journals. Our intention is to show a presence and the political will for change, which we view as a contribution to developing informed political opinion. We remain impartial and review enquiries from all established parties for sponsoring or advertising by applying the same criteria and commit ourselves in a balanced way. We document our sponsoring rate contractually and receive appropriate consideration for our financial contribution, for example our logo displayed on sponsorship billboard or our name printed in the invitation. Our advertisements are part of the Group’s overall advertising planning, and we only pay the customary prices derived from the media data. EnBW is also actively engaged in environmental policy. For instance, EnBW and State Office for the Environment, Measurements and Nature Conservation of the Federal State of Baden-Württemberg (LUBW) hold the first **nationwide symposium for amphibian protection**. EnBW also encourages the political exchange of information at international level. With this aim in mind, Dr. Frank Mastiaux accompanied German Chancellor Dr. Angela Merkel to Turkey in February 2013. In November 2013, community representatives from Eastern Europe informed themselves about renewable energies in the Bruchsal geothermal power station.

Materiality matrix

EnBW systematically carried out a materiality analysis in 2013. The aim of this analysis was to prepare a materiality matrix which would serve as an overview of key issues based on a survey on the most important stakeholder groups of EnBW and EnBW top management. The issues which, from an internal and external perspective, were deemed particularly important and which make a contribution to sustainable value added, will be given special attention in future. With the support of a professional polling agency, three representatives each from the investor and analyst, public-sector owner, customer and civil society stakeholder groups respectively were asked what topics were particularly relevant to EnBW as well as to adding value and contributing to the company’s success.

With this approach as a basis, we were able to derive the EnBW materiality matrix:

Materiality matrix



The analysis shows which financial and non-financial topics will be of special strategic importance for EnBW's development in the future. The issue was deemed to be particularly significant if it was assigned great importance by the stakeholders as well as EnBW, which put it in the right upper quadrant of the materiality matrix.

Issues identified as very important included the future prospects of the company, strategic goals, the contribution to the Energiewende, company's performance, renewable energies and the local supply of energy. As part of the Group's "Integrated Reporting" project, non-financial topics were attributed a special importance: issues such as customer satisfaction, energy efficiency and supply reliability were therefore integrated into the EnBW 2020 programme (Strategy and goals > strategy > p. 43 et seq.). Taking this a step further, the insights gleaned were integrated into the structuring of the Annual Report 2013. There are plans to ensure that materiality analysis continuously evolves and to repeat it at regular intervals of two to three years in order to encompass the development of individual issues in the future as well.

EnBW as part of society

EnBW is aware of its responsibility towards society. It sees itself as a company committed to the region within its scope of influence, first and foremost Baden-Württemberg. EnBW conducts its business in close customer proximity and aligns its activities to the target groups of end customers, business partners and municipalities. Promoting children and young people with a view to securing their future is especially dear to EnBW. To this end, it provides support primarily in the areas of educa-

tion, knowledge and learning. In line with its core competencies, it focuses especially on the issues of energy, water and technology. For instance, the EnBW energy kit supports early childhood education in kindergartens. The kit includes experiments suitable for pre-school-age children to gain an understanding of scientific facts and also energy phenomena.

Interaction and involvement are guiding principles which delineate another area of EnBW's corporate commitment. "ECHT GUT! Das Ehrenamt in Baden-Württemberg" ("REALLY GOOD! Voluntary work in Baden-Württemberg") (www.echtgut-bw.de) is an initiative of the local government aimed at strengthening the voluntary and civil commitment so essential to our society. EnBW backs this initiative. Grass-roots sports also features among the sponsoring priorities: The EnBW junior premier football league, the "Landesturnfest" (country gymnastics festival) and sponsorship of running events are a few examples in this area.

Over and above financial sponsoring measures, EnBW employees also show their own personal commitment to society: Around 1,000 EnBW employees had themselves registered with the German Bone Marrow Donor Agency (DKMS) in the context of a stem cell typology campaign in 2011. EnBW's Occupational Medicinal Team called for a response to this campaign in the company. The typology costs of € 50 for each examination were footed by EnBW. With their commitment, EnBW employees took a great deal of social responsibility on themselves. After all, every fifth person is still not able to find a suitable stem cell donor. Taking stock in 2013: In the meantime, four EnBW employees have contributed to saving lives through donating their stem cells.

Strategy and goals

As a major participant in the Energiewende, EnBW takes advantage of the opportunities arising from the changing energy market and safeguards its competitiveness. The requisite strategic alignment is taking place in accordance with our EnBW 2020 goal system gleaned from in-depth dialogue with our internal and external stakeholders. Five goal dimensions have been derived from the corporate strategy: finance, customers, employees, compliance and ecology.

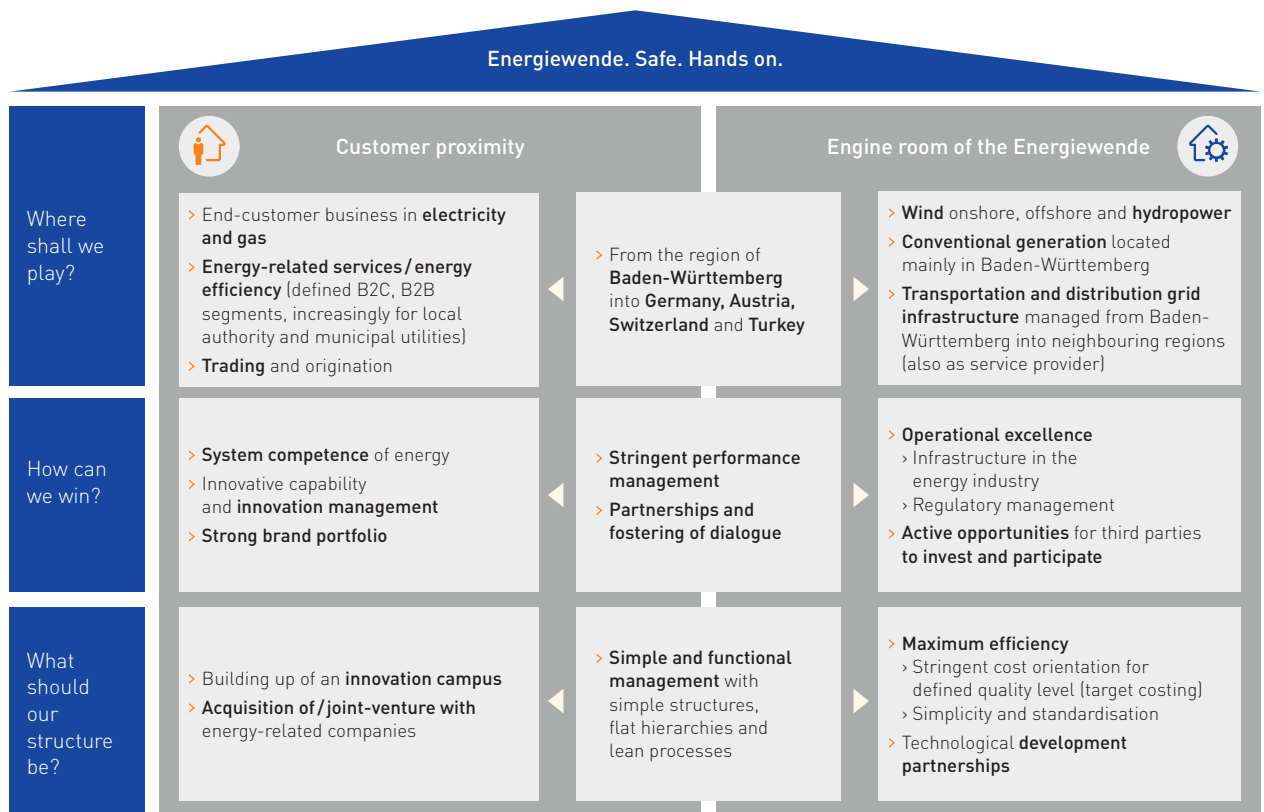
Strategy

“Energiewende. Safe. Hands on.” is the motto of the EnBW 2020 corporate strategy. We want to play an active, exemplary role in shaping tomorrow’s world of energy and developing sustainable growth options for ourselves. EnBW brings its extensive experience in system expertise to bear on implementing the sustainable energy supply of the future on a basis that is technically safe and secure, ecologically

responsible, and commercially and financially successful. In this way, the company is making a contribution to successfully addressing a major social challenge. At the same time, EnBW as a major participant of the Energiewende and as a company which is sustainably positioned is securing its future viability while differentiating itself from its competitors.

The EnBW Strategy House captures the EnBW 2020 corporate strategy in a nutshell:

Strategy House





Two operating models

Customer proximity: Customers are at the heart of the EnBW 2020 Strategy. Consistent innovation management, shorter time-to market for new products and services and balanced partnership models have become key components. The business with and for municipal utilities and local authorities is to be expanded as an important segment, primarily based on partnership cooperation models. EnBW aims to establish advantages over its competitors with customer-specific system and full-line solutions, innovations and a strong brand portfolio. An innovation campus supports swift forward-looking product development. It is set to distinguish itself through market proximity and concentrating the necessary competences of research and development all the way through to sales, flanked by entrepreneurial thought and action. Particularly the area of energy-related services partnerships, select company acquisitions are intended to round off the know-how and the products and services range.

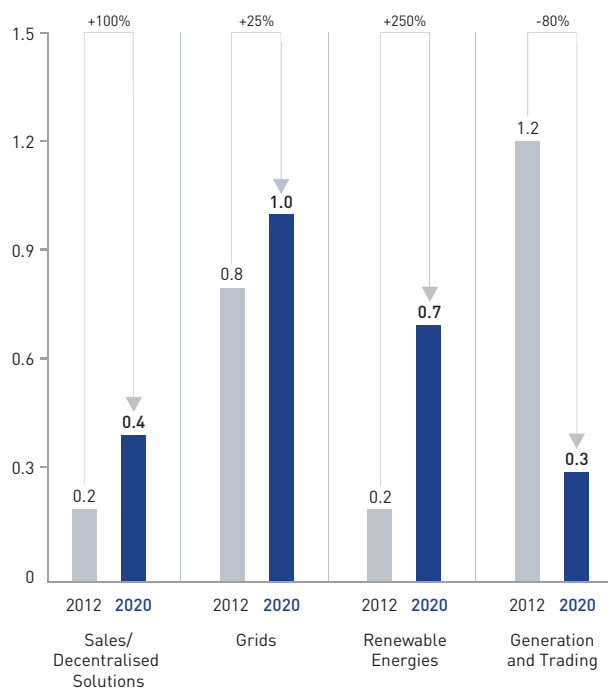
Engine room of the Energiewende: In operating infrastructure critical to the system, particularly with regard to renewable energies but also conventional energy production as well as energy transmission via transport and distribution grids, what count are efficiency, safety, simplicity and flexibility. EnBW relies on operational excellence, stringent efficiency and cost orientation for defined quality standards, and on standardisation. Technological development partnerships serve to minimise costs and risks. In addition, EnBW actively offers opportunities for investing in grids and power plants, especially to local authorities. Furthermore, it provides back-office solutions for third parties. In the “engine room of the Energiewende” EnBW’s competence secures the reliable supply of energy which must also be guaranteed even during work on converting the energy environment.

Realigning the business portfolio


EnBW views the objective of more than trebling its share of renewable energies in its generation portfolio, lifting it 19% today to more than 40% by 2020. We aim to boost our onshore wind parks’ capacities from currently around 200 MW of output to around 1,750 MW, for example. We have also identified major potential in the repowering  of our own and thirdparty wind farms. Offshore wind power presents further option for growth. By investing extensively in grid expansion, we will be making a substantial contribution to the infrastructure required by the energy system. Marked revenue growth from innovative products will become a further important pillar of the company’s business. By 2020, earnings – the target value of adjusted EBITDA stands at between €2.3 and €2.5 billion – are

to be raised to total of around 40% from our strategic reorientation. At the same time, portfolio restructuring will increase the overall share accounted for by the stable and regulated grid business and renewable energies from currently 40% to more than 70% by 2020. This will serve to make EnBW business risk profile considerably more robust, thereby contributing to stabilising the cost of capital ( Forecast > Corporate strategy and future development of the company > p. 116 et seq.).

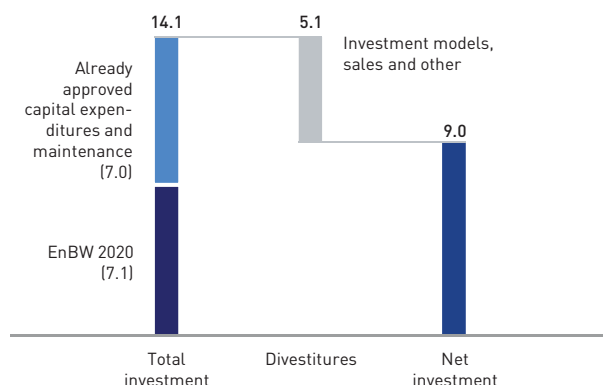
Development of adjusted EBITDA 2012–2020
in € billion



Extensive investments and divestitures

We aim to invest €14.1 billion in total through to 2020. In these endeavours, our emphasis will be on expanding industrial-scale wind and hydropower. Moreover, we will also be concentrating on the targeted expansion of our transportation and distribution network, all the way through to smart grids . On a regional basis, and from our core market of Baden-Württemberg, we will be focusing our activities on Germany, Austria, Switzerland and Turkey. To create financial headroom for these extensive investments, we have considerably extended our divestiture programme, with conventional divestitures and cash flow from participating investment models as well as the disposal of assets and subsidies, to around €5.1 billion.

Investments and divestitures as part of the portfolio streamlining in € billion



ONE EnBW

The motto of “ONE EnBW” stands for an organisation geared to performance, rapid decision making and maximum efficiency, as well as a strong orientation towards customer requirements. EnBW’s strategic realignment is underpinned by the Group’s new concept for an organisation structure, its repositioning, a new management model and the restructuring of the finance organisation. The complexity of the EnBW Group is to be considerably reduced through aggregating important Group companies. The implementation of the new structure commenced on 01 August 2013 and is scheduled for completion on 01 May 2014, with retrospective economic effect as per 01 January 2014. The aim is to realise the model of an integrated group. In future, the Group will be managed via business units and functional units. Core business activities will be concentrated under the business units. The functional units will assume groupwide support and governance tasks. The model of a central holding company will be dispensed with, along with numerous company executive and supervisory bodies and functions in top management. By reducing the number of executive and supervisory bodies and streamlining management levels, EnBW anticipates efficiency gains in double-digit million range (Business model > Structure and business activity > p. 28).

In the interest of promoting the concept of performance, the consistency of the financial organisation will be ensured by having all the commercial managers of all business units report directly to EnBW’s Chief Financial Officer. The Board of Management will focus on managing the Group strategically and on managing the business and functional units by applying stringent performance management and control in material matters.

Development of business and functional strategies

The business units use the approved corporate and portfolio strategy to derive their individual business strategies as well as specific initiatives and measures. The respective strategic role of the business unit, its performance targets through to the year 2020, as well as the necessary investments and divestitures over this period form the general maxims. In consideration of our fundamental understanding of conducting sustainable business, we strive to act in a sustainably profitable as well as socially and ecologically responsible way.

Crafting the functional strategies (for instance, Personnel, IT, Procurement and Compliance) involves defining how the units will contribute to achieving the objectives at corporate/business strategy level. The uniform and structured process for developing detailed strategies at the business and functional levels ensures a thorough drilldown while maintaining the quality as well as optimal integration.

The EnBW 2020 programme was initiated in order to implement the new strategy. A team which has a long track record across all EnBW’s stages in the value chain coordinates and incorporates the initiatives and projects in a transformation process. Other core tasks of the EnBW 2020 platform consist in accompanying the change in the corporate culture and in communication. The EnBW 2020 programme serves to secure the realignment of EnBW on a sustainable basis.

The goals of the EnBW 2020 Strategy

- Secure EnBW’s competitiveness and open up long-term growth options.
- Make EnBW a key participant of the Energiewende.
- Differentiate EnBW from its competitors.
- Define and map measurable goal and a binding promise to deliver.
- Convince through an innovative implementation concept and management concept.
- Inspire EnBW employees.

Goals

EnBW's performance management system (PMS) was extended to include non-financial goals in the reporting year and now comprises five dimensions: finance, customers, employees, compliance and ecology. It integrates the financial and non-financial aspects of our business activity, provides EnBW's stakeholders with a comprehensive picture of the company in an economic, ecological and social context and forms the basis for the future integrated reporting within the company and externally. This approach safeguards

the tenets of key sustainability standards such as the UN Global Compact and the Global Reporting Initiative, to mention a few, and thus the development of EnBW as a sustainable going concern.

TOP The goal matrix below shows EnBW's goal system and the top performance indicators with their actual values in 2013 and target values in 2020. Furthermore, the goal dimensions and top performance indicators are described in detail:

Financial and non-financial key performance indicators and targets

	Goal	Key performance indicator	2013	Target in 2020
Finance	Securing profitability	Adjusted EBITDA in € billion	2.2	2.3–2.5
	Safeguarding the good credit rating	Dynamic Leverage ratio	3.28	< 3.3
	Raising the Group's value	ROCE in %	9.7	8.5 – 11
Customers	Avoiding greenhouse gas emissions ¹	Avoided CO ₂ emissions in million of tons	5.4	8.8
	Increasing brand attractiveness	EnBW/Yello Brand Attractiveness Index	42/38	44/40
	Customer proximity	EnBW/Yello Customer Satisfaction Index	111 / 148	> 136 / > 159
	Supply reliability	SAIDI ² (electricity) in min/year	15	< 25
Employees	Employee commitment	Employee Commitment Index (MCI)	58	65
	Occupational health & safety	LTIF	5.9	≤ Year-earlier figure
	Health protection	Sickness absence rate in %	4.5	4.0
Compliance	Avoidance of compliance breaches	Employees trained in corruption prevention and antitrust law in %	86.9	85
Ecology	Realise reduction potential of greenhouse gases	CO ₂ intensity of own electricity generation in g/kWh	403	< 450
	Expand renewable energies (RE)	RE installed capacity in GW and RE share in generation capacity in %	2.6 / 19.1	5.0 / > 40

¹ Owing to changes in the calculation methodology, the figures are not comparable with the data previously reported.

² Figure valid only for Germany.

Goal dimension finance

The top performance indicators of the finance goal dimension are elaborated as follows:

TOP **Securing profitability:** EnBW's main financial goal is to secure the company's profitability. The consistent implementation of the EnBW 2020 corporate strategy secures the company's sustainability in an environment hallmarked by radical change. The importance of traditional sources of

earnings, particularly the Generation and Trading Segment, is gradually dwindling. In the years ahead, external factors, uppermost the foreseeable decline in the wholesale prices of electricity and the cost of restructuring the company, are set to exert considerable pressure on EnBW's earnings trend. New, promising business activities are intended to close the gap. The top performance indicator of adjusted EBITDA targets a level of between €2.3 billion and €2.5 billion by 2020. This would bring the operating results back to the level

achieved mainly by the Generation and Trading Segment prior to the Energiewende. The regular business and the Renewable Energy Segment should then together make up around 70% of this result.


TOP Safeguarding the good credit rating: The Group's operating cash flow is likely to remain positive in each financial year through to 2020, which is also imperative for financing of the considerable capital expenditure envisaged. This is supplemented by extensive divestitures and a notable drive towards lowering costs and raising efficiency throughout the entire Group. The concerted securing of the company's profitability is aimed at securing EnBW's access to the capital markets any time at reasonable conditions. As in the past, EnBW will take all the measures necessary for safeguarding its good credit rating. This sets clear boundaries as to the scope for adjusted net indebtedness. EnBW manages the ratios relevant for credit rating through the dynamic leverage top performance indicator which, with a derived parameter of 3.3, is currently the equivalent of a rating agencies' A rating. This target is not to be exceeded in the years through to 2020, with leverage remaining within narrow boundaries in proportion to the operating results.


TOP Raising the Group's value: EnBW holds fast to its declared goal of achieving a return on capital employed within the company, benchmarked against competitors and from the standpoint of the capital market, and to increase the company's value. The company's value rises when the return on capital employed (ROCE) is greater than the interest required for this capital. This difference is multiplied by the capital employed, which includes all assets from the operating business, to give the value added. If ROCE exceeds the cost of capital, the contribution to value is positive (The EnBW Group > Financial performance indicators > p. 81 et seq.). ROCE targeted for 2020 lies between 8.5 and 11%, meaning that EnBW has achieved an attractive return in the capital market environment and compared with other investment alternatives.

Goal dimension customers

This goal dimension comprises the four performance indicators described below:

TOP Avoiding greenhouse gas emission: One of the Energiewende's primary goals is climate protection through lowering greenhouse gas emissions and the efficient use of energy. The top performance indicator of avoided CO₂ emissions measures our contribution to achieving this goal. It comprises the activities of EnBW, both within the company as well as with the customer, which support the implementation of the Energiewende.

- > Projects aimed at enhancing energy efficiency and expanding renewable energies, as well as the sale of bio natural gas to our customers
- > Expanding renewable energies and energy supply contracting  at EnBW

Avoided CO₂ emissions are calculated once a year for the following individual components: electricity savings from energy efficiency projects at customers are assessed by measuring the CO₂ intensity  of the electricity mix in Germany. Avoided CO₂ emissions – through expanding renewable energies at customers – are calculated by multiplying the electricity volume generated by the publicly accessible avoidance factors of the German Federal Environmental Agency. Bio natural gas is compared with the CO₂ intensity of fossil natural gas.

The method of calculating avoided CO₂ emissions through the expansion of renewable energies applied at EnBW is analogous with the method described above. Energy supply contracting is calculated by a ex ante/post analysis of the CO₂ intensity of the local energy generation. The associated CO₂ avoidance is calculated from the volume of electricity/heating produced measured against the CO₂ intensity.

By far the largest contribution to this ratio is attributable to the expansion of renewable energies at EnBW. The German Federal Environmental Agency's avoidance of factors depend on Germany's generation portfolio and change regularly without us being able to influence them. The target value for 2020 stands at 8.8 million tons of avoided CO₂ emissions. EnBW's contribution to climate protection is therefore active and measurable. The target value, however, is subject to uncertainty prevailing as to the future trend of the avoidance factors. We have nonetheless selected this ratio because it allows several avoidance activities to be calculated together – in the knowledge that external factors exist that are outside of our sphere of influence.

TOP Increasing brand attractiveness: The top performance indicator of the Brand Attractiveness Index run by an external provider measures the consumer's perception of the attractiveness of our brand across sectors. It incorporates ten different facets. The ratio reflects consumer perception in terms of their feelings and understanding as well as their behavioural patterns in respect of the brands, thereby encompassing all aspects relevant to attitude-oriented brand strength. This measure permits a valid picture of the relative attractiveness of the brand in its competitive environment and allows a forward-looking assessment of brand success. This key indicator is surveyed for the Group's two core brands – EnBW and Yello Strom – for which correspondingly extensive databases are available. The Brand Attractiveness Index is expected to settle around 44 for the EnBW brand and 40 for the Yello brand by 2020. Strong brands support sales and acquiring new customers.

EnBW is set to change from a facilities-focused organisation to a customer-oriented enterprise: In place of generating capacities' scope and grid lengths, the providing of customised solutions and products tailored to the specific needs of our various customer groups will be the key factor for the company's future success. A precondition lies in recognising customer requirements at an early stage and responding to them through maintaining dialogue with our customers. We also need to strengthen our innovation capacity in order to bring ideas swiftly to the market. An instrument promoting this purpose consists of the Innovation Campus ([Research and innovation > Structure > p. 52 et seq.](#)). Small entrepreneurial, dynamic teams will develop and test new business models in an environment which is deliberately set apart from the Group's structures.

EnBW's sophisticated system competence is another key factor for success which we intend to leverage in the competition to win customers. Many of our end-customers have become energy-producers themselves. Sourcing the commodity of energy is of minor importance to them. Instead they need a reliable system partner and an adviser at hand. EnBW aspires to be this partner by changing its image and view of itself, entering into partnerships on equal terms, and by offering cooperation and investment models where the risks and rewards are equally distributed. Specific developments are already in the pipeline: products in the energy management area geared to optimising the energy consumption of private households and industry, network-related services for smart grids [as well as smart home](#) and electro-mobility applications [as well as smart home](#). Moreover, it will be important to strengthen EnBW's brand portfolio and to charge brands positively in the competitive arena. Finally, we will adjust our Sales Segment to the new requirements, establish efficient key account procedures, for instance for supporting municipalities and public utilities, and generally deepen our sales expertise.

TOP Customer proximity: The Customer Satisfaction Index top performance indicator reflects an integrated analysis of retail end customer satisfaction standards which are directly linked to customer loyalty. It is derived from customer surveys carried out by an external provider. We surveyed this key indicator for the Group's two core brands, EnBW and Yello Strom. Correspondingly, extensive databases are available in this context. By 2020, we anticipate values of > 136 for EnBW and > 159 for Yello, which would reflect strong customer loyalty.

TOP Supply reliability: EnBW accords the utmost priority to guaranteeing supply reliability for its customers. SAIDI¹ (System Average Interruption Duration Index) serves as one of our top performance indicators: It expresses the average length of supply interruption experienced by each connected customer a year. The SAIDI calculation includes unscheduled downtime with interruptions lasting more than three

minutes. The calculation methodology is based on regulations issued by the VDE (German Association for Electrical, Electronic & Information Technologies) for reporting on supply interruptions in electricity grids.

¹ Figure valid only for Germany.

Goal dimension employees

EnBW wishes to be an attractive employer. This is the only way for us to permanently retain the core competencies so critical to the success of our business processes within the company. At the same time, we are committed to the principle of sustainability and take our commitment to employees and corporate social responsibility very seriously. This is reflected, for instance, in comprehensive measures to promote job security and occupational health and safety management ([The EnBW Group > Non-financial performance indicators > p. 84](#)).

TOP Employee commitment: The Employee Commitment Index (MCI) expresses the degree to which employees identify with EnBW. Data is collected in the context of the employee survey. It comprises various dimensions such as satisfaction with the contract of employment, loyalty and commitment to the company, identification with the company and its goals, willingness to perform and dedication, as well as trust in the company's future. An above average result for this dimension indicating an above-average MCI shows us that we have been successful in convincing our employees and engaging their willingness to accept the changes resulting from EnBW's strategic realignment. In achieving the target value of 65 points by 2020, we would be positioning ourselves in the upper third tier of companies in Germany. We are convinced that we will only overcome the challenges in the energy industry environment which EnBW currently faces with the above-average commitment of our employees behind us. Only if our workforce espouses our corporate goals and implements them with dedication will this secure the long-term success of our company.

TOP Health and safety management: The two top performance indicators of LTIF (Lost Time Injury Frequency) and sickness absence rate reflect our obligation to care for our employees and our responsibility for their health and physical integrity. LTIs (Lost Time Injuries) denotes the number of accidents during working hours which have occurred exclusively on the basis of a contract of employment from the company, applying at least one day of absence, and is used to calculate LTIF. LTIF indicates how many LTIs have occurred in proportion to one million working hours. The ratio includes all employees of the EnBW Group, excluding temporary agency workers. By 2020, this ratio should have been kept as far as possible below the respective prior-year value. Continuously building up our health and safety measures will help us to lower the number of critical events in the company in the long term and establish a culture of health and safety at work throughout the whole company.

The sickness absence rate is calculated from the number of hours not worked owing to sickness leave. In view of the above-average age structures in some of the companies, it has been more than the length of absence due to sickness rather than the number of employees falling sick. We pay particular attention to employees with long-term illnesses. We operate a systematic company integration management to facilitate their return to working life on a permanent basis. In addition, we continuously invest in prophylactic measures aimed at supporting our employees in caring for their own health. Given the longer working life and the associated growing probability of absence in the company due to illness, our aim is to promote prevention and achieve a sickness absence rate of 4% by 2020.

Goal dimension compliance

The EnBW Group's compliance activities are focused on prevention, detection and the sanctioning of corruption and violations of competition and anti-trust law as well as data protection. EnBW's compliance management system is geared to avoiding liability risks and averting damage to the Group's reputation and offers an advisory and orientation function for managers and employees in an increasingly complex regulatory environment. In addition, the system minimises risk while raising efficiency by coordinating existing compliance activities. In this area, the compliance management system is specifically aligned to the priorities and risks of the energy industry and the corporate strategy of EnBW. The detailed determination of compliance objectives is carried out under the compliance program which, starting from the annual compliance risk assessment, determines key areas for achieving goals in the respective year.

TOP **Avoidance of compliance breaches:** The main top performance indicator for achieving this goal is the "Percentage of trained employees trained in corruption prevention and antitrust law" as well as flanking top performance indicators (▮ The EnBW Group > Non-financial performance indicators > p. 88 et seqq.). At EnBW, continuous training in compliance issues is offered as one of the most important preventive measures for best avoiding breaches of the rules and regulations.

The main top performance indicator comprises the performance of four different, centrally managed training measures designed to complement one another. They include the participation of managers and employees in groupwide attended events and e-learning, foundation courses for new employees and advanced attended events for sensitive areas which are tailored to the target group. This top performance indicator includes Group companies that are controlled by EnBW and managed by its staff, representing around 14,000 employees. A suitable target value of 85% been defined and determined. This generally takes

account of the fact that personnel-related performance measures do filter through to all members of the company due to natural fluctuation, reorganisation and individual behaviour. Over the next few years, it will therefore be important to attain or exceed the target by running the four training measures regularly.

Goal dimension ecology

EnBW shares the responsibility for our environment and climate protection, and supports the Energiewende. Supplying our customers with energy causes emissions, above all through the operation of power plants, and uses natural resources and surface area. Environmental and climate protection form an integral part of our corporate strategy. Our customers are increasingly demanding explanations on the goals of an environmentally compatible generation of energy and the relevant products. In addition, the long-term success of an energy supply company's activities hinges on acceptance by society. We strive to achieve a balance between entrepreneurial, political and societal goals in respect of ecology. Our **environmental strategy** includes the following areas for action, derived from the requirements of the Energiewende:

- > Reduction of greenhouse emissions
- > Expanding renewable energies
- > Raising energy efficiency, also at the customers

In order to achieve these goals permanently over a long-term horizon at all levels, in large-scale power plants as well as in our customers' private households, we continually work on developing our certified environmental management system. This is the only way in which processes can be improved, quantitative goals set and the degree to which goals are achieved measured.

In assessing our performance against clear and binding goals, we use the following top performance indicators in the ecology goal dimension:

TOP **Realise greenhouse gas reduction potential:** We pursue this goal by using the top performance indicator of CO₂ intensity ▮ measured from our own electricity generation. The direct CO₂ emissions in EnBW's CO₂ footprint are dominated by the emissions of fossil-fuel power plants. The CO₂ emissions from our own electricity generation pertains to CO₂ emissions as an average for the production of 1 kWh across EnBW's entire generation portfolio. This ratio is set to rise in the coming years as the elimination of nuclear power which does not cause any production-related CO₂ emissions cannot be fully compensated by renewable energies in the EnBW portfolio. We nonetheless assume that our target of < 450 g/kWh in 2020 will be lower than the nationwide average.

TOP **Expand renewable energy:** The installed capacity of renewable energies top performance indicator is a yardstick for measuring the expansion of renewable energies. It represents the installed output of the plants using renewable energies rather than the volume of electricity produced by these facilities. Among other factors, electricity production depends on the wind and the sun and can fluctuate strongly.

The advantage of the ratio we have selected is that it is measurable and doesn't depend on the aforementioned influences. Based on the portfolio streamlining envisaged, we intend to have realised a total of 5 GW in installed renewable energy capacity in our own electricity generation by 2020. This brings the share of renewable energies in our installed capacity to more than 40%.

Management and control system

The EnBW's new corporate management and control is geared towards the goal dimensions of finance, customers, employees, compliance and ecology. The performance management system (PMS) is the centrepiece of this integrated corporate management and control.

EnBW's corporate management and control has undergone a complete transformation. Up until the end of the year 2012, it was primarily aligned to the company's financial goals. In 2013, corporate management and control was gradually extended to include non-financial goals and now incorporates the dimensions of customers, employees, compliance and ecology, alongside finance (▮ Strategy and goals > Goals > p. 46 et seqq.). The centrepiece of this corporate management and control is formed by the performance management system (PMS). Over the course of 2013, quarterly performance reviews were already gradually being implemented to provide an analysis of the current status and measures achieved in reaching the financial and non-financial goals. From 2014 onwards, PMS will incorporate all instruments used in strategic and operational management and control. As regards external communication, PMS feeds into integrated reporting on the financial and non-financial performance of EnBW based on the reporting framework of the International Integrated Reporting Councils (IIRC). This year's combined 2013 annual report of EnBW incorporates the financial and non-financial aspects of our business activities to a much greater extent than the previous year's report. EnBW will be endeavouring to present a fully integrated report for the financial year 2014.

A core component of PMS is the value-oriented management of the company which hinges on value added. This component tracks the development of the company's value from a financial standpoint (▮ The EnBW Group > Financial performance indicators > p. 81 et seq.).

Value added = (ROCE - WACC) x capital employed

With ROCE =
$$\frac{\text{Adjusted EBIT, including investment result}}{\text{Capital employed}}$$

Value added forms the basis for EnBW's strategic decision-making and operational measures. A positive value added contribution by the respective project to implementing the strategy over the entire period under review is the key factor in investment and business decisions. The various business activities of the EnBW Group have different risk profiles. Accordingly, each project is based on the risk-adjusted cost of capital.

There are various factors that influence value added. The level of ROCE and value added depends not only on the development of the operating business but above all on the volume of investment. Large-scale investments tend to significantly increase the capital employed in the early years, while the effect on income that boosts value, however, only filters through over a lengthier period of time, often long after the investments were initially made. This is especially true of investments in property, plant and equipment relating to the construction of new power plants which do not have any positive effect on the Group's operating results until after they are put into operation. Investments in power generation facilities, on the other hand, are already taken into account in the capital employed in the construction phase. In a comparison of individual years, the development of ROCE and value added is to a certain extent of a cyclical nature, depending on investment volume. This effect is therefore inherent in the system and results in a lower ROCE in phases of strong growth. EnBW has not changed the method used to calculate value added; investments are immediately allocated to capital employed. We pursue the objective of sustainably increasing the value of the company in the long term. Annual fluctuations within the investment cycle are of secondary importance.


Research and innovation

Our research and innovation activities enable us to create the basis for offering our customers new products and solutions. They are also geared to making progressive developments available for our own plants. We test the feasibility on our research and innovation concepts in pilot and demonstration projects. We also anticipate significant stimulus from our activities on the new Innovation Campus.

Objectives and guidelines

As part of our research activities, we develop know-how which is instrumental in developing better processes and technologies for the sustainable supply of energy. We use pilot and demonstration facilities to test future innovations in a practical environment, also together with customers and partners. Sustainable technologies are designed to support us in realising innovations across the entire value chain.

The emphasis of our research and development is on the following areas:

- **Renewable energies and decentralised energy solutions:** Our aim is to apply new technologies to developing decentralised energy solutions. This also includes tapping new renewable energy sources and putting them to better use. Alongside improving the running operation of our facilities, such as offshore wind energy, we strive in particular to develop solutions which give our customers access to renewable resources. In these endeavours, we concentrate first and foremost on geothermal energy  and new bio-energy sources. Our goal is to find out for our customers in trade the municipalities where and how energy efficiency can be enhanced. We work on new small-scale power plants as well as on new approaches to storage with a view to combining the advantages for the customer while promoting the Energiewende. In this context, researching solutions for wireless charging and intelligent grid control is also associated with electric vehicles.
- **Improving grid management and flexible power plants:** The extremely volatile renewable energies offering needs to be harmonised with electricity consumption. The investigation of new technical and methodological approaches, such as decentralised storage systems and new market models, shows us ways of operating electricity grids profitably in the future as well without any detriment to safety. The projects enable us to identify at an early stage how cutting-edge electricity grids can contribute to attractive decentralised energy solutions. The economic and efficient use of fuel and environmentally compatible operation will remain core tasks as long as fossil-fired power plants are still in use. We work together with partners from the world

of science and technology in research projects dedicated to raising the effectiveness of power plants, particularly with a view to the demands placed on using them more flexibly.

Structure

In order to develop new cross-disciplinary business models, we decided to develop an innovation management system at the end of 2013. With creating innovations in mind, research will be closely linked with this new area. The aim is to adopt the findings from research without delay and successfully introduce them by way of suitable business models. Together with the business units, this approach is intended to facilitate the creation of innovative products, services and system solutions. Building up innovation management is designed to significantly improve EnBW's innovation capability and culture.

Companies and business units within the EnBW Group initiate their own research and development activities within their particular link in the value chain. They are managed by a centralised research unit which is responsible for defining strategic research objectives and the development of parent projects. We place great emphasis on concepts that are on the verge of market maturity. The research and development projects have been managed and controlled via a centralised project management since 2013.

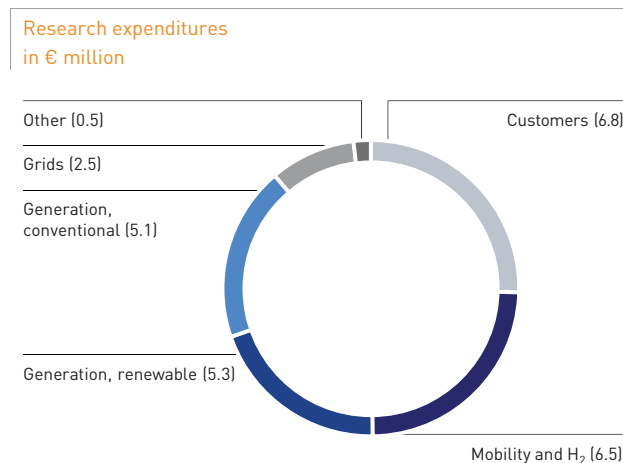
In the Innovation Campus, research and innovation management functions as a platform enabling innovative ideas, in collaboration with partners, to fruition more quickly. The Campus has been intentionally housed in its own building outside headquarters so as to promote the development of new business ideas in a creative environment. In addition to research and development with partners, a financial spin-off support entity is to be set up for a limited period. The Innovation Campus is expected to provide considerable impetus in establishing a culture of innovation throughout the entire company.

The development of new decentralised solutions are being accomplished in an own business department. We test newly developed business models in sales-oriented field trials in

the areas of decentralised energy systems, energy efficiency, smart worlds  and electromobility .

We implement research projects in close cooperation with our research partners either in our own companies or at customer locations. The most important external research and innovation partners are the universities, colleges and research institutes in Baden-Württemberg, in particular in Karlsruhe and Stuttgart. All in all, we currently cooperate with some 50 colleges and universities spread across Germany. This cooperation is to be built on further throughout the entire Group. Our activities are supplemented by international collaboration which forms an integral part of our research and development work.

Expenditure and personnel




In the financial year 2013, the EnBW Group spent €22.2 million (previous year: €31.6 million) of its own funds on research and development. EnBW received a government research grant of €4.5 million (previous year: €5.3 million). These funds enabled EnBW to carry out research and innovation projects worth €26.7 million compared with €36.9 million the year before. This decline of 28% was largely due to the strategic realignment of the company when activities which were no longer relevant were concluded and restraint exercised in initiating new activities.

Research and Innovation employed a workforce of 37 staff in 2013. Along with the area of research to date, this figure also includes innovation management, which is currently being established, and the unit for the development of new decentralised solutions in the reporting year. In addition, 140 employees were involved in research and development projects as part of their operational work.

Selected results

Renewable and decentralised energy solutions

Geothermal energy : Through our research work in the Bruchsal geothermal power station, we make an active contribution to energy research on sources of renewable energy which have been little used to date. The year 2013 marked the Bruchsal geothermal power station's first full year of operation during which it achieved 3,000 operating hours. Company operations are being accompanied by government-subsidised research projects aimed at further optimising the thermal water circuit and power station. Simulations performed with a number of individual power plant components ascertained a potential increase in output of 5 to 10% which is being investigated in trial runs. Backed by the knowledge of whether and how electricity and heat in Germany can be profitably generated, we can develop services, particularly for our municipal partners.

Biogas from vegetable waste: We are investigating the production and use of biogas from biowaste together with scientists from the Fraunhofer Institute under the "ETAMAX" project. Demonstration facilities at EnBW's Stuttgart-Gaisberg power plant location were concluded in 2012. EnBW is responsible for refining the derived biogas into biomethane. The biogas generated from waste with the aid of an innovative technology, known as the membrane process, is converted into bio natural gas. The facilities have been running in pilot operation since the early months of 2013. The emphasis is on investigating how the input materials influence the composition of the gas produced. As part of the project, its use in vehicles covering distances of more than 1,500 km has been successfully tested. Possible areas of application for the gas treatment process in the fuel market are being investigated.

Micro gas turbines: In cooperation with a plant manufacturer, EnBW is currently working on developing the prototype of an environmentally compatible micro gas turbine for commercial use. Two pilot facilities each with 100 kW of electric output were delivered in 2013 and equipped with special flameless burners at the start of 2014. The burners are the result of a research platform funded by the German government for decentralised energy in which we participate together with the German Aerospace Center. Following laboratory measurements, the micro gas turbines will be taken into trial operation in Leonberg (natural gas operation) and Vaihingen (wood gas operation) in the spring of 2014. Micro gas turbines are a low-maintenance alternative to gas engines and most suited to the local energy supply of industrial plants and buildings needing a great deal of heat. The turbines can be operated by means of various types of gas as well as liquid fuel.

Fuel cell heating devices ■: Around eleven years ago, EnBW as one of the first energy supply companies began to test the promising fuel cell technology in the boiler rooms of customers and partners. Fuel cell heating devices consume significantly lower volumes of primary energy. Efficient, environmentally friendly and virtually silent, the system converts natural gas directly into electricity and heat, saving on energy costs and CO₂ emissions. For this reason EnBW has been involved in various projects in this area, such as the “CALLUX” project, in which the participating companies are developing the technology in field tests with subsidies from the German federal government until 2016. By the end of 2013, we had installed around 130 of these fuel cell heating systems in Baden-Württemberg. In addition to “CALLUX”, EnBW commenced a field test of the new Viessmann heating device with four demonstration facilities in 2013. The device is very compact and, thanks to its new conception and an electric output of 0.7 kW alongside a thermal output of 1 kW, can also be used to develop the market for new builds. Viessmann has announced the first freely available fuel cell heating devices in 2014.

New approaches to storage: Intelligently used, biogas can support the Energiewende in rural areas where there is an increasingly frequent surplus of electricity generated from sun, wind and bioenergy. Stored biogas can help to prevent gas supply bottlenecks such as were experienced in February 2012 in southern Germany. Together with our Erdgas-Südwest subsidiary, we have developed a concept to guarantee supply reliability for trade customers in the regional gas grids (biohybrid). Under this concept, bio natural gas is liquefied and stored temporarily in the region. If required, the stored gas can be made available to customers who place exacting demands on supply reliability by way of withdrawing natural gas in the regional grid in line with demand over an agreed period of time. The concept achieved product maturity in the reporting year.

“Grid energy efficiency”: In 2013, we tapped new insights from knowledge management to be deployed in energy efficiency advisory services provided to industrial customers. In addition, we commenced a project which addresses the more complex processes of industrial customers and which is intended to allow us to precisely predict energy savings potential and submit tailored offerings to the customers.

Industrial waste heat utilisation: Under the “LOVE” project (Low-temperature Heat Valorisation through Electricity), EnBW is analysing how electricity can be extracted at a low temperature from the unused heat of industrial processes. Together with EU partners and EU funds, in spring and autumn 2013 a special ORC (Organic Rankine Cycle) module for the production of electricity from waste heat is being tested in two German cement factories. Two concepts which resulted in important insights into avoiding corrosion in the heat exchangers were applied to separate warmth from hot air

flows difficult to use. They also help us to make headway in developing energy efficiency advisory services.

Electromobility ■

In 2013, we continued our research activities and field tests in the area of electromobility and translated them into the first products. Under the “Livinglab BMWobil” flagship project there are currently more than 250 charging plants available in Stuttgart and its environs for all users of electric cars and, in particular, the car sharing provider car2go which offers more than 400 smart electric drive vehicles. EnBW has therefore laid the foundations for emission-free mobility and is one of Germany’s largest operators of the public charging infrastructure. Under the “iZEUS” project, we and our municipal partners are bringing electromobility to regions outside conurbations, and the German-French “CROME” project has established a basis for electromobility with the cross-border settlement and billing of charging processes. As part of the “Elektromobilität SüdWest” leading-edge cluster, we are investigating inductive charging processes and intelligent network management in connection with electric vehicles. We are now in the process of realising experiences from electromobility projects in the form of commercial offerings. Drivers of electric vehicles can charge their cars using “Elektronauten” charging cards at publicly accessible charging stations provided by EnBW and EnBW partners. If they have the “Elektronauten” charging box, customers can cover their electricity requirements at home or in the company. In this business, EnBW relies on electricity wholly generated by renewable energy from hydropower. To enable customers to charge their vehicles with other providers throughout Germany, EnBW is promoting the linking up of the various German charging infrastructure networks via the “Hsubject” national roaming platform, together with its partners RWE, Bosch, Siemens, Daimler and BMW. The aim is to achieve open access to the public charging infrastructure. By launching many new electrical car models at the end of 2013 and at the start of 2014, including models designed by German automotive manufacturers, positive stimulus for the topic is also now emanating from the vehicles themselves. In the field of H₂ mobility, EnBW opened the first autonomous hydrogen fuelling station in March 2013 in Stuttgart. With the facility’s own local electrolysis, scenarios for converting fluctuating energy into hydrogen are also being investigated, along with the refuelling of vehicles. The operation, which functions successfully in practice, is to take place in the context of the pan-German National Innovation Programme for Hydrogen and Fuel Cell Technology (NIP) ■ initiative and the Clean Energy Partnership (CEP).

The year 2014 saw the start to a cooperation with Stuttgarter Straßenbahnen AG for the refuelling of hydrogen buses. The existing fuelling station, backed by the Federal State of Baden-Württemberg, has been equipped with a dispenser for buses, and the research project has been extended to cover the coming year.

Improving grid management

Smart grids 🏠: EnBW stepped up its research and development activities relating to smart grids in the reporting year. The aim of these activities is to develop cost-effective expansion and operating concepts for the electricity distribution grid of the future. Up until now, distribution grids were aligned to the maximum load. In the medium and low voltage grid, one made do without detailed measurement information and remotely controlled operating resources. Nowadays, photovoltaics and wind power in some regions feed multiple times the volume of customary consumption into the grid. The new concepts are geared towards realising more economic solutions compared with expansion aimed at the maximum injection rate. Smart grid components and their integration into grid operation form the focus here.

Grid laboratories: Our engineers are investigating numerous technical options of operating stable distribution grids with fluctuating electricity feed-in in Ellwangen, Freiamt (Emmendingen district), Sonderbuch (Reutlingen district) and Wechingen (Donau-Ries district). Medium and low-voltage grids are being equipped with the latest measuring technology using new components such as controllable local grid transformers, voltage regulators, plant controls and smart batteries. Since September 2013, for instance, EnBW has been operating a special battery storage device in Sonderbuch which can store electricity very quickly and feed it back into the grid when required. The device eases the load on the distribution grid through reducing voltage peaks which occur in distribution grids with a high proportion of photovoltaics due to rapidly changing sunny and cloudy weather. All tests are used to find the most economic concepts on site for operating and expanding the grid and to make this knowledge available for grid services in municipal partnerships.

Procurement

A large number of suppliers and service providers contribute to the services rendered by EnBW. In its selection of suppliers, EnBW applies high standards, from compliance with statutory and other rules and regulations right through to sustainability aspects.

Advantages through centralisation

The Group's "Fokus" project is aimed at concentrating Groupwide strategic and operational buying through Central Procurement. In doing so, it ensures the requisite transparency and compliance as well as high level of control efficiency achieved through uniform, obligatory and expert management with room for further optimisation and harmonisation of settlement processes. Moreover, the introduction of category-of-goods strategies valid throughout the whole Group has laid the foundation for generating additional savings for EnBW through centralisation and harmonisation.

Establishing a special Project Procurement/Claims Management within Central Procurement has enabled holistic support to be provided for projects. This approach takes account of challenges arising from realising major projects such as the EnBW Baltic 2 offshore project and developing new business segments with new market partners, from conception of the product right through to serial production.

Securing cost efficiency

As part of "Fokus", Central Procurement assumed responsibility for the "Procurement" sub-project which was aimed at achieving cost savings for the entire Group. Cooperation between the companies' specialist units and procurement resulted in optimisations which contributed value added worth €126 million to achieving goals in 2014.

At the end of 2011, a clearing desk for commissioning consultants and consultancy-related services was set up under "Fokus" for contracts in excess of €50,000. This function was assigned to the line and made permanent in 2013. As before, the aim of the clearing desk is to keep contracts for services which can be rendered with the Group's know-how and available resources within the Group and not award them externally. This approach also promotes and maintains expertise for future activities or segments of the EnBW Group.

Sustainable procurement

Sustainable procurement begins with the careful selection of our business partners. In a Groupwide project coordinated by our Central Procurement Department in 2012, we developed a Groupwide, standardised and optimised pre-qualification process. Our prospective suppliers must undergo a pre-qualification process where they present how they practise sustainable measures relating to data protection, quality management, environmental management, as well as occupational health and safety, and how they further develop these measures. By documenting certifications centrally, we ensure that all the necessary prerequisites are currently filled for awarding a contract. In the financial year 2013, this project was continued in our system environment with the selection and integration of an appropriate IT system. There are also plans to manage the proof required by the new law of Baden-Württemberg on compliance with agreements and minimum wages (LTMG) under the collective bargaining process via the pre-qualification platform. This law stipulates that public-sector contracts may only be awarded to companies who pay their workforce minimum wages in the execution of contracts and adhere to collective bargaining agreements. Owing to EnBW's shareholder structure, this legislation is also applicable to our company. It is a matter of course for EnBW to require strict compliance with the provisions of this act. Under defined circumstances, we perform standardised business partner reviews to analyse and minimise risks. Our aim is to have full documentation to ensure that these standards in a central system for all EnBW's key suppliers by the end of 2015.

Integrated procurement platform enhances transparency

With a view to making EnBW's procurement processes even more efficient and transparent, we have been building up an integrated purchasing platform since 2012 and are working on introducing automated order processes. On the supplier front, this integrated purchasing platform includes the standardised pre-qualification, participation in invitations to tender and the submitting of offers, as well as the recording of services rendered. We have thus created the basis for our suppliers and buyers to access important information on

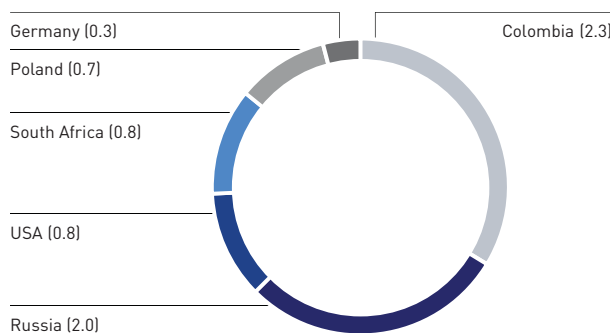
procurement processes from a central source and to interact online with Central Procurement.

Sustainable raw materials procurement using coal as an example

Balanced procurement portfolio

Hard coal trading will play an important role in future to ensuring supply reliability in the context a reliable and economic supply of electricity. The market regulations governing power station coal is largely determined by the major trading companies and coal producers. In 2013, 6.87 million tons of coal corresponding to a procurement volume of €420 million were delivered to EnBW power plants. Coal was sourced from five importing countries. A small proportion still came from German production.

Origin of coal deliveries to EnBW power plants in 2013
 in million of tons



EnBW places importance on maintaining a balanced procurement portfolio to avoid dependence on individual producing countries, producers or traders. EnBW covers the larger part of its coal requirements, namely 85% in 2013, through contracts with trade intermediaries which usually define quality standards but not where the coal originates from. In addition, direct supplier agreements are concluded with selected coal producers.

As a producer of electricity, EnBW views the responsibility for conducting sustainable within its own sphere of responsibility. This entails stringent compliance with legal provisions, deploying a modern-day power plant fleet and fulfilling the highest standards right through to the environmentally compatible recycling of waste. In terms of hard coal, EnBW is positioned at the end of a global value chain which starts with the mining of coal in the producing country. We are aware that all mining operations interfere with the environment.

EnBW strives to structure the generation of electricity from hard coal as sustainably as possible across the entire value chain. Transparency about the exact origin of coal is the first step in the right direction. In a dialogue with local producers and stakeholders in Germany, EnBW therefore seeks ways of making coal procurement sustainable and ensuring that social and environmental standards are complied with.

Stakeholder dialogue

EnBW takes complaints from non-government organisations (NGOs), politicians and affected parties about adherence to environmental and social standards in mining hard coal extremely seriously and maintains active dialogue with all stakeholders in order to work with them on solutions. In 2013, EnBW held talks with NGOs and responded in detail to enquiries from NGOs, politicians and the media. We also foster direct contact to the sustainability officers of the relevant suppliers and obtain specific information on sustainability.

Establishing a CSR Committee for sustainable raw materials procurement

In 2013, we established a Corporate Social Responsibility (CSR) Committee for sustainable raw materials procurement in order to take account of sustainability criteria in the selection of producers in good time. The CSR Committee functions as a central advisory body for decision-making in the coal procurement process. Its recommendations may include the following, among others:

- Inclusion of sustainability clauses in contracts
- Contacting producers to clarify open CSR issues
- Producer self-assessment
- Conducting of audits on site right through to excluding the trading partner

Sustainability register


The sustainability register for coal producers has existed since 2012 and is used as a central internal knowledge resource for sustainability aspects in procuring hard coal. All important sources of supply for power station coal are subjected to sustainability criteria and assessed using a scoring model and a traffic light system. If the analysis brings irregularities to light in respect of the coal producer, the CSR Committee is convened and the company in question is requested to submit a statement, for instance in the form of an internal audit. The declared goal of this approach is to work with the supplier on any discrepancies or complaints in a process of continuous improvement. If the coal producer proves to be uncooperative, it may be excluded as a trading partner.

Business report



Economic and political environment


In 2013, the prices of primary energy sources fluctuated below the previous year's level, to the exception of gas. On the opposite side, end consumer electricity prices continue to decline owing to political and regulatory influences in the reporting year. EnBW is rising to meet the huge challenges of the Energiewende in Germany with flexible and sustainable concepts.

General conditions

A wide variety of external factors such as macroeconomic, political and regulatory developments in the environment, as well as prices in the market for electricity, fuel and CO₂ allowances  exert a significant influence on the course of EnBW's business. Industry's electricity and gas demand is strongly impacted by the macroeconomic phases of growth or contraction. Energy consumption by private households, however, largely does not depend on the economy. Moreover, gas sales are extremely dependent on prevailing weather conditions.

Political decisions at pan-European and national level – in particular market- and competition-related regulations – affect the energy industry. Change brought about by society at the political level, for instance stepping up climate protection or conserving natural resources, shapes the political and regulatory requirements and extensive legislative intervention in the field of energy. As a result, EnBW constantly faces new challenges, which it counters with flexible and sustainable concepts.

On the cost and income front, prices on the fuel and CO₂ markets as well as on electricity wholesale markets influence EnBW's performance: The key factors determining the variable costs of electricity production by the power plants are the prices of primary energy sources and CO₂ allowances which must be procured in the context of European CO₂ emissions trading . Alongside fuel and CO₂ prices, the steady growth in the supply of renewable energies is a factor exerting a growing influence on wholesale electricity prices which are decisive for the profitability of EnBW's power plants. EnBW endeavours to contain the uncertainties for the generation margin arising from developments in the price of primary energy sources, CO₂ allowances and electricity on the wholesale markets. Accordingly, the quantities of primary energy sources and CO₂ allowances required for electricity generation are procured in advance on the forward market . We sell the planned electricity production on the forward market and through EnBW's distribution channels. As a result, the terms of the supply

contracts concluded in previous years formed the basis of the costs and revenue in 2013. Conversely, the development of prices on the forward market in the financial year 2013 will impact earnings in following periods. The same correlation applies to the quantities of electricity procured by the sales function on the forward market ( Forecast > Expected economic conditions > p. 113 et seq.).

Economic environment

Macroeconomic situation

In its January 2014 outlook, the International Monetary Fund (IMF) revised its growth estimate for the global economy upwards in the year 2013, from formerly 2.9% to 3.0%. Growth in both the industrial nations and in the emerging markets was modest, above all in the first half year. Economic performance in the USA was braked by constraints on government spending in 2013.

Gross domestic product (GDP) growth in %	2013	2012
World	3.0	3.1
Euro area	-0.4	-0.6
Germany	0.4	0.7
Austria	0.3	0.8
Switzerland	1.9	1.0
Czech Republic	-1.5	-1.2
Turkey	4.3	8.8

The ongoing recession in the countries of southern Europe continued to impact the Eurozone where economic output declined by a further 0.4% in the reporting year. According to the preliminary estimates of the German Federal Statistical Office, Germany's gross domestic product (GDP) expanded by 0.4% in 2013. This positive trend was borne first and foremost by private and public-sector consumption and the still favourable trend in the labour market. Austria's economic output in 2013 was estimated by the Austrian Institute of

Economic Research (WIFO) to be 0.3% higher than in the previous year. The export business and capital expenditure were the main contributors to this upturn, as opposed to private consumption which saw below-average growth. According to estimates of the State Secretariat for Economic Affairs (SECO), Switzerland's economy proved to be thoroughly robust in 2013 with an expansion in economic output of 1.9%. Switzerland benefited from an extremely strong domestic economy as private consumption and construction investments were significantly higher in comparison with levels posted in 2012. The economic trend in the Czech Republic was burdened by constraints on public spending and tax increases. As a result, the Czech Ministry of Finance reported that the country's gross domestic product had contracted by 1.5% in 2013 in the wake of the recessionary trend seen in the previous year. Investment activity, particularly construction investments which fell to their lowest level for a decade, was the main factor behind the decline in economic output. According to World Bank estimates, Turkey's economic performance grew by 4.3% in 2013, which represents a lower growth rate measured against the past ten years. Turkey's dependence on foreign capital had a burdening effect in 2013, along with the increasing indebtedness of private households and the unstable domestic politics.

Energy consumption

According to the preliminary calculations of the German working group on energy balances (Arbeitsgemeinschaft Energiebilanzen, AGEb), Germany's energy consumption has increased 2.6% compared with the previous year, which was largely attributable to a greater need for heating caused by the long winter and the cool spring. Improvements in energy efficiency were outmatched by the weather conditions. In contrast, the economic trend had virtually no effect on energy consumption, with the consumption of natural gas climbing by 6.7%. Whereas, in the first half year, more natural gas was used for heating, milder weather and the decline in the volume of gas used in power plants in the second half of the year had a dampening effect on consumption. The use of mineral oil in 2013 stood some 2.2% higher than in the previous year. Heating oil consumption advanced by approximately 6% as opposed to fuel consumption which settled around the year-earlier level. The consumption of hard coal grew by 4.1%. The use of electricity and heat production accelerated by some 7% compared with a decline in industrial use of just under 2%. The volume of lignite used dropped by 1.2% compared with 2012 due largely to improvements in the efficiency of electricity generation through new power plants going online and switching off old capacities. Whereas the contribution of nuclear energy to the energy balance declined by a further 2.5%, renewable energies reported growth of 5.8%. Photovoltaics expanded by almost 7%, as opposed to generation from hydropower (excluding pump storage) and wind power which fell by 2.5% and 2.0% respectively. According to information from the Federal Association of the Energy and Water Industry (Bundesverband der Energie- und Wasserwirtschaft, BDEW), domestic electricity consumption decreased by 1.8% to 596.0 billion kWh in 2013, down from 606.7 billion kWh in the previous year.

Electricity generation and exports

According to the BDEW, electricity consumption in Germany (629.0 billion kWh) in 2013 declined 0.1% as against the 2012 level (629.8 billion kWh). The major sources of energy were as follows: brown coal with a share of 25.8% in electricity production (previous year: 25.5%), renewable energies with 23.4% (previous year: 22.8%) and hard coal with 19.7% (previous year: 18.5%). The proportion of nuclear energy and natural gas dropped from 15.8% to 15.4% and from 12.1% to 10.5% respectively. In 2013, German electricity exports exceeded imports by 33.0 billion kWh. The largest net electricity suppliers in 2013 were France and the Czech Republic; the highest export surpluses were attributable primarily to the Netherlands, Switzerland, Austria and Poland.

Gas procurement

Long-term procurement agreements form the basis of gas imports to Germany. According to preliminary BDEW data, 31% of Germany's natural gas supply was sourced from Russia in 2012 (previous year: 32%), 24% from Norway (previous year: 27%) and 23% from the Netherlands (previous year: 22%). The share of domestic production in relation to total supply amounted to 11% in 2012 following 13% in the previous year. As an alternative to transmission via pipelines, importing liquefied natural gas (LNG) can open up access to producing countries that are not linked by pipeline to the European market. This alternative means of procurement is increasingly gaining in importance as new import terminals go into operation.

Price trend of primary energy sources, CO₂ allowances and electricity

In the financial year 2013, the prices of oil, coal and electricity in the spot market  averaged below the year-earlier level. An increase in the average spot market price in a year-on-year comparison was reported only for gas. The prices of CO₂ allowances  in 2013 were significantly lower than the prior-year level.

Oil market: Oil prices fluctuated within a range of 97.69 US-\$/bbl to just under 120 US-\$/bbl over the course of 2013. By mid-February, the oil price had peaked at just under 120 US-\$/bbl owing mainly to economic and political developments in the USA. Positive stimulus emanated from the swifter-than-expected recovery in the real estate market and the abolition of the US upper debt limit. Fears about a premature end to America's expansionary monetary policy, the unresolved budget dispute of the US government and Italy's problems in forming a government subsequently sent prices down to around 97 US-\$/bbl through to April. Until the start of July, the price of crude oil fluctuated within a narrow band of 100 US-\$/bbl and 105 US-\$/bbl as the dampening of the global economy's growth prospects, particularly in Asia, left little room for a price uptrend. The crisis in Syria as well as production losses in Libya, South Sudan, Iraq and the North Sea drove prices up again to more than 117 US-\$/bbl at the start of September. Once the Syrian crisis had subsided prices

subsequently fell again to a lower level. By the end of the year, the oil price stood at 110.80 US-\$/bbl (front month) and 107.93 US-\$/bbl (last 2014 front year price).

Coal market: The price level on the spot and futures markets for coal deliveries to the ARA region (Amsterdam, Rotterdam, Antwerp) in 2013 averaged below the year-earlier period. Spot market coal prices reported a steady downtrend during the first nine months of 2013, from around 100 US-\$/t at the start of the year to around 81 US-\$/t in September. In the fourth quarter they rose on the back of higher freight rates and shortfalls owing to strikes in Colombia. The persistent surplus in the European market in particular acted as a brake on prices in 2013. This was attributable to the export volumes of US coal which remained high as domestic demand in the American market had slowed in response to cost-effective shale gas. In addition, excess supply was exacerbated by the greater volumes offered by Australia and Indonesia. The market was no longer absorbing higher production volumes due to the downturn in demand, especially in China. Forward market prices generally mirrored the trend in spot market quotations. The front month price posted 81.70 US\$/t at the end of 2013. The front year price came in at 82.35 US\$/t.

Price development in oil and coal markets	Average in 2013	Average in 2012
Crude oil (Brent) front month (daily quotes in US-\$/bbl)	108.70	111.68
Crude oil (Brent) annual price front month (daily quotes in US-\$/bbl)	103.14	101.59
Coal – API #2 annual price front year in US-\$/t	88.99	110.35

Gas market: Long-term gas import contracts primarily form the basis of Germany's gas supply. Prices essentially track the oil price with a time lag. Market reports indicate an increasing significance of gas indexing from the wholesale market in contracts like these. The cross-border price index of the Federal Office of Economics and Export Control (BAFA), published monthly, posted €26.96/MWh in November 2013, which is 6% below the December 2012 figure (€28.59 MWh) and a good 6% lower year on year (€28.80/MWh). Wholesale markets such as the Dutch Title Transfer Facility (TTF) and the trading point of the NetConnect Germany (NCG) market territory constitute another important source of natural gas.

In the first quarter of 2013, temperatures which were lower in comparison with 2012, unusually low gas storage levels and limited deliveries from Norway due to maintenance measures, compounded by lower delivery volumes of liquefied natural gas (LNG), pushed the spot market price up significantly to more than €41.00/MWh. Prices returned to normal levels as the year progressed; the spot market price has been moving within a range of between just under €25.00 MWh and a good €29.00 MWh since August. However, in 2013 spot market prices of €27.06 MWh averaged around 8% above the year-earlier level. The year-end price stood at €26.81 MWh. The price trend on the forward market is generally closely linked to the spot market prices. Only in the early months of 2013 did spreads widen, as the forward markets did not mirror the spot market which was impacted by a series of special effects which drove prices up. At the end of December 2013, forward prices stood at €26.99/MWh.

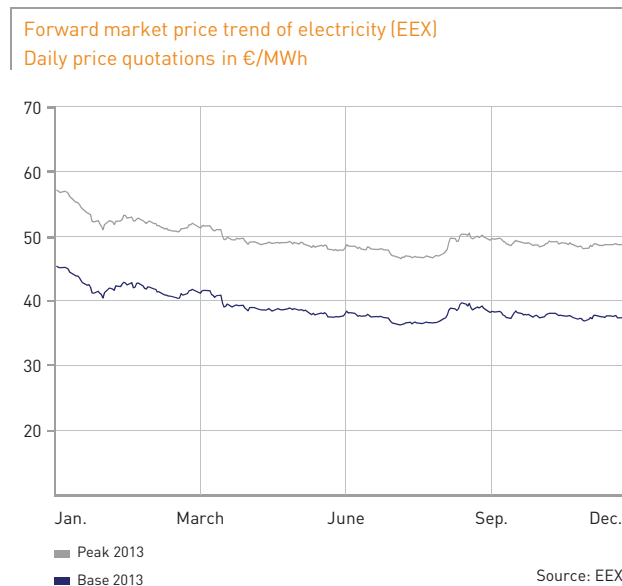
Development of prices for natural gas on the TTF (Dutch wholesale market) in €/MWh	Average in 2013	Average in 2012
Spot	27.06	25.01
Front year	26.58	26.97

CO₂ emission allowances: Under the European emissions trading system, proof must be provided of allowances for the amount of emissions from power plants. Over the course of the year, the price of emission allowances (EU Allowance – EUA) with delivery in December 2013 (EUA-13) had significantly declined, displaying a great deal of volatility, from around €6.00/t CO₂ at the start of January to €4.70/t CO₂ by the end of December. Since the premature start to auctions for the third EU emission trading period in December 2012 led to an oversupply at the start of 2013, March 2013 saw emission allowances dip to their lowest price of under €3.00/t CO₂ in 2013. As the year progressed, prices fluctuated depending on the differing voting results from the various EU Parliament committees concerning backloading – a shortage of supply in emission allowances. Finally, in September, rising electricity prices and a widening of the clean dark spread (CDS) caused CO₂ allowance prices to rise. The fundamental decision made in December on backloading has not yet resulted in any notable price movements. The price level of EUA-13 allowances averaged €4.51/t CO₂ in 2013, which is around 40% below the average price of €7.51/t CO₂ posted in the financial year 2012.

The prices of certified emission reductions (CERs) generally trade in parallel with those of EUA-13 allowances. As the use of CER-13 units is restricted under the EU emissions trading system, the demand not as great and prices are generally below those of EUA-13 allowances. CER prices have been considerably below €1/t CO₂ since the end of 2012, trading sideways with low volatility.

Development of prices for emission allowances /daily quotes in €/t CO ₂	Average in 2013	Average in 2012
EUA front year	4.51	7.51
CER front year	0.45	2.96

Electricity market: In 2013, the average price of €37.78/MWh for immediate delivery of electricity (base load product) on the spot market of the European Energy Exchange (EEX) was around €5/MWh, corresponding to 11%, below the average price of the year 2012. This price decline was primarily attributable to lower prices for fuel purchases and CO₂ allowances. On the forward market, average prices of €39.08/MWh for deliveries of base load product in 2014 were also around €11, equivalent to 21% below the level of the year-earlier period.



Electricity and gas prices for retail and industrial customers

According to BDEW estimates (as of April 2013), the monthly electricity bill for an average household with an annual consumption of 3,500 kWh came to €83.80 in 2013 in comparison with an average of €75.50 in 2012. The price increase was largely attributable to higher cost allocations under the German Renewable Energies Act (EEG) and the offshore liability levy newly introduced in 2013. In addition, the levy introduced by the German government pursuant to Section 19 of the Network User Charges Ordinance doubled. EnBW also had to raise its prices as of 1 February 2013. Taking account of all these factors, the price per kilowatt hour consumed, for instance with the “EnBW Komfort” general tariff, climbed by 2.49 cents to 21.83 cents net, excluding electricity tax.

Many charges are also set to rise in 2014. Along with another sharp increase in EEG cost allocations, the cogeneration levy will also push up the costs, along with the newly introduced levy for interruptible loads. Reducing the Section 19 levy has had an easing effect. Owing to lower procurement costs, however, EnBW will be able to keep electricity and gas prices stable for most customers well into 2014. Heat flow applications form an exception as prices are set to rise by 2.1% to 2.4% at the turn of the year 2013/2014.

In May 2013, BDEW calculated an average price of 14.87 ct/kWh for industrial customers for the year 2013 (medium-voltage supply, including electricity tax) which corresponds to an increase of 3.8% compared with the previous year's figure of 14.33 ct/kWh.



According to EUROSTAT, natural gas prices for private households had risen 4.2% above the year-earlier figures. Industrial customers saw the price of gas rise by 1.6%.

Political and regulatory environment

European energy policy

Domestic European energy market: In the autumn of 2013, the EU Commission submitted a package of announcements on the capacity market design as well as on national renewables subsidy systems and renewable cooperation mechanisms. The ongoing revision of European state aid law is also particularly critical to the future scope of national freedom to structure renewable subsidy systems capacity mechanisms. The bills presented to date propose a tighter framework, in particular for the promotion of renewable energies. With the introduction of direct marketing activities and a market premium model, the new German government's coalition agreement has implemented the first component of the Commission's concept. The Commission's idea is that the design of capacity mechanisms must be carried as close to the market as possible and on a non-discriminatory basis. Upon the initiation of state aid proceedings against the German Renewable Energies Act itself and against the compensation scheme specially set up for energy-intensive

industrial operations in December 2013, the Commission clearly stated that classifies both of them as state aid. In the case of the EEG, state aid requires approval as it purportedly corresponds to the provisions set out under the 2008 EU subsidy guidelines. In the case of the special compensation scheme for industrial customers, the Commission considers state aid to be unlawful. The German government upholds its opinion that state aid is not constituted in either case. The Commission is aware that clarification before the European Court of Justice will only take place in a few years time. It hopes to exert pressure this way on the German government to reform the EEG.

Emissions trading : Proposals concerning the temporary shortage of tradable allowances (backloading) were the subject of extremely controversial discussion in 2013 within the European Union due to the marked decline in the price of emission allowances. Only in its second attempt did the European Parliament agree on a position that it could endorse. Finally the Council – upon Germany’s approval – also adopted a position that initially allowed the respective legal basis for backloading  to be approved in December. The entire proceedings, including the requisite implementing regulation, are expected to be brought to a conclusion in the first or second quarter of 2014. Furthermore, the Commission tabled a bill for the extensive reform of the Emissions Trading Directive (introduction of a flexibilisation mechanism from 2021 onwards) as well as defining a target of 40% for greenhouse gas reduction by 2030. The latter was accompanied by more extensive suggestions for a framework climate-and energy related policy through to 2030 which, among other components, also included a target to raise the proportion of renewable energies in final energy consumption to 27% throughout the European Union. Decisions on other requirements pertaining to energy efficiency have been scheduled only after the review of the current energy efficiency standards at mid-year. In respect of proposals for emissions trading, it is nonetheless questionable whether these are extensive enough or, in particular, will garner consensus, thereby achieving a substantial support for emission allowance prices.


Financial services legislation: In the first half of 2013, detailed rules governing the application of the directive on regulating OTC derivatives trading (European Markets Infrastructure Regulation , EMIR for short) were adopted, and the European Securities and Market Authority (ESMA) is now addressing their implementation.



Similarly, 2013 saw in-depth negotiations continue on the process of legislation on the Markets in Financial Instruments Directive (MiFID), enabling an agreement to be reached between the Council and the European Parliament only in mid-January 2014. The proposed legislation threatens to subject a considerable part of the trading activities of energy supply companies to the same raft of rules and regulations as banks and financial institutions, including obliga-

tions to obtain the respective licenses and, as a result, additional capital adequacy requirements. Ultimately, however, regulations fundamentally justifiable under the law were found which first partly need to be substantiated within the scope of now necessary sub-legislative definition before they can take effect. Another positive development is that, in the classification of financial instruments, the specifics of physical forwards entered into in electricity and gas were also considered and fundamentally exempted from the scope of application. However, the regulations still require formal ratification by the European Parliament and Council.

Current legislative procedures relating to the introduction of a European transaction tax still need to be followed closely. Depending on how these procedures are structured, energy trading transactions might also incur charges.

Energy policy in Germany

Energiewende/amendment to the German Renewable Energies Act (EEG) : The implementation of the Energiewende remained a focal point of the German government in 2013 as well. The main topic of debate in the first quarter was the electricity price brake introduced by Germany’s Federal Minister for the Environment, Nature Conservation and Nuclear Safety and the Federal Minister of Economics and Technology, which proved to be impossible to implement for political reasons. Against the background of ongoing political discussion about the amount of the EEG allocation costs and energy prices, as well as permanent pressure from Brussels, a reform of the German Renewable Energies Act is foreseeable. Moreover, the future form which energy markets will take will be on the political agenda. EnBW will also be tabling proposals on the issue of amending the act.

Reserve power plant legislation/German Electricity and Gas Supply Act (EnWG)  **ordinances:** In June 2013, the German government passed the Reserve Power Plant Directive (ResKV). This directive gives specific form to the German Energy Industry Act (EnWG) which is designed to ensure supply security within the conventional electricity generation area. It creates the regulatory framework relating to the maintenance of power plants as a reserve to hedge against certain crisis scenarios, especially during winter months. This framework will not permit power plants whose decommissioning might endanger or interrupt supply reliability to be switched off. Ensuring that these power plants remain operational for as long as they remain relevant for the system is now binding under the law. The directive constitutes a significant government intervention in the generation market. These statutory provisions are subject to limitation through to the end of 2017 and serve as transition regulations until a decision on a new market design, including a fundamental reform of the German Renewable Energies Act , has been found.



Ultimate storage: A debate lasting decades has finally been resolved through a compromise reached between the German government, the federal states and the parties in April 2013. The resulting Site Selection Act came into force on 27 July 2013. The provision included in the act on return transport after regeneration will, however, not enter into force until 1 January 2014. A joint government/federal states commission is now tasked with developing the foundations for selecting sites by 2015. In addition, transports from the regeneration plant to the Gorleben interim storage site are to be discontinued. The decentralised interim storage facilities where waste is to be brought instead is to be clarified according to political will in spring 2014.

Energy Saving Act: The Bundesrat, Germany's Upper House of the German Federal Parliament, approved the Energy Saving Act (EnEG) on 7 June 2013 without calling upon the mediation committee. Consequently, the discontinuation of the operating prohibition on electric storage heaters from 2020, which the Lower House of the German Parliament approved on 17 May 2013, remains in place. The act entered into force on 13 July 2013. On 16 October, the German government also approved the amendment of the Energy Saving Ordinance (EnEV) to include the amendments approved by the Bundesrat. This ordinance came into force on 1 May 2014. The German government has set itself the target of achieving a virtually climate-neutral building stock by 2050. The act and the directive make a major contribution to this goal.

Climate protection legislation and integrated energy and climate protection concept for Baden-Württemberg: The act on promoting climate protection in Baden-Württemberg was approved by the state parliament in July 2013 and has meanwhile taken effect. A formal hearing of German associations on the issue of the state government's Integrated Energy and Climate Protection Concept (IEKK) is to take place in the spring of 2014.

Regulation of the electricity and gas markets

Federal Requirements Plan Act: In June 2013, the Bundesrat approved several measures to accelerate network expansion, as well as the Federal Requirements Plan Act (BBPFG). The Federal Requirements Plan Act determines which extra high-voltage power lines are required for the Energiewende to be successful and consequently need to be expanded as a priority. In particular, federal and cross-border network expansion projects to which the Grid Expansion Acceleration Act (NABEG) applies are to be identified. As part of this process, the Federal Network Agency scaled back the number of projects, from a total of 75 projects under the draft of the network development plan (NEP) presented by the German transmission network operators to 51.


Electricity network development plan (NEP) 2013  and offshore network development plan (O NEP) 2013 : Following the initial drafting of the network development plan in 2012, the four German transmission network operators published

their draft of the network development plan 2013 on 2 March 2013. In this context, these network operators also presented their draft of an offshore network expansion plan for the first time. In the wake of a public consultation procedure lasting until 14 April 2013, the network operators reviewed the draft of both network development plans, publishing them in the summer of 2013 and submitting them to the Federal Network Agency for review. By way of another consultation phase from 13 September to 8 November 2013, the Federal Network Agency enabled the interested public to participate in its drafts confirming the electricity network development plan 2013 and the offshore network development plan of the network operators. Final confirmation by the Federal Network Agency took place on 8 January 2014.

Planning under the two network development plans focuses on the existing grid and the measures already under way (known as starting grid measures).


The network development plan 2013 outlines the requisite network expansion on land over the next ten to twenty years. Compared with the network development plan 2012, the transmission network operators have applied for further network measures for reasons underpinning the 2030 scenario framework, namely the higher wind generation capacity in the north of Germany, the reduction of loop flows through Poland, the Czech Republic and Austria, as well as the change which they calculated in the balance of trade. Of a total of 90 network measures proposed by the transmission network operators in their second draft, the Federal Network Agency has confirmed 56 measures as imperative in the future for safe and reliable grid operation. These measures include around 2,800 km of optimisation work on existing routes and around 2,650 km of grid expansion for new lines in new routes.

The offshore network development plan consists of the transmission network operators' plan for extending the connection lines of offshore wind farms in the North Sea and the Baltic Sea in the coming ten years. Here the Federal Network Agency has approved eight of the ten measures applied for by the transmission network operators, corresponding to an expansion of around 1,060 km for an offshore grid; of this expansion, 720 km is accounted for by the North Sea and around 340 km by the Baltic Sea.

Gas network development plan : On 18 February 2013, the long-distance network operators released the draft of the gas network development plan 2013 based on the Federal Network Agency's scenario framework for the period from 2014 to 2023. The long-distance network operators' plan provides for network expansion measures necessitating investments of some €1.5 billion through to 2023. Aside from this, the draft of the gas network development plan 2013 also includes a first-time proposal of how – given the decline in domestic L gas production – the conversion of low calorific gas (L gas) to high calorific gas (H gas) can gradually take place. Upon conclusion of its consultation phase, the Federal

Network Agency required the inclusion of additional expansion measures in a change request dated 18 December 2013. Consequently, the network development plan will become binding within three months after these covenants have been fulfilled. These additional measures raise the volume of investments necessary to around €2 billion.

Energy Industry Act : In August 2011, the requirements of the third energy liberalisation package for the electricity and natural gas markets were enacted under the German Energy Industry Act (EnWG). The European Commission's intention is to strengthen competition further on the European electricity and gas markets. A more stringent unbundling of grid transmission and long-distance rates of vertically integrated energy supply companies  is required.

In TransnetBW GmbH, EnBW owns one of the four transmission system operators in Germany. TNG remains an independent member company of the EnBW Group, but more stringent unbundling provisions apply between TNG as the Independent Transmission Operator (ITO)  and EnBW. EnBW is prohibited from rendering the group services it used to provide, for instance in the areas of data processing, human resources or grid maintenance.

Network charges: Gas networks operators and electricity network operators had to submit their network user charge applications to the local regulatory authority in 2011 and 2012 respectively. Owing to the amendments planned to the two German electricity and gas Network User Charges Ordinances, determining the costs for the gas network operators was pronounced by the regulatory authority subject to approval. The directive to amend directives in the field of energy industry law was passed by the German government on the 31 July 2013, which laid the foundations for issuing the network user charge notices for gas and electricity network operators. The results from the efficiency benchmark and the network user charge notices have been submitted to the network operators. The revenue caps applicable to the second regulation period have, however, only been determined in part so far.

New version of the gas cooperation agreement: The cooperation agreement between the operators of gas supply grids in Germany has been revised for the fifth time by the German associations of BDEW, VKU and GEODE and released by the set deadline. The Cooperation Agreement VI entered into force on 1 October 2013. The new version of the cooperation agreement includes in particular regulations governing the transition in the marketplace from L-gas to H-gas, changes in internal order procedures and regulations on the cooperation of grid operators as part of their system responsibility. Furthermore, adjustments based on legal, market-related and regulatory requirements were embedded in the contracts at transmission network level and in accounting grid management.

Sectoral development and competitive situation

The energy industry is undergoing sea changes, particularly in Germany owing to the Energiewende. The politically desirable and required expansion of renewable energies increasingly calls into question the business model of the large, established energy supply company with a generation infrastructure based on large-scale power plants.

Europe's energy utilities can generally be assigned to 3 groups. The companies in the first group have business operations throughout Europe and in some cases operate globally. This group includes companies such as EDF, Enel, E.ON and RWE. They have strong geographical diversification across many markets. Alongside EnBW, companies in the second group include ČEZ, DONG Energy, Vattenfall and Verbund AG Austria. Building on a strong position in their home markets, these companies aim to achieve growth in selected European markets. The third group consists of a large number of regional and local companies that have a strong position on their limited markets (for example, EVN, MVV and Thüga). The overview below shows the industry's competitive structure.

International, national and regional market participants/energy supply companies

Market participants	Companies	Characteristics
International market participants	EDF, Enel, E.ON, RWE, GDF Suez, Iberdrola	Broad-based, internationally oriented growth strategy; focus on consolidation Constitute around 60% of the generation capacity in Germany
National market participants	EnBW, ČEZ, DONG Energy, Vattenfall, Verbund AG Austria, Alpiq	Firm national foothold, with activities in various foreign markets, focus on market development Opportunities arise from decentralised and renewable energies generation
Regional market participants	EVN, MWV, Thüga, Public utilities	Focus on regional markets Own generation capacity very limited
Competitors outside the industry	Siemens, Samsung, T-Systems, Vaillant	Expansion of core competences to date to include links in the energy supply value chain

Competition, especially in Germany, has become increasingly fierce to an unprecedented extent. Power produced by large-scale power plants is partly already being fully crowded out of the grid by renewable energies, making the profitable operation of these power plants increasingly difficult. In addition, new competitors from all sub-markets are entering the competitive arena, for instance owners of local production systems and system suppliers of autonomous power production

solutions. Against this backdrop, electricity prices on the electricity exchanges are steadily declining and are already virtually unable to cover the costs of fuel and emission allowances today. At the same time, electricity prices are rising year by year due to taxes and levies on consumers as an ever increasing share of electricity stems from subsidised renewable energies sources.

The EnBW Group

At €2,216.6 million, the adjusted EBITDA of the EnBW Group in 2013 was 5.3% down on the previous year's figure. Operating earnings consequently performed in line with our expectations. Non-cash extraordinary charges significantly burdened non-operating earnings in the year under review. For the first time, EnBW reports for 2013 using non-financial performance indicators from the areas of Customers, Employees, Compliance and Ecology.


Financial performance indicators

Overall assessment of business development

Operating earnings of the EnBW Group (adjusted EBITDA), one of its top performance indicators, reached €2,216.6 million in 2013, down 5.3% on the previous year's level. We regard the 2013 financial year result as satisfactory given the continued difficult conditions for the entire sector and the extensive adjustments within the company that these necessitate. Non-operating charges on earnings in the 2013 financial year were up considerably year-on-year. The EnBW Group reports €51.0 million of total net income attributable to EnBW equity holders in 2013, compared with €484.2 million in the previous year.

In order to reorientate the Group on a medium term basis to reflect the fundamental change in Germany's energy landscape, the company approved its EnBW 2020 strategy in the summer of 2013, and implemented its first measures. Growing earnings contributions from the Grids and – prospectively – from the Renewable Energies and Sales segments are nevertheless insufficient for the time being to offset the drop in earnings in the Generation and Trading segment. The expected earnings contribution of around €600 million from the “Fokus” efficiency programme for 2013 was more than met with the €624 million that was achieved.

The Group's segments' contributions to earnings were more balanced in 2013 than in previous years. The Sales segment

registered a moderate year-on-year earnings decline, mainly due to higher year-on-year purchasing costs accompanied by stable prices in gas sales. The Grids segment saw a marked improvement in earnings, by contrast. In the previous year, customers were reimbursed with grid charges. This effect was not repeated in 2013. Moreover, higher distribution volumes and the associated revenue from the use of the grid in the gas business contributed to higher earnings. Earnings in the Renewable Energies segment were below the previous year's level, mainly reflecting low electricity prices at run-of-river power plants. The Generation and Trading segment faced a further fall in earnings due to declining electricity prices on wholesale markets and the negative impact from the full auctioning of CO₂ certificates  since the beginning of 2013.

Our top performance indicator, the dynamic leverage ratio, was down from 3.60 in the previous year to 3.28 in the year under review as a consequence of a reduction in adjusted net debt. The top performance indicator of ROCE fell by 1.4 percentage points to 9.7% in the financial year 2013 due to lower adjusted EBIT including the investment result.

Top performance indicators ¹	2013	2012
Adjusted EBITDA in € billion	2.2	2.3
Dynamic leverage ratio	3.28	3.60
ROCE in %	9.7	11.1

¹ Prior-year figures restated.

Forecast variances

Forecast/actual comparison 2013	2013 forecast	2013 actual
B2C electricity sales in %	-1 to -5	-5.0
B2C gas sales in %	+1 to +5	9.8
B2B electricity sales in %	-5 to -10	-14.8
B2B gas sales in %	+5 to +10	18.5
Own generation in the wider sense ¹ in %	+5 to +10	-0.9
Adjusted EBITDA, Sales ² in %	0 to -10	-5.7
Adjusted EBITDA, Grids in %	+15 to +25	24.4
Adjusted EBITDA, Renewable Energies in %	-10 to -20	-9.3
Adjusted EBITDA, Generation and Trading in %	-30 to -40	-25.8
Adjusted EBITDA, Group in %	-5 to -10	-5.3
Adjusted tax rate in %	25 to 30	27.6
Adjusted Group net profit ³ in %	-20 to -30	-29.0
Dividend payout ratio in %	40 to 60	40.4
Adjusted net debt in € billion	7.0 to 7.5	7.3
ROCE in %	around 10	9.7

¹ Electricity generated by the Group includes fully and partly owned power plants and long-term electricity procurement agreements.

² Adjusted over the course of the year.

³ In relation to the profit/loss share attributable to the equity holders of EnBW AG.

Sales in the B2C gas area were ahead of expectations due to cool weather during the first half of 2013. Sales in the B2B gas area grew faster than expected. This was due to sales to redistributors. Since the B2B business in the gas area cannot be stringently separated from trading activities, sales fluctuations occurred. The more negative than expected trend in B2B electricity sales reflects strong competition. Own production fell short of expectations due to lower nuclear production volumes as a result of the unplanned closure at KKP 2, and delays in the commissioning of RDK 8.

As far as operating earnings in the Sales segment are concerned, the related forecast was adjusted over the course of 2013. After having originally assumed an earnings improvement, it became clear that this target could not be achieved

for the following reasons: Firstly, higher expenses in gas sales could not be passed on to the market due to price stability and competitive pressure. Secondly, the market for decentralised solution offerings in the energy business is growing more slowly than expected.

Operating earnings in the Generation and Trading segment include positive valuation effects arising from derivatives ■ which will reverse when the underlying transactions are realised. When adjusted to reflect these effects, this segment's operating earnings fell 30.4%, and consequently lie within the range for our forecast for the 2013 financial year.

Results of operations

Unit sales and revenue

Electricity sales of the EnBW Group in 2013 in billions of kWh	Sales	Grids	Renewable Energies	Generation and Trading	Total
Retail customers (B2C)	17.2	0.0	0.0	0.0	17.2
Industry and redistributors (B2B)	33.9	0.0	0.2	2.2	36.3
Trade	0.6	12.8	3.6	57.5	74.5
Total	51.7	12.8	3.8	59.7	128.0

Electricity sales of the EnBW Group in 2012 in billions of kWh ¹	Sales	Grids	Renewable Energies	Generation and Trading	Total
Retail customers (B2C)	18.1	0.0	0.0	0.0	18.1
Industry and redistributors (B2B)	40.1	0.0	0.0	2.5	42.6
Trade	0.7	16.7	3.4	54.1	74.9
Total	58.9	16.7	3.4	56.6	135.6

¹ Prior-year figures restated.

Electricity sales of the EnBW Group in 2013 fell by 5.6% year-on-year to 128.0 billion kWh due to continued intense competition. In retail customer business (B2C), 2013 electricity sales fell 5.0% year-on-year to 17.2 billion kWh. At 14.8%, the sales

decline in the B2B business with industrial customers and redistributors was markedly worse. Electricity unit volume sales of 74.5 billion kWh in the Trade area were largely stable (previous year: 74.9 billion kWh).

Gas sales of the EnBW Group in 2013 in billions of kWh	Sales	Generation and Trading	Total
Retail customers (B2C)	10.1	0.0	10.1
Industry and redistributors (B2B)	57.6	0.0	57.6
Trade	0.9	31.4	32.3
Total	68.6	31.4	100.0

Gas sales of the EnBW Group in 2012 in billions of kWh	Sales	Generation and Trading	Total
Retail customers (B2C)	9.2	0.0	9.2
Industry and redistributors (B2B)	48.6	0.0	48.6
Trade	0.5	14.8	15.3
Total	58.3	14.8	73.1

Unit gas sales of the EnBW Group fell 36.8% to 100.0 billion kWh in 2013. In the retail customer business (B2C), unit volume sales were down by 9.8% to 10.1 billion kWh, principally as a consequence of year-on-year lower temperatures during the first half of the year. In the business with industry and redis-

tributors (B2B), unit volume sales grew 18.5% to 57.6 billion kWh, and in the Trade area, unit volume sales more than doubled to 32.3 billion kWh due to the expansion of the gas mid-stream business.

External revenue of the EnBW Group by segment in € million ^{1,2}	2013	2012	Change in %
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
Total	20,540.3	19,324.4	6.3

¹ Prior-year figures restated.

² After deducting electricity and energy taxes.

In the 2013 financial year, the EnBW Group grew external revenue, including electricity and energy taxes, by 5.8% to €21,373.1 million. After deducting such taxes, revenue of €20,540.3 million was up by 6.3% compared with the previous year.

Sales: The Sales segment grew its revenue by 3.1% to reach €9,569.4 million in the year under review. This growth is primarily attributable to higher gas sales volumes.

Grids: The Grids segment grew its revenue by 6.9% to reach €5,707.6 million in the year under review. This revenue growth primarily reflects higher revenues related to the German Renewable Energies Act (EEG) ☐.

Renewable Energies: The Renewable Energies segment advanced its revenue by 4.8% to €369.4 million, essentially as a consequence of higher unit sales.

Generation and Trading: In the Generation and Trading segment, revenue was up by 12.4% to €4,885.7 million, principally as a consequence of growth in trading activities in the gas business.

Material developments in the income statement

The net balance of other operating income and other operating expenses amounted to €13.1 million in the 2013 financial year, mainly due to higher income from the release of provisions, compared with a negative balance of €176.6 million in the previous year. The cost of materials was up by 11.7% to reach €17,082.1 million in the 2013 financial year. In line with the consolidated revenue growth, this item reflects higher gas purchasing volumes. Revenue growth fell short of the growth in the cost of materials primarily because of falling prices and spreads ☐ in electricity production. The cost of materials has also been driven up by the purchasing of CO₂ allowances ☐ since the start of 2013, which were previously

issued free of charge, as well as non-operating effects. At €971.0 million, amortisation and depreciation in the 2013 financial year was €46.9 million below the previous year's €1,017.9 million mainly as a consequence of lower non-operating amortisation and depreciation. The €41.2 million fall in the investment result to €103.1 million (previous year: €144.3 million) is primarily due to the fact that the previous year included income from the disposal of our Polish investment. This was offset in the 2013 financial year by a write-up applied to a Turkish company in which we hold an investment. The financial result reported a €242.7 million increase in its negative balance to reach €953.6 million. This increase primarily reflected a reduction in the discounting rate applied to nuclear power provisions from 5.4% to 5.0%. Overall, earnings before tax (EBT) fell by €552.8 million to €169.9 million in the 2013 financial year (previous year: €722.7 million) 📄 www.enbw.com/report2013 > Financial statements of the EnBW Group].

Earnings

The Group net profit/loss attributable to EnBW AG shareholders reports a €51.0 million profit for the 2013 financial year, compared with a Group net profit of €484.2 million in the previous year. Earnings per share for 2013 stood at €0.19 (previous year: €1.88).

Adjusted earnings and non-operating result

The sustainable profitability of operating activities is of particular importance for the internal management and external communication of EnBW's current and future earnings trends. The operating result is disclosed in the form of adjusted EBITDA – earnings before interest, tax, depreciation and amortisation adjusted for extraordinary items – which we use as a key reporting indicator. The “Non-operating result” section presents and explains extraordinary items.

TOP Adjusted EBITDA

Adjusted EBITDA of the EnBW Group by segment in € million ¹	2013	2012	Change in %
Sales	227.1	240.7	-5.7
Grids	961.8	773.4	24.4
Renewable Energies	216.4	238.7	-9.3
Generation and Trading	834.7	1,125.2	-25.8
Other/Consolidation	-23.4	-37.2	37.1
Total	2,216.6	2,340.8	-5.3

¹ Prior-year figures restated.

The adjusted EBITDA of the EnBW Group fell by €124.2 million, or 5.3%, to €2,216.6 million in the 2013 financial year (previous year: €2,340.8 million). It included positive valuation effects from derivatives ☐ which are offset when

the underlying transactions are realised. After adjusting to reflect these effects, adjusted EBITDA reported a decline of 7.6%, which is in line with our forecast range for the 2013 financial year.

The adjusted EBITDA of the Sales segment reached €227.1 million in the 2013 reporting year. This represents a 5.7% decline compared with the previous year's €240.7 million. This fall results from declining gas sales. In turn, this was due to year-on-year higher purchasing costs accompanied by stable sales prices. This segment's share of Group adjusted EBITDA of 10.2% was at the previous year's level.

The Grids segment reported a marked increase of 24.4% in its adjusted EBITDA to €961.8 million in the period under review (previous year: €773.4 million). This positive earnings trend is primarily attributable to grid fee reimbursements being paid in the previous year but not this 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. This segment's share of Group adjusted EBITDA rose from 33.0% in the previous year to 43.4% in the year under review.

Adjusted EBITDA in the Renewable Energies segment stood at €216.4 million in 2013, 9.3% below the previous year's €238.7 million. Electricity production from run-of-river

power plants developed better than expected and remained at the above-average level of the year before. However, low electricity prices had a negative impact on the earnings of our run-of-river power plants. This segment's share of Group adjusted EBITDA fell from 10.2% in the previous year to 9.8% in the year under review.

In the Generation and Trading segment, adjusted EBITDA fell by 25.8% year-on-year, from €1,125.2 million in the previous year to €834.7 million in the period under review. Lower prices and spreads in electricity production as well as the burden arising from the full auctioning of CO₂ allowances since the start of 2013 constitute the main reasons for this downturn. When adjusted to reflect temporary positive valuation effects arising from derivatives, this segment's operating earnings fell 30.4%, and consequently lie within the range for our forecast for the 2013 financial year. This segment's share of Group adjusted EBITDA fell from 48.1% in the previous year to 37.7% in the year under review.

Other/Consolidation reported an adjusted EBITDA loss of €23.4 million compared with a €-37.2 million loss in 2013.

Adjusted earnings indicators

Adjusted earnings indicators of the EnBW Group in € million ¹	2013	2012	Change in %
Adjusted EBITDA	2,216.6	2,340.8	-5.3
Amortisation and depreciation	-880.6	-888.3	-0.9
Adjusted EBIT	1,336.0	1,452.5	-8.0
Adjusted investment result	121.7	186.8	-34.9
Adjusted financial result	-682.3	-664.2	-2.7
Adjusted income taxes	-213.7	-232.5	8.1
Adjusted Group net profit	561.7	742.6	-24.4
of which profit/loss shares attributable to non-controlling interests	(99.2)	(90.8)	9.3
of which profit/loss shares attributable to the equity holders of EnBW AG	(462.5)	(651.8)	-29.0

¹ Prior-year figures restated.

The reduction in the adjusted investment result of €65.1 million to €121.7 million (previous year: €186.8 million) is mainly attributable to the lower earnings contributions from entities accounted for using the equity method. Among other factors compared with the previous year, EVN AG is no longer accounted for using the equity method due to its planned divestiture in the period under review. At the end of the 2013 financial year, EVN AG was transferred to EnBW's own Contractual Trust Arrangement (CTA) (for detailed information about the CTA please refer to the remarks contained in the section "Adjusted net debt"). The adjusted

financial result of €-682.3 million was largely at the previous year's level (€-664.2 million).

Adjusted income taxes amounted to €213.7 million in the period under review, up from €232.5 million the year before. The adjusted tax rate amounted to 27.6% in the period under review, compared with 23.8% in the comparable prior-year period. Adjusted Group net profit attributable to EnBW AG's shareholders amounted to €462.5 million in the period under review, down by 29.0% compared with the previous year's €651.8 million.

Non-operating result

Non-operating result of the EnBW Group in € million ¹	2013	2012	Change in %
Income/expenses relating to nuclear power	-119.4	-38.5	-
Income from the release of other provisions	126.3	71.6	76.4
Profit/loss on disposal of non-current assets	34.4	4.9	-
Addition to the provision for onerous contracts relating to electricity procurement agreements	-211.0	-46.0	-
Restructuring	-13.7	-33.6	59.2
Other non-operating result	-41.8	8.0	-
Non-operating EBITDA	-225.2	-33.6	-
Impairment losses	-90.4	-129.6	30.2
Non-operating EBIT	-315.6	-163.2	-93.4
Non-operating investment result	-18.6	-42.5	56.2
Non-operating financial result	-271.3	-46.7	-
Non-operating income taxes	166.1	55.4	-
Non-operating Group net loss	-439.4	-197.0	-123.0
of which profit/loss shares attributable to non-controlling interests	(-27.9)	(-29.4)	5.1
of which profit/loss shares attributable to the equity holders of EnBW AG	(-411.5)	(-167.6)	-145.5

¹ Prior-year figures restated.

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 other non-operating loss of € -41.8 million in the period under review was affected by extraordinary charges in the land purchase tax area, and for the rehabilitation of electricity masts. The impairment losses were recognised principally on generation facilities, whose carrying amount was adjusted due to a deterioration in economic conditions. In total, impairment losses of €90.4 million in 2013 were down by €39.2 million compared with the previous year, which is mainly affected by impairment losses applied to contracting plants. The non-operating investment loss of € -18.6 million in the 2013 reporting year primarily comprises currency translation differences

applicable to our Hungarian investment, which were carried directly to equity to date, and which are now carried to profit or loss due to its transfer to EnBW's own CTA. This result was also impacted by negative effects arising from current at-equity measurement. This was offset by a write-up applied to a Turkish company in which we hold an investment. The previous year's result of € -42.5 million primarily comprises amortisation charges applied to our Hungarian investments and, offsetting these, disposal gains in the context of our divestiture programme. Overall, the non-operating investment result improved by €23.9 million compared with the previous year. The non-operating financial result of € -257.1 million was negatively impacted principally by the adjustment to the discounting rate for nuclear power provisions from 5.4% to 5.0% in the 2013 financial year. Non-operating income taxes stood at €166.1 million in 2013, compared with €55.4 million in the previous year. As a consequence, the non-operating Group net loss attributable to EnBW AG shareholders for the year under review amounts to €411.5 million, compared with a €167.6 million loss on the previous year.

Reconciliation of earnings

Financial performance of the EnBW group
in € million¹

	2013	2012	Change in %
Adjusted EBITDA	2,216.6	2,340.8	-5.3
Non-operating EBITDA	-225.2	-33.6	-
EBITDA	1,991.4	2,307.2	-13.7
Adjusted EBIT	1,336.0	1,452.5	-8.0
Non-operating EBIT	-315.6	-163.2	-93.4
EBIT	1,020.4	1,289.3	-20.9
Adjusted group net profit ²	462.5	651.8	-29.0
Non-operating group net loss ²	-411.5	-167.6	-145.5
Group net profit ²	51.0	484.2	-89.5


¹ Prior-year figures restated.

² Pertaining to the result attributable to the shareholders of EnBW AG.

Financial position Financial management of EnBW

Basis and objectives

The financial management function is responsible for securing the existing financial assets of the EnBW Group and their settlement, and for guaranteeing a sufficient level of liquidity reserves. This ensures that the Group is able to meet its payment obligations at all times without restriction. The EnBW Group's treasury guidelines define the financial transactions permitted by EnBW's Board of Management and the framework within which they may be entered into. The guidelines are applicable at all entities that are consolidated in full, or with which EnBW AG has a profit and loss transfer agreement. They can also be referred to at all other entities as a matter of principle. Central financial management serves to minimise risks, provide transparency and optimise costs.

In the operating business, derivatives  are generally deployed for hedging purposes only: for example, for forward contracts in electricity trading, or in trading with primary energy sources. This also applies for foreign

currency and interest rate derivatives. Trading for the company's own account is permitted only within narrow, clearly defined boundaries.

Another important task of financial management is to manage financial assets in order to cover the corresponding provisioning obligations. EnBW uses a cash-flow-based model to determine the effects on the balance sheet, income statement and cash flow statement of the next 30 years. This takes into account actuarial valuations of pension provisions and external expert reports on nuclear power provisions. This model also allows simulations of various alternative scenarios.

Treasury

The treasury function manages all processes at all entities that are consolidated in full, or with which EnBW AG has a profit and loss transfer agreement. Liquidity management is based on computerised rolling liquidity planning and is applicable to a pre-defined scope. Treasury is also responsible for the central management of credit lines and bank guarantees, the issuance of guarantees and letters of comfort, as well as interest rate risk and currency management.

Interest rate risk and currency management

Interest rate risk and currency management involves the management and monitoring of interest-bearing and interest-sensitive assets and liabilities. The consolidated entities regularly report on existing risk items via the rolling liquidity planning. An interest rate risk strategy is devised based on an analysis conducted every quarter on an aggregated basis. The purpose is to limit the impact of fluctuations in interest rates and interest rate risks on the results of operations and net assets.

Of the EnBW Group financial liabilities, 90% carry fixed interest rates, and 10% carry variable interest rates. This relationship between fixed and variable interest rate changes to 67% fixed and 33% variable as a result of entering into derivative interest-rate agreements. This can have an effect on EnBW's interest result. The risk potential is determined on the basis of current interest rates and potential changes in these interest rates.

Generally, the currency items resulting from operations are closed by appropriate forward exchange contracts. The legal entities report net items of € 1 million or more to the holding company for a risk period of twelve months. Overall, currency fluctuations from operating activities do not have any major effect on EnBW's profit or loss for the period. Any translation risks are monitored on a case-by-case basis in the framework of currency management.

Asset management

It is our aim to cover the Group's non-current pension and nuclear power provisions within an economically feasible period of time by means of investment in appropriate financial assets. We strive to reach the defined investment targets with minimum risk. We continued our efforts to optimise the risk/return profile of the financial assets throughout 2013. The investment volume as of 31 December 2013 totalled approximately € 6.7 billion (previous year: € 6.5 billion). The financial assets are bundled in four master funds with the following investment targets:

- > Achieve long-term target return on financial assets of 5,5%
- > Minimise risks
- > Minimise the effect on the balance sheet and income statement
- > Broadly diversify asset classes
- > Cut costs and simplify administration

Financing facilities

In addition to the Group's internal financing power from a free cash flow of €1,170.7 million in 2013 (previous year: € 205.8 million), and its own funds, the EnBW Group has the following instruments at its disposal to cover its total financing needs:

- > Commercial paper (CP) programme for a total of € 2.0 billion (undrawn as of 31 December 2013)
- > € 2.0 billion syndicated credit line with a term until 2017 (undrawn as of 31 December 2013)
- > Bilateral short-term credit lines (€ 623 million, undrawn as of 31 December 2013)
- > Euro Medium Term Note (EMTN) programme with a € 7.0 billion line (€ 3.4 billion drawn as of 31 December 2013)
- > Measures to strengthen equity and offering of special products

In 2013, EnBW enjoyed access to the capital market as and when it needed. EnBW's bonds have a well-balanced maturity profile. We expect that the planned net capital expenditures can be realised based on the company's strong internal financing power.

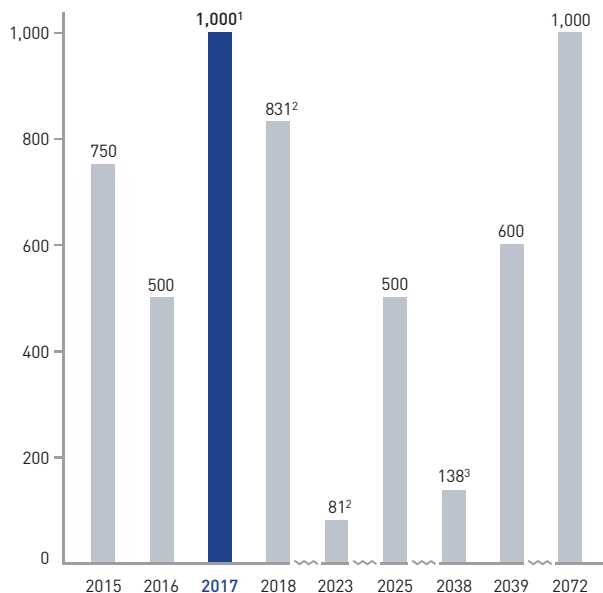
Documentation of short-term and long-term borrowings on the capital market under the established EMTN and CP programmes as well as all other credit documentation with banks (e.g. syndicated lines of credit) includes standard international clauses. Issuing negative covenants and pari passu clauses to all creditors form key elements of EnBW's financing policy. The use of undrawn credit lines is subject to no restrictions.

Around € 1.0 billion of capital market liabilities matured in the 2013 financial year. In February 2013, we repaid a bond of approximately CHF 300 million. The Swiss franc bond that was redeemed in February 2013 served to finance and collateralise EnBW's activities in Switzerland.

Given this, on 12 July 2013, EnBW through its subsidiary EnBW International Finance B.V. issued two new bonds of CHF 100 million each with fixed terms of five and ten years. The bonds carry coupons of 1.25% and 2.25% respectively, and were placed with long-term investors at 50 and 75 basis points above the Swiss mid swap rate. As a consequence, and in line with its financing strategy, EnBW raised long-term financing on favourable cost terms, and retained a balanced investor base on debt capital markets.

In November 2013, around € 750 million of other bonds matured. These were repaid from cash flow, as planned.

Maturity profile of EnBW bonds
in € million



¹ First call date – hybrid.

² Includes CHF 100 million converted as per the reporting date of 31/12/2013.

³ Nominal with conversion as per the reporting date of 31/12/2013.

EnBW is endeavouring to reduce net debt further. No bonds mature in the 2014 financial year and, from today's perspective, there is also no financing requirement. As it can make great sense to issue a bond in a favourable capital market environment when taking into account corresponding opportunity costs, EnBW constantly analyses and assesses capital market trends with regard to the current interest-rate environment and potential, favourable refinancing costs.

Details on liabilities are presented in note 24 of the notes to the consolidated financial statements (www.enbw.com/report2013 > Financial statements of the EnBW Group).

Development of the five-year credit default swap for EnBW

The past year was impacted by the ECB's interest-rate policy, especially its commitment to direct their activities to rescuing the euro. The related easing of risk perception by capital market participants is also evident from the iTraxx Europe Index – which consists of the CDS prices of 125 large European companies – which was down by 35 basis points. EnBW's risk premiums also benefited from this generally positive climate.

Development of the credit default swap in 2013
in basis points



Rating and rating development

The key objective of EnBW's financing strategy remains to ensure a good credit standing. EnBW conducts its internal management using a dynamic leverage ratio for this purpose, whose 3.3 target measure currently corresponds to the rating agencies' "A" rating. EnBW has satisfied the relevant criteria since the rating agencies Standard & Poor's (2000),

Moody's (2002) and Fitch (2009) started issuing credit ratings for the company. However, since 2011 the rating agencies have adopted a more critical appraisal of energy policy conditions in the German energy utilities sector, ascribing it a weaker business risk profile. EnBW has largely withstood the sector-wide negative rating trend to date.

Overview over EnBW's ratings – rating/outlook	2013	2012	2011	2010	2009
Moody's	A3/negative	A3/negative	A3/negative	A2/stable	A2/stable
Standard & Poor's	A-/stable	A-/stable	A-/stable	A-/negative	A-/negative
Fitch	A-/stable	A-/stable	A-/stable	A/stable	A/stable

The rating agencies confirmed their ratings over the course of 2013. The current ratings reflect EnBW's sound financial profile and the progress that we have made with implementing our package of measures. Along with Standard & Poor's, Moody's now also regards the German federal state of Baden-Württemberg's 46.75% equity interest in EnBW as an enhancement of its creditworthiness. The following table includes further details:

Assessment by the rating agencies	
Moody's (15/10/2013)	<p>Lower profitability from electricity production in Germany partly offset by stable regulated income</p> <p>Package of measures to support financing risk profile has been implemented</p> <p>EnBW 2020 addresses challenging market environment in Germany</p> <p>Strong support from both major shareholders</p>
Standard & Poor's (22/05/2013 and 23/10/2013)	<p>Solid position as fourth-largest German utility company</p> <p>High proportion of stable and predictable cash flows from regulated business</p>
Fitch (24/05/2013 and 12/12/2013)	<p>Implementation of measures to retain creditworthiness unfolds as expected</p> <p>Support from both major shareholders and flexible dividend payout policy</p> <p>Weakening of operating cash flow as result of reduced production margins, full auctioning of CO₂ allowances from 2013, and earlier closure of nuclear power plants</p>

Through maintaining its good credit standing, EnBW continues to endeavour to

- > be a first-class counterparty for financing partners without restricting its sources of financing
- > be regarded as a reliable business partner in its trading activities
- > enjoy the lowest possible capital costs, and
- > realise an appropriate number of projects, thereby maintaining its future sustainability.

The EnBW 2020 Strategy was structured so that the EnBW Group satisfies the requirements that the rating agencies expect of it in order for it to retain its good credit standing. This includes boosting the regulated business's share of forecastable cash flows to over 50% in the medium term, a solid financing profile and a flexible dividend payout policy underpinned by its stable shareholder structure.

Investment analysis

Net cash investments of the EnBW Group in € million	2013	2012	Change in %
Sales	56.8	53.3	6.6
Grids	462.0	390.8	18.2
Renewable Energies	305.1	121.6	-
Generation and Trading	206.2	237.6	-13.2
Other/Consolidation	17.5	13.5	29.6
Total capital expenditures on intangible assets and property, plant and equipment	1,047.6	816.8	28.3
Cash paid for the acquisition of subsidiaries and entities accounted for using the equity method	44.0	38.8	13.4
Cash paid for the acquisition of investments ¹	8.9	20.7	-57.0
Cash paid for changes in ownership interest without loss of control	0.0	1.1	-
Total investments	1,100.5	877.4	25.4
Cash received from disposals of intangible assets and property, plant and equipment	-171.7	-89.8	91.2
Cash received from construction cost and investment subsidies	-72.6	-66.2	9.7
Cash received from the sale of subsidiaries and entities accounted for using the equity method ²	-22.4	-258.1	-91.3
Income from the sale of investments ¹	-12.5	-15.7	-20.4
Cash received from participation models	-16.2	0.0	-
Total divestitures	-295.4	-429.8	-31.3
Net (cash) investments	805.1	447.6	79.9

¹ Excluding investments held as financial assets.

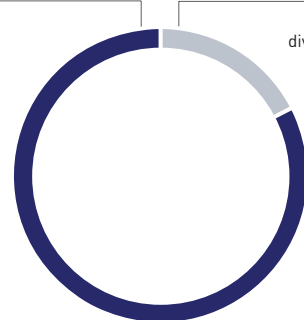
² Does not include cash and cash equivalents relinquished with the divestiture. These amounted to € 8.4 million in the year under review (previous year: € 0.0 million).

The EnBW Group invested a total of €1,100.5 million in capital expenditures in the 2013 financial year, 25.4% above the previous year's €877.4 million. Of this amount, a total of €1,047.6 million (previous year: €816.8 million) was attributable to investments in intangible assets and in property, plant and equipment – principally grid expansion, the large-scale projects RDK 8 and EnBW Baltic 2, and the construction of the Lausward Combined Cycle Gas Turbine (CCGT). Financial investments of €52.9 million in 2013 were 12.7% below the previous year's €60.6 million. After taking into account divestitures of €295.4 million – mainly from the sale of non-current assets, and taking into account construction cost subsidies – net capital expenditures amounted to €805.1 million. When taking into account divestitures of €429.8 million, which principally relate to the sale of our Polish investment, net capital expenditures in the previous year stood at €447.6 million.

Divestitures in %

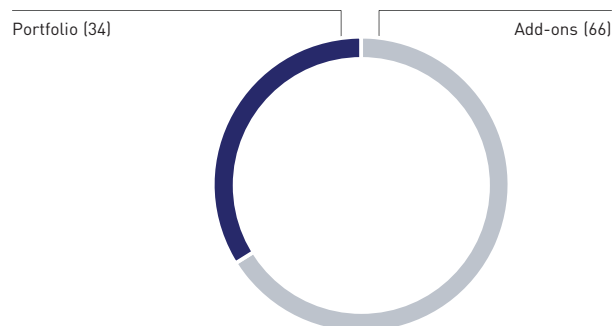
Building cost grants
and other disposals (83)

Conventional
divestitures (17)



The proportion of investments in replacement measures amounted to approximately 34% in 2013, and was earmarked for the maintenance of existing power plants and grid infrastructure. The share of capital expenditures in growth projects reached approximately 66% and served principally to fund the realisation of EnBW Baltic 2, the second offshore wind farm, and the construction of the RDK 8 hard coal power station, as well as the start of construction of the Lausward Combined Cycle Gas Turbine (CCGT).

Investments
in %



At 44.1%, or €462.0 million, most of the capital expenditures on intangible assets and property, plant and equipment were attributable to the Grids segment. Investments within this segment grew by 18.2% year-on-year. These activities concentrated on the expansion and upgrading of the grids and the connection of facilities for the generation of renewable energies by our grid subsidiaries. Capital expenditures in the Renewable Energies segment more than doubled to €305.1 million in the financial year under review (previous year: €121.6 million). Their share of total capital expenditures on intangible asset and on property, plant and equipment registered a marked increase to 29.1%. Capital expenditures in the Generation and Trading segment fell by 13.2% to €206.2 million (previous year: €237.6 million). Their share of total EnBW Group capital expenditures fell to 19.7% in the 2013 financial year, compared with 29.1% in the previous year. Above and beyond this, €56.8 million, or 5.4%, was invested in strengthening the sales force.

Capital commitments for intangible assets and property, plant and equipment amounted to €1,038.4 million as of 31 December 2013 (previous year: €975.6 million). Commitments to acquire entities totalled €494.3 million (previous year restated: €491.3 million). The commitment is financed from current funds from operations (FFO).

Liquidity analysis

Free cash flow of the EnBW Group
in € million

	2013	2012	Change in %
Cash flow from operating activities	1,908.5	856.3	122.9
Change in assets and liabilities from operating activities	-315.5	915.1	-
Interest and dividends received	369.5	346.2	6.7
Interest paid for financing activities	-304.0	-335.9	-9.5
Funds from operations (FFO)	1,658.5	1,781.7	-6.9
Change in assets and liabilities from operating activities	315.5	-915.1	-
Capital expenditures on intangible assets and property, plant and equipment	-1,047.6	-816.8	28.3
Cash received from disposals of intangible assets and property, plant and equipment	171.7	89.8	91.2
Cash received from construction cost and investment subsidies	72.6	66.2	9.7
Free cash flow	1,170.7	205.8	-

Cash flow from operating activities increased by €1,052.2 million, from €856.3 million in the previous year to €1,908.5 million in the 2013 financial year. Funds from operations (FFO) of €1,658.5 million in the period under review reflected a 6.9% fall compared with the previous year's €1,781.7 million. Among other factors, the decline was caused by the higher level of income taxes paid during the period under review owing to higher tax arrears payments. This was offset by lower interest payments. The net balance of assets and

liabilities arising from operating activities changed substantially year-on-year. While the previous year's balance increased by €915.1 million, it was down by €315.5 million in the reporting period, especially due to the marked fall in the net balance arising from trade receivables and trade payables. Despite 28.3% higher capital expenditure in intangible assets and property, plant and equipment, free cash flow consequently grew by €964.9 million to reach €1,170.7 million.

Cash flow statement of the EnBW Group in € million	2013	2012	Change in %
Cash flow from operating activities	1,908.5	856.3	122.9
Cash flow from investing activities	-559.7	-274.3	104.0
Cash flow from financing activities	-1,509.7	-730.8	106.6
Net change in cash and cash equivalents	-160.9	-148.8	8.1
Net foreign exchange difference	-1.2	-0.2	-
Change in cash and cash equivalents	-162.1	-149.0	8.8

Cash flow from investing activities reported a €559.7 million cash outflow in the 2013 financial year, compared with €274.3 million in the prior-year period. This growth is primarily attributable to year-on-year capital expenditures on intangible assets and property, plant and equipment, as well as payments received in the previous year from the divestiture of our investment in Poland. This was offset by lower outgoing payments for securities. In the case of cash flow from financing activities, the cash outflow increased by €778.9 million to €1,509.7 million. This cash outflow in the reporting year is primarily characterised by the repayment of a loan in an amount of €750 million in November 2013. The previous year's cash outflow mainly reflects the redemption of a €1 billion bond that matured in February 2012. This was offset by the capital increase that was carried

out in July 2012, as well as the topping-up of the hybrid bond. After taking into account slightly positive exchange-rate changes during the reporting period, the Group's cash and cash equivalents fell by only €162.1 million, despite the repayment of the €750 million loan.

The EnBW Group's solvency was ensured at all times throughout the 2013 financial year through the liquidity available, the positive free cash flow and the available external sources of financing. The company's future solvency is secured by its solid financial position (for further information please refer to the "Financial position" section (www.enbw.com/report2013) > Financial statement of the EnBW Group).

Net assets

Condensed balance sheet of the EnBW Group in € million ¹	31/12/2013	31/12/2012	Change in %
Assets			
Non-current assets	25,498.7	25,136.6	1.4
of which intangible assets	(1,840.8)	(1,926.7)	-4.5
of which property, plant and equipment	(13,924.4)	(13,782.5)	1.0
of which entities accounted for using the equity method	(2,066.8)	(2,355.9)	-12.3
of which other financial assets	(6,399.9)	(6,058.7)	5.6
of which deferred taxes	(257.8)	(48.3)	-
Current assets	10,551.5	10,948.0	-3.6
Assets held for sale	90.3	681.1	-86.7
	36,140.5	36,765.7	-1.7
Equity and liabilities			
Equity	6,082.7	6,375.9	-4.6
Non-current liabilities	21,082.6	21,116.8	-0.2
of which provisions	(12,448.4)	(12,258.5)	1.5
of which deferred taxes	(953.7)	(998.8)	-4.5
of which financial liabilities	(5,547.4)	(5,563.9)	-0.3
Current liabilities	8,942.6	9,272.4	-3.6
of which provisions	(1,391.0)	(1,225.6)	13.5
of which financial liabilities	(224.7)	(1,201.1)	-81.3
Liabilities directly associated with assets classified as held for sale	32.6	0.6	-
	36,140.5	36,765.7	-1.7

¹ Prior-year figures restated.

As of the 31 December 2013 balance sheet date, the total assets of the EnBW Group fell by 1.7% compared with the 2012 year-end to €36,140.5 million. The €362.1 million increase in non-current assets is primarily attributable to the rise in the prices of securities held under the “other financial assets” item. Offsetting this, the “entities accounted for using the equity method” item reduced as a consequence of the transfer of our Hungarian investments to EnBW’s own CTA. The €396.5 million decrease in current assets to €10,551.5 million arises predominantly from the reduction in other current assets and a lower level of trade receivables. The €590.8 million decline in assets held for sale is connected with the transfer of our interest in EVN AG to EnBW’s own CTA.

The €293.2 million, or 4.6%, reduction in equity as of 31 December 2013 primarily reflects a fall in revenue reserves and

an increase in losses applied to other comprehensive income. The equity ratio was down from 17.3% as of the 2012 year-end to 16.8% as of the 31 December 2013 reporting date as a consequence. At €21,082.6 million, non-current liabilities remained at almost the previous year’s level. An increase in non-current provisions for the nuclear energy area was offset by a decline in pension provisions due to the creation of €902.8 million of additional plan assets as a result of the setting up of EnBW’s own CTA. Current financial liabilities reduced by €976.4 million to €224.7 million as a consequence of the repayment of two bonds during the course of 2013. This was offset by additions to current provisions, a higher level of trade payables, and income tax liabilities. Overall, current liabilities as of the 31 December 2013 balance sheet date fell by €329.8 million compared with the previous year’s level.

Adjusted net debt

Adjusted net debt as of 31 December 2013 reflected a 13.6%, or €1,144.4 million, fall compared with the 2012 year-end, reaching a level of €7,275.0 million. Total financial liabilities were down by 14.7% to €5,772.1 million, mainly due to the repayment of a CHF 300 million bond in February 2013, and of a €750 million bond in November 2013. This was offset by the issuing of two bonds of CHF 100 million each in July 2013. Pension and nuclear power provisions registered a marked increase due to the reduction of the interest rate for nuclear power provisions from 5.4% to 5.0%. The effects of the German Site Selection Act that the Bundesrat approved on 5 July 2013 represented a further reason for this increase.

In addition, €902.8 million of plan assets were created through EnBW setting up its own CTA at the end of the financial year 2013 in order to provide further cover for long-term pension provisions. A CTA is a legally-structured trustee arrangement for the for the capital cover of direct pension commitments with separated and spun-off assets. As part of this, we transferred our investments in EVN AG and shares in our Hungarian investments Budapesti Elektromos Művek Nyrt. (ELMÜ), Eszak-Magyarországi Áramszolgáltató Nyrt. (EMASZ) and Mátrai Erőmű Zrt. (MATRA) to EnBW Trust e.V. This transaction along with significantly positive free cash flow reduced our adjusted net debt.

Adjusted net debt of the EnBW Group in € million ¹	31/12/2013	31/12/2012	Change in %
Cash and cash equivalents	-3,150.3	-3,341.2	-5.7
Cash and cash equivalents of the special funds and short-term investments to cover pension and nuclear power provisions	1,083.9	1,075.3	0.8
Adjusted cash and cash equivalents	-2,066.4	-2,265.9	-8.8
Bonds	4,466.7	5,380.7	-17.0
Liabilities to banks	1,002.3	971.7	3.1
Other financial liabilities	303.1	412.6	-26.5
Financial liabilities	5,772.1	6,765.0	-14.7
Recognised net financial liabilities²	3,705.7	4,499.1	-17.6
Pension and nuclear power provisions	13,308.1	12,497.6	6.5
Fair market value of plan assets	-1,068.6	-155.1	-
Long-term investments and loans ³	-6,235.7	-5,902.3	5.6
Cash and cash equivalents of the special funds and short-term investments to cover pension and nuclear power provisions	-1,083.9	-1,075.3	0.8
Other	-73.9	-75.7	-2.4
Recognised net financial liabilities³	8,551.7	9,788.3	-12.6
Market value of CO ₂ emission allowances purchased for planned future electricity generation	-33.9	-154.4	-78.0
Non-current receivables associated with nuclear power provisions	-623.9	-555.5	12.3
Valuation effects from interest-induced hedging transactions	-118.9	-159.0	-25.2
Adjustment of 50% of nominal amount of hybrid bond ⁴	-500.0	-500.0	-
Recognised net financial liabilities³	7,275.0	8,419.4	-13.6

¹ Prior-year figures restated.

² Adjusted for valuation effects from interest-induced hedging transactions and 50% of the nominal amount of the hybrid bond, net financial liabilities amounted to € 3,086.8 million (31/12/2012 restated: € 3,840.1 million).

³ Includes investments held as financial assets.

⁴ The structural characteristics of our hybrid bond meet the criteria for half of the bond to be classified as equity, and half as debt, by the rating agencies Moody's and Standard & Poor's.

TOP Dynamic leverage ratio

The dynamic leverage ratio is equal to adjusted net debt divided by adjusted EBITDA.

$$\text{Dynamic leverage ratio} = \frac{\text{Adjusted net debt}}{\text{Adjusted EBITDA}}$$

Dynamic leverage ratio of the EnBW Group in € million ¹	2013	2012	Change in %
Adjusted net debt	7,275.0	8,419.4	-13.6
Adjusted EBITDA	2,216.6	2,340.8	-5.3
Dynamic leverage ratio	3.28	3.60	-8.9

¹ Prior-year figures restated.

The dynamic leverage ratio fell to 3.28 as of 31 December 2013. This was due to the fall in adjusted net debt. In turn, this fall in adjusted net debt primarily resulted from the

additional plan assets that were created by EnBW setting up its own CTA, and significantly positive free cash flow.

TOP Value added and ROCE

Value added of the EnBW Group for 2013 by segment	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
Adjusted EBIT including investment result in € million	162.4	646.0	159.0	496.1	-6.3	1,457.2
Average capital employed in € million	977.5	5,659.4	1,863.8	4,156.7	2,320.0	14,977.4
ROCE in %	16.6	11.4	8.5	11.9	-	9.7
WACC in %	9.6	7.6	9.2	9.7	-	8.5
Value added in € million	68.4	215.1	- 13.0	91.4	-	179.7

Value added of the EnBW Group for 2012 by segment ¹	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
Adjusted EBIT including investment result in € million	167.7	474.2	185.6	817.7	40.3	1,685.5
Average capital employed in € million	1,012.4	5,698.3	1,645.6	4,570.5	2,220.9	15,147.7
ROCE in %	16.6	8.3	11.3	17.9	-	11.1
WACC in %	9.7	7.9	9.6	9.9	-	8.7
Value added in € million	69.9	22.8	28.0	365.6	-	363.5

¹ Prior-year figures restated.

Despite difficult market and industry conditions, the EnBW Group generated positive added value of €179.7 million in 2013, which was 50.6% less than in the previous year. This decrease was primarily caused by the lower adjusted EBIT including the investment result in 2013. Accordingly, ROCE fell by 1.4 percentage points to 9.7% in 2013 financial year. At the same time, ROCE outstripped WACC. Group WACC stood at 8.5% before tax.

Value added trends by segment: In the Sales segment, value added was almost unchanged compared with 2012. After having achieved €69.9 million in the previous year, the Group reported €68.4 million of value added in 2013. Both

operating earnings and the capital base are only marginally different from the comparable 2012 financial year values.

The Grids segment contributed the most to the enhancement of the company's value, with this segment's growth from €22.8 million to €215.1 million reflecting significantly improved operating earnings compared with 2012. The capital base was almost unchanged year-on-year.

Value added in the Renewable Energies segment stood at €-13.0 million in the reporting period. This decline by €41.0 million is due, firstly, to the lower adjusted EBIT including investment result compared to the previous year. Secondly, the capital base rose further compared with 2012, principally

due to the continuous development of the EnBW Baltic 2 offshore wind farm. The corresponding earnings contribution will not exert a positive impact on ROCE and added value until the wind farm goes into operation, whereas the capital expenditures have already been included in capital employed during the construction phase.

The value added in the Generation and Trading segment reported a marked decline from €365.6 million in the previous year to €91.4 million, primarily reflecting a drop in operating earnings in this segment, which is due to significantly lower wholesale electricity market prices. A positive value added driver was the lower level of capital employed compared to the previous year, which in turn is due above all to the considerably reduced level of working capital. Capital expenditures on ongoing projects such as the construction of RDK 8 hard coal power station in Karlsruhe as well as the Lausward Combined Cycle Gas Turbine (CCGT) increased capital employed.

The capital base for the Other/Consolidation segment rose mainly as a consequence of an increase in working capital and deferred tax.

Further details of the development of adjusted EBIT are given under the heading “Adjusted earnings and non-operating result” above (The EnBW Group > Key financial indicators > p. 69 et seqq.).

Calculating value added: The weighted average cost of capital before tax represents the minimum return on capital employed. Positive value added is only generated once the return on capital employed (ROCE) exceeds the weighted average cost of capital. The cost of capital is determined based on the weighted average cost of equity and debt together. The weighted average is the share of equity and debt in total capital. The value of equity refers to the value as determined by market valuation, and not the value recognised in the balance sheet. The cost of equity is based on the return of a risk-free investment and a company-specific risk premium. The latter is calculated as the difference between a risk-free investment and the return of the overall market weighted using the company-specific beta factor. The terms on which the EnBW Group can obtain long-term debt funding are used to determine the cost of debt. The tax deductibility of cost of debt is taken into account through the tax shield.

Calculation of the weighted average cost of capital (WACC) of the EnBW Group	2013	2012
Risk-free interest rate (r_f)	3.8%	3.8%
Market risk premium (MRP)	5.0%	5.0%
Beta factor (β)	0.9	0.9
Cost of equity after tax	8.2%	8.2%
Cost of debt before tax (r_{FK})	5.3%	5.8%
Tax shield of interest on debt	-1.4%	-1.5%
Cost of debt after tax	3.9%	4.3%
Percentage of equity financing (E)	50.0%	50.0%
Percentage of debt financing (D)	50.0%	50.0%
WACC after tax	6.0%	6.2%
Tax rate (s)	29.0%	29.0%
WACC before tax (Group)	8.5%	8.7%

We calculate the cost of capital separately for each segment in order to reflect the various risks of our activities along the value chain (Management and control system > p. 51).

$$\text{WACC after tax} = (r_f + \text{MRP} \times \beta) \times E / (E + D) + r_D \times (1 - s_{TS}) \times D / (E + D)$$

Adjusted EBIT including investment result indicators of the EnBW Group in € million ¹	2013	2012
Adjusted EBIT	1,336.0	1,452.5
Adjusted investment result ²	86.0	165.4
Tax adjustment investment result ³	35.2	67.6
Adjusted EBIT including investment result	1,457.2	1,685.5

¹ Prior-year figures restated.

² Excluding income from investments held as financial assets.

³ Adjusted investment result/0.71 – adjusted investment result (where 0.71 = 1 – tax rate of 29%).

Average capital employed of the EnBW Group in € million ¹	2013	2012
Intangible assets	1,840.8	1,926.7
Property, plant and equipment	13,924.4	13,782.5
Investment properties	77.0	81.5
Investments ²	2,231.0	2,512.3
Inventories ³	1,320.0	1,131.5
Current trade receivables ⁴	3,727.3	3,900.6
Other assets ⁵	2,515.0	3,173.4
Other provisions	-1,599.9	-1,141.6
Trade payables and other liabilities ⁶	-7,947.8	-7,537.7
Subsidies	-1,479.6	-1,566.3
Deferred taxes ⁷	-695.9	-950.5
Capital employed as of 31/12	13,912.3	15,312.4
Average capital employed⁸	14,977.4	15,147.7

¹ Prior-year figures restated.

² Including entities accounted for using the equity method, shares in affiliated entities and other investments allocable to operating activities.

³ Excluding emission allowances purchased for future electricity generation.

⁴ Excluding affiliated entities.

⁵ Excluding affiliated entities, excluding non-current receivables associated with nuclear power provisions.

⁶ Excluding affiliated entities, excluding non-controlling interests in fully consolidated partnerships recognised as liabilities.

⁷ Deferred tax assets and liabilities netted.

⁸ Average calculation based on respective quarterly figures of the reporting year and of previous year-end figures.

Non-financial performance indicators

EnBW's corporate management and control has undergone a complete transformation. Up until the end of the year 2012, it was primarily aligned to the company's financial goals. In 2013, the Group's goal system was expanded beyond the financial area to include the non-financial dimensions of Customers, Employees, Compliance and Ecology (Strategy and Goals > Goals > p. 46 et seqq.).

Goal dimension customers Top performance indicators

Top performance indicators	2013	2012
CO ₂ emissions avoided in million of tonnes ¹	5.4	5.2
EnBW/Yello brand attractiveness index	42/38	40/36
EnBW/Yello customer satisfaction index	111/148	100/152
SAIDI ² (electricity) in min/a	15	20

¹ Figures not comparable with previously reported data due to change in calculation methodology.

² Figure valid only for Germany.

TOP CO₂ emissions avoided: The "CO₂ emissions avoided" top performance indicator is intended to reflect EnBW's contribution to the Energiewende.

Growth was registered in all CO₂ avoidance activities such as energy supply contract, customer energy efficiency projects and bio natural gas sales. The expansion of renewable energies at EnBW forms the main component of CO₂ emissions avoided. This expansion advanced in 2013 compared with 2012, also feeding through to an overall increase in CO₂ emissions avoided.

TOP Brand attractiveness index: Brand attractiveness increased slightly in 2013 at both EnBW and at Yello. In particular, the EnBW brand was perceived more positively among the broad public in Baden-Württemberg and among customers.

TOP Customer satisfaction index: Customer loyalty is based on high customer satisfaction. The intense competition in the industry again took its toll on customer satisfaction among EnBW's retail customers this year. Customer satisfaction increased slightly again in 2013. In the year under review, EnBW again ranked far ahead of RWE, E.ON and Vattenfall, but after municipal utilities, and level with regional providers. The rise in customer satisfaction at EnBW

reflects perceived improvements in performance areas such as information letters, the customer magazine and invoicing, among other factors. Customer satisfaction at Yello was almost unchanged in 2013, and remains at a very good level.

TOP SAIDI: At around 15 minutes in 2013, the average duration of supply interruptions per connected customer improved significantly year-on-year. We rank at a very good level on a German national comparison as a consequence.

Goal dimension employees Top performance indicators

Top performance indicators	2013	2012
Employee commitment index	58	65 ¹
LTIF	5.9	7.4 ²
Sickness ratio in %	4.5	4.3

¹ Figure from 2010 employee survey.

² Compared to last year the figure has changed due to a new calculation method.

TOP Employee commitment index: EnBW's third Group-wide employee survey was conducted between 23 September and 11 October 2013. The central content of the survey is the degree to which employees identify with the Group and with the respective company (commitment), and the key topics influencing this index such as the quality of their activities and tasks, as well as managerial conduct and feedback behaviour. As a consequence, it follows on from the concept and implementation of the last two surveys conducted in 2010 and 2008.

The results of the 2013 employee survey reflect the degree to which employees and managers have been impacted by the pressure to change generated by the market and the consequent requirement to adjust the organisation. The fall in commitment is not attributable to the workforce's diminishing interest in EnBW, since they continue to identify to a high degree. Instead, employees are delivering a clear signal to the management that they do not yet feel sufficiently involved in the company's reorientation, and that there is still insufficient certainty and confidence as to how the postulated change will result in success.

TOP LTIF: This indicator of occupational safety (Lost Time Injury Frequency) registered a significant improvement from 7.4 in 2012 to 5.9 in the year under review. We regard this as the fruit of our continuous measures to boost occupational safety. The high degree of attention that the Board of Management of EnBW gives to accidents within the Group has supported this positive trend.

TOP **Sickness ratio:** The sickness ratio rose to 4.5% in 2013, 0.2 percentage points higher than in the previous year. The key factor behind this increase is a particularly serious wave of sickness and influenza at the start of the year, which re-

sulted in the highest level of doctors' sick notes over the past ten years, and which lasted for an uncommonly long length of time compared with previous years.

Other performance indicators

Employees of the EnBW Group ¹	31/12/2013	31/12/2012 ³	Change in %
Sales	3,461	3,650	-5.2
Grids	7,487	7,295	2.6
Renewable Energies	485	377	28.6
Generation and Trading	5,431	5,622	-3.4
Other/Consolidation	2,975	3,054	-2.6
Total	19,839	19,998	-0.8
Full-time equivalent employees ²	18,373	18,912	-2.8

¹ Number of employees excluding apprentices/trainees and excluding inactive employees.

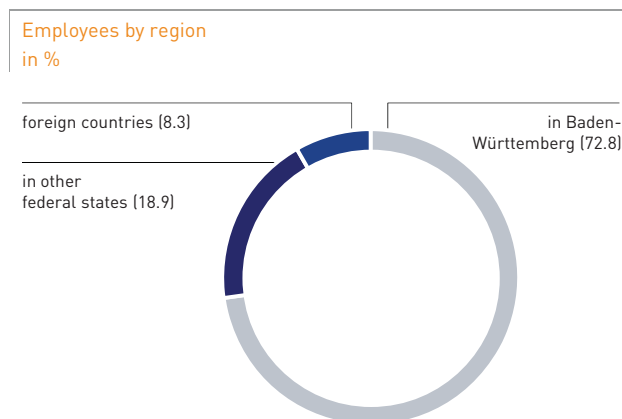
² Converted into full-time equivalents.

³ Adjusted to the new segment structure valid from 2013 onwards.

As of 31 December 2013, the EnBW Group employed a workforce **19,839 employees**. This constitutes a decrease of 159 employees or 0.8% in comparison to the end of 2012. This corresponds to 18,373 full-time equivalent employees, 539 persons, or 2.8%, fewer than in the previous year. The decline in the total number of employees is mainly attributable to the measures taken under the "Fokus" efficiency programme, with the hiring freeze announced back in 2011 and the severance package valid until end of 2012 for employees in seven support and central functions with the final exit date as of 31 December 2014. The increase in the number of employees in the Renewable Energies segment was due to part of the workforce from the Generation and Trading segment being reassigned.

Of the workforce, 26.4% of EnBW employees hold **qualifications** from higher education institutions, technical colleges or vocational colleges (previous year: 25.9%), 68.9% hold vocational high school or apprenticeship qualifications (previous year: 68.7%), and the remaining 4.7% have completed secondary school education without further vocational training (previous year: 5.4%).

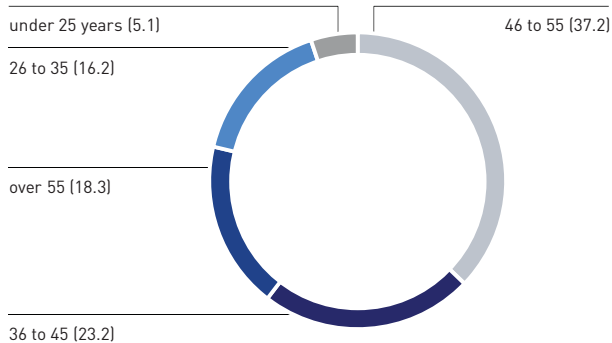
Women accounted for 24.9% of the total workforce as of 31 December 2013 (previous year: 25.2%). The proportion of women in managerial positions studied 10.8% (previous year: 10.6%). At the end of 2013, the EnBW Group had 1,009 **severely disabled employees** (previous year: 996 employees), accounting for 5.1% of the workforce. The **proportion of foreign employees** stood at 10.4% as of 31 December 2013 (previous year: 10.2%). The proportion of employees in **part-time employment**, including employees in **phased retirement schemes**, increased compared with 2012 to 15.1% (previous year: 13.3%). Of the 2,993 employees in part-time employment, 1,594 were women, corresponding to a 53.3% share (previous year: 57.3%). The **employee turnover rate** of the EnBW workforce amounted to 5.3%, as in the previous year.



The **regional distribution** of our employees changed only slightly compared with the previous year. Most of the workforce is employed in Baden-Württemberg, Germany, with the 8.3% of the workforce outside Germany being employed at the investment in the Czech Republic.

The average **age** of EnBW's employees in 2013 was 45.5 years (previous year: 45.0 years). The distribution of age groups changed slightly in a year-on-year comparison. The ratio of trainees to the total workforce in EnBW's core companies in Baden-Württemberg, including students taking combined courses of study, came to 6.2% at the end of 2013 (previous year: 7.0%). EnBW has well over 1,000 trainees and students in its employ.

Employees by age group
in %



Our human resources work within the three main thrusts of our personnel strategy

➤ **Safeguarding competence and developing skills:** In September 2013, approximately 200 young people embarked on their **training** and **degree** courses at EnBW at the start of the new year of vocational training. Training numbers and the professional profiles on offer will be based to an even greater extent on actual personnel requirements in the future. This will reduce the training ratio in core EnBW companies in Baden-Württemberg to the regional federal average of around 5% in the medium term. This allows us to offer young people better prospects of permanent employment once they have completed their training or studies. Training is now focused within two companies as a result of the “Fokus” restructuring. A revised location concept for the first training phase entailing bundling training and study at some central sites has also come into force since the 2013 hiring year. Trainees will continue to be deployed at various EnBW sites over the further course of their training in order to get to know the entire Group’s value chain.

Supporting students remains important to us, especially in the MINT subjects (Mathematics, Information Technology, Natural Sciences and Technology). At its core companies in Baden-Württemberg, EnBW currently offers almost 900 students the opportunity to gain valuable practical experience and to develop themselves further in the context of vocational training or work experience as part of study courses, or as working students. The Group is supporting its own programmes, such as “Energy Career Program” (ECP) and “Network²” and acts as a partner company in the “KompetenzKompass” (at the Karlsruhe Institute of Technology, KIT) and for the Femtec programme, a network to support women in natural sciences and technology.

Expertise management forms an important basis for personnel development at EnBW. This enables existing expertise to be deployed on a targeted bases across different segments. For employees, needs-oriented expertise development not only secures their future employability, but also promotes their motivation and loyalty to the compa-

ny. Expertise management is being applied during annual employee discussions in an increasing number of user groups. Development requirements can be clearly identified and specific development steps can be systematically initiated using standard target employee profiles and defined appraisal criteria. Options include off-the-job activities such as seminars or specific training sessions on methodological, social and technical skills, as well as assuming new on-the-job tasks, such as through job rotation.

EnBW also systematically **manages its managerial functions**. An annual management development process at EnBW forms the basis for targeted and efficient development and success are planning at all managerial levels. The objective of central successor planning is to ensure that personnel needs are consistently and systematically met at the upper and top management level, taking into account the strategic alignment of the company. A development pool oriented to future management needs exists for up-and-coming young managers.

We are addressing the challenges posed by demographic change with the constant further development of a comprehensive **demographic change analysis**. We are establishing clarity about anticipated HR bottlenecks, and we are deriving solutions from such information. We are ensuring that knowledge and experience are transferred systematically in the instance of a change of personnel by using a knowledge relay tool.

➤ **Innovative, flexible and commercially efficient work:** Having concluded a company master agreement entitled “Alternating Tele-Homeworking” (ATH) in May 2013, “Mobile Working” was gradually introduced within the company up until 1 October. This agreement enables employees to work from home for up to three days per week. It should contribute to a better balance between working and private lives. We also wish to support responsible and results-oriented work, and consequently positively impact our employees’ motivation.

To address the issue of **ideas management**, EnBW launched a standard portal under the brand “Ideen@EnBW” in 2013. This platform started in October, comprising a modern, participative and dialogue-oriented tool to support the company’s innovation process in the future. Adding to the existing system, it also allows ideas to be discussed and further developed jointly.

Family-friendly HR policies have long been accorded a high priority at EnBW. Along with flexible working hours, childcare facilities and special family and health-related vacations, employees also enjoy access to extensive childcare advice, for example.

In early March 2013, EnBW again received the “Germany’s Top Employer” award. We took third place overall. EnBW was particularly impressive in areas such as achieving a work-life balance or managing its corporate culture (📍 www.toparbeitgeber.com).

- > **Efficient and effective HR policy:** In 2013, activities focused on HR measures to implement the “Fokus” efficiency programme. The main conditions for the Group restructuring were fixed in February with the signing of several agreements such as a master settlement of interest and a master social plan. The process steps relating to the cross-company **workforce reduction and restructuring** were concluded by the end of May. The planned organisational modifications were gradually be completed from June on, and the target organisation was established. As a consequence, the “Fokus” Group restructuring was completed by the year-end.

The collective bargaining partners for private energy companies in Baden-Württemberg agreed to a **two-stage collectively bargained wage agreement**. Employees, trainees and students pursuing dual studies/vocational training received a 3.1% pay increase with effect as of 1 January 2013, as well as a table-dependent one-off payment of €300 gross at the end of 2013 (part-time employees proportionally in line with the degree of employment), and trainees and students pursuing dual studies/vocational training received €100 gross. The second stage of the collectively bargained wage agreement entailing a 2.7% pay increase at association level became effective as of 1 January 2014. At companies where the “Fokus” collectively bargained agreement is applicable, the association pay table valid from this date was reduced by a further 1.8%, with weekly working hours being cut by a further hour at the same time.

Occupational safety

Safety at work is extremely important to us. We endeavour to constantly improve **safe working conditions**. EnBW’s Board of Management continuously forms a detailed picture of accident events within the Group. It ensures that it is reported to weekly about extraordinary events within the company. Besides accidents with serious consequences or fire-related events, this also includes positive incidents such as aid given in emergencies.

In **working together with third-party companies**, EnBW has adopted further measures intended to prevent accidents. For example, third-party company employees must now

undergo training to obtain qualifications before they are permitted to work on their own with electrical hazards in the low voltage network. Since 2013 a new procedure also exists to report accidents and how they are subsequently addressed, with the aim of achieving relevant behavioural changes. Deploying external service-providers, we aim for an equally high level of occupational safety as with EnBW’s own employees.

The occupational safety topic is to be anchored even more firmly within our corporate culture with our **“Occupational Safety Initiative”** project. This project aims to permanently reduce unsafe situations and consequently the number of internal accidents, including when deploying third-party companies, by making occupational safety a routine component of corporate processes at all hierarchical levels.

The occupational safety department is continuously developing new **e-learning modules** on important safety topics for annual employee training. This year, the offering was expanded to include two modules on the subject of noise, and a new module for repeat instruction on the basis of Germany’s BGV A 1 accident prevention principles.

Health management

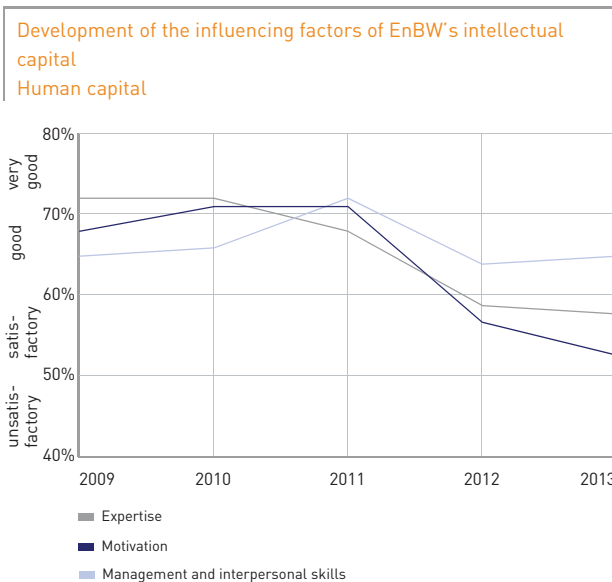
Along with occupational safety, the pursuit of social care at EnBW also places a high priority on health-promoting and sickness-preventing measures. This is even more so the case given demographic trends and the future lengthening of people’s working lives. The Occupational Medical Service regularly offers collective medical healthcare campaigns, including relating to bowel cancer for example. Vaccinations form a focus of preventative healthcare measures. A Group-wide vaccination campaign against seasonal influenza is conducted every year, for example. Along with physiotherapy for acute or chronic healthcare complaints, employees can also take courses for fitness, physical exercise and relaxation, or avail themselves of ergonomic advice relating to their place of work.

In December 2013, EnBW received the “German Corporate Healthcare Prize” for its exemplary company healthcare management scheme (📍 www.deutscher-unternehmenspreis-gesundheit.de). The jury was particularly convinced by the high priority placed on health within the context of social corporate responsibility. Before this, a staff member of the Occupational Medical Service had already received the “Occupational Health Care Management Award for Innovations from Up-And-Coming Junior Managers” for implementing a corporate healthcare management project.

Human capital

Intellectual capital comprises the three elements of human capital, relationship capital and structural capital. Further information can be found at (The EnBW Group > Unrecognised intangible assets > p. 92 et seq.). The factors influencing EnBW's human capital were deemed satisfactory to good in 2013. The changes in a large number of factors in comparison to the previous year are due above all to the growing challenges for employees posed by the company's realignment.

The overall development of human capital leads to the conclusion that staff of not yet formed a clear image of where the companies reorientation is leading, and are consequently looking to EnBW's future with uncertainty.



The employees regard the **specialist and technical expertise** existing within EnBW as "satisfactory" overall as far as the meeting of future requirements is concerned. In their view, the specialist and technical expertise required for traditional core processes remains available for the future. Some specific specialist and technical competences are still lacking for new business areas that we will tap over the coming years. We will create these systematically.

The appraisal of **motivation** remains at a "satisfactory" level, and is regarded as good enough as far as the future is concerned in order to successfully continued EnBW's operating business. In the employees' perception, areas exist with attractive future options and a high level of motivation, as well as areas where motivation needs improving.

Managerial and social expertise has improved slightly compared with 2012, and continues to be appraised as "good". An increasing number of new tasks entailed in the establishment of new organisational structures and the related change process is presenting the managerial expertise within the company with new challenges. While some managers are deemed to have excellent managerial expertise in this context, and the changes to the Board of Management have sent our positive signals to employees, staff still identify scope for improvement, especially where the management of major changes is concerned. Greater requirements will be made of the entire workforce's social competences given the forthcoming cultural change that the company will realise over the coming years. Our employees believe that the requisite degree of such expertise already exists.

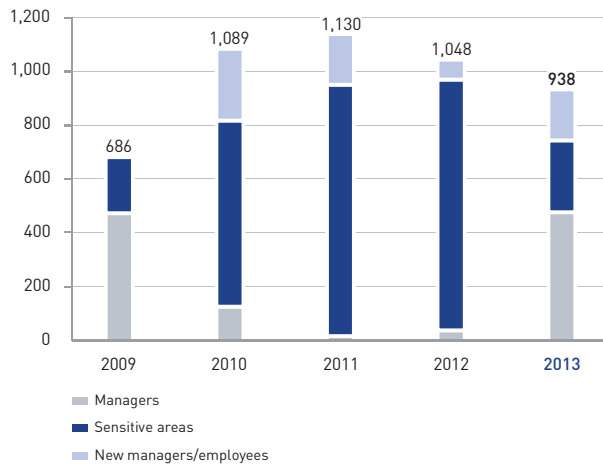
Goal dimension compliance Top performance indicators

Top performance indicators	2013	2012
Staff trained in corruption prevention and anti-trust law in %	86.9	- ¹

¹ Data could not be surveyed until 2013.

TOP Staff trained in corruption prevention and anti-trust law: This top performance indicator comprises four different training measures and was surveyed for the first time in 2013. Training sessions on corruption behaviour and anti-trust law were held for 86.9% of employees in 2013. Between March and May 2013, all employees at controlled Group companies were required to complete an e-learning course on the corruption prevention topic, our first full-scale training course on this subject. The course's contents included the EnBW code of conduct, the legal bases of corruption prevention, and a detailed explanation of EnBW internal regulations and their application in case studies. Applications to participate in this course were monitored constantly. As the result of a multi-step process of reminders, a total of 12,480 employees participated across the Group, reflecting an 85.3% ratio. The second Group-wide training campaign for all management levels was also conducted on 21 days between October and December 2013. During three-hour presentations, almost 500 managers were made aware of current compliance risks for EnBW. As far as sensitive areas were concerned, the focus in 2013 was on presentations for 267 staff involved in our municipal business and staff at our smaller Group companies. As in previous years, 190 new employees and managers were also familiarised with compliance principles. The target for this top performance indicator was consequently achieved in 2013.

Compliance training
 Number of training events



Other performance indicators

Other compliance indicators highlight the development and degree of maturity of the Compliance Management System (CMS) at EnBW, reflecting continuous compliance activities. These correspond to the transparency requirements of the GRI Anti-corruption Indicators and the corresponding recommendations of the German Sustainability Code. In addition to the aforementioned top performance indicator (Strategy and Goals > Goals > p. 49), the following indicators are also surveyed:

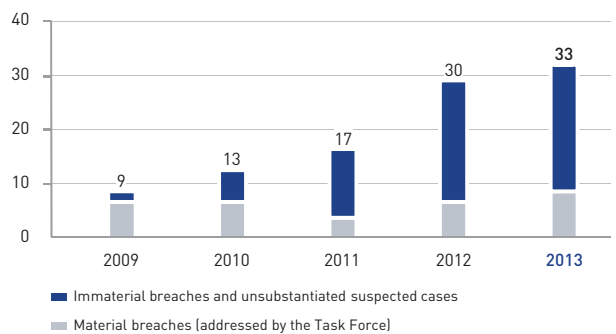
- > The scope of the CMS is described using the percentage of Group companies included in the CMS. Company-law and structural changes within the EnBW Group are regularly reviewed, and any due need for adjustment is implemented rapidly as part of the CMS. The Group companies included in the year under review represented 93.3% of Group companies that are controlled by EnBW and managed by its staff.
- > Regular investigation of Group companies with regard to existing corruption, anti-trust law and data protection risks is ensured through annual compliance risk assessments. The number and percentage of participating Group companies reflects the high extent to which the CMS covers the EnBW Group. The annual investigation of corruption, anti-trust law and data protection risks was expanded in the reporting year in line with planning, and was conducted at 29 out of 30 of Group companies that are controlled by EnBW and managed by its staff, corresponding to 96.7%.
- > The business partner audit process was launched in autumn 2010 to prevent financial losses and reputational losses to the EnBW Group that might arise from the attribution of the behaviour of business partners to the EnBW Group. An indicator that sufficiently describes Group-wide activities is in development, and will be reported upon from 2014.

- > Generating sales revenues in countries that are classified as prone to corruption in the context of Transparency International's Corruption Perception Index may necessitate specific compliance measures in such countries. At 4.0% at EnBW, sales revenues in risky countries outside Germany are very low, with the exception of Group activities in the Czech Republic. The compliance organisation implemented at Group subsidiary Pražská energetika a.s. (PRE) nevertheless takes this risk factor into appropriate account.

The corporate compliance and data protection hotline forms an integral part of the preventive compliance function. Including matters requiring approval, 1,211 queries on focal topics such as subsidies, donations and sponsoring, as well as further topics such as anti-trust law and business partner auditing, were included in the year under review. The continuing rise in the number of queries needing advisory input reflects the awareness of EnBW's staff to compliance topics.

EnBW received 33 indications of compliance infringements and suspicious incidents in the year under review, four of which were submitted to the ombudsman who was newly engaged in summer 2013. The compliance committee task force processed nine of these incidents. Disciplinary measures were implemented in three instances.

Number of compliance breaches



The EnBW Group faced neither anti-trust law penalty procedures nor third-party anti-trust lawsuits in the 2013 financial year. In addition, no penalties due to infringements of legal regulations were imposed on the company due to any other significant matters. Legal precedents from the European Court of Justice from 2013 relating to the efficacy of price adaptation clauses in energy supply agreements resulted in no need for action since EnBW Sales utilises clauses that are structured differently to the disputed clauses.

As in previous years, EnBW continued to be the subject of media reporting in 2013 because of so-called "Russia transactions". This relates to matters that predominantly occurred five to ten years ago, and which have been reviewed since 2009. On the basis of the related findings the company has

both drawn organisational consequences, and initiated a consistent pursuit of potential civil law claims.

Extensive law enforcement agency investigations in Germany due to alleged VAT fraud in CO₂ allowance trading also affected individual EnBW employees. We identified no criminal law irregularities after investigating the matter and following intensive legal examination.

Goal dimension ecology

Top performance indicators

As a company, we bear our share of responsibility for the environment and for preserving biological diversity. We take climate protection and the future-oriented sustainable treatment of all natural resources firmly into consideration in our activities. EnBW was the first energy group in Germany to introduce an environmental management system certified under ISO 14001 at Group level back in 2006. We have set forth our commitment to environmental protection in our environmental principles (www.enbw.com/umweltschutz):

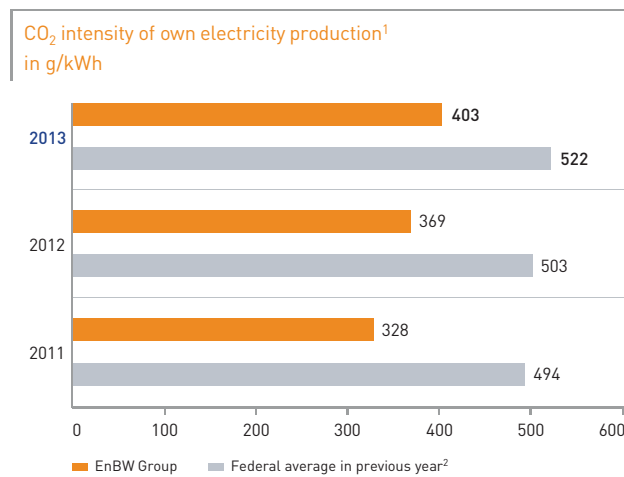
- > EnBW stands for safe and sustainable energy supplies.
- > EnBW promotes communication and awareness of environmentally relevant topics.
- > EnBW stands for environmentally compatible actions in all segments.

Top performance indicators	2013	2012
CO ₂ intensity of own electricity production in g/kWh	403	369
Installed renewable energies output in GW and renewable energies' share of generation capacity in %	2.6/19.1	2.5/18.9

TOP CO₂ intensity of own electricity production: In the Ecology dimension, EnBW's integrated target system pursues the two objectives of expanding the "realisation of reduction potentials of greenhouse gases" and "renewable energies". We measure greenhouse gas emissions using the top performance indicator of "CO₂ intensity of own electricity production" ([Strategy and goals > Goals > p. 49 et seq.](#)).

Compared to the prior-year level of 369 g CO₂/kWh, these emissions increased in 2013 by some 10% to 403 g CO₂/kWh. This reflects the year-on-year increase in electricity produced from fossil fuel sources, especially coal. This trend is

also observable across the whole of Germany. EnBW's CO₂ intensity continues to lie significantly below the overall German national figures of 522 g of CO₂/kWh in 2012.



¹ Own generation comprises own and partially owned power plants as well as long-term supply contracts.

² The federal average of the respective reporting year is only available in autumn of the next respective year. The comparison is therefore made against the national average of the previous year.

We determine the "expanding renewable energies" target using two top performance indicators: installed output of renewable energies, and renewable energies' share of generation capacity.

TOP Installed output of renewable energies: The "installed output of renewable energies" rose from 2.5 GW to 2.6 GW in the 2013 reporting year. This increase is mainly attributable to a change in the contractual terms and commissioning of the fifth turbine at the Iffezheim run-of-river power plant.

TOP Renewable energies' share of generation capacity: A moderate year-on-year increase also occurred with renewable energies' share of generation intensity, which is also primarily due to the Iffezheim run-of-river power plant.

Other performance indicators

Besides these top performance indicators in the Ecology area, EnBW utilises a broad range of further environmental indicators for measuring, controlling, steering and reporting. The table below includes the most important indicators, and a comprehensive presentation of EnBW's environmental performance indicators can be found on the Internet at (www.enbw.com/umweltschutz).

Environmental performance indicators ¹	Unit	2013	2012 ¹⁰
Fuels (primary energy sources)			
Coal	FY	222,179,276	202,573,483
Natural gas	FY	12,846,151	17,076,177
Waste	FY	11,869,074	13,053,146
Biomass	FY	2,101,666	2,906,582
Other fuels ²	FY	2,201,726	2,135,496
Nuclear fuel employed ^{3,4}	t	40.0	40.0
Carbon footprint			
Direct CO ₂ emissions (scope 1) ⁵	millions of tCO ₂ eq	22.7	20.8
Indirect CO ₂ emissions (scope 2) ⁶	millions of tCO ₂ eq	0.9	1.2
Other indirect CO ₂ emissions (scope 3) ⁷	millions of tCO ₂ eq	16.6	17.7
CO ₂ emissions through mobility	thousands of tCO ₂ eq	17.8	19.1
Energy consumption			
Total final energy consumption ⁸	GWh	3,013	3,158
Renewable energies' share of final energy consumption	%	24	21
Environmental protection expenditure⁹			
Capital expenditure on environmental protection	€ million	291	180
Current environmental protection expenses	€ million	320	285

¹ Unless otherwise indicated, the data present the entities and facilities of the consolidated group.

² Heating oil and sewage sludge.

³ Own power plants.

⁴ Total heavy metal load.

⁵ Preliminary data.

⁶ Includes greenhouse gas emissions due to electricity grid losses and through electricity consumption of plants in the gas and electricity grid, water supplies and buildings.

⁷ Includes greenhouse gas emissions through consumption of purchased electricity volumes from customers, consumption of gas from customers, fuel provision and business travel.

⁸ Includes final energy consumption of production, including pump energy; energy consumption of grid power plants (electricity, gas and water) excluding grid losses; energy consumption of buildings and vehicles.

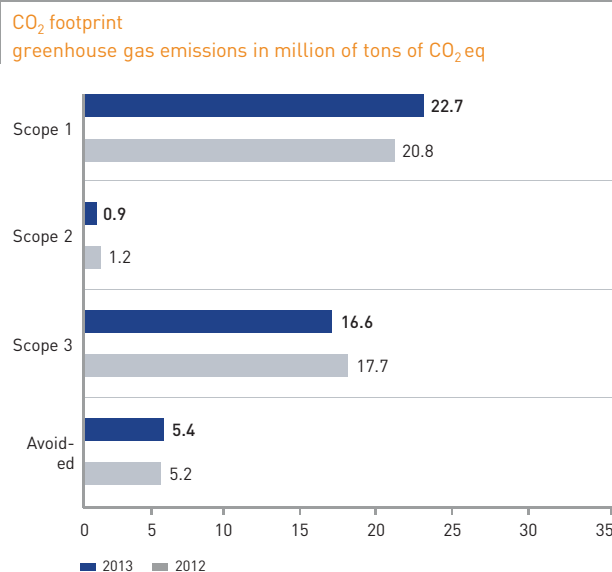
⁹ Pursuant to the German Environmental Statistics Act (UStatG) and BDEW guidelines on the recognition of investment and ongoing expenditure relating to environmental protection (April 2007).

¹⁰ Prior-year figures restated.

Fuels: The increase in the primary energy source of coal reflects higher utilisation of fossil fuel-based electricity production compared with 2012. The approximately 25% decrease in the use of natural gas as a fuel is attributable to lower electricity production by gas-fired power plants in 2013. Utilisation of waste as a fuel fell somewhat year-on-year. The reduction in the volume of biomass deployed in the 2013 reporting year compared with 2012 is primarily attributable to the deconsolidation of EnBW Klenk Holzenergie GmbH. At 40t, the volume of nuclear fuel's deployed was at the 2012 level.

Carbon footprint ■: Direct CO₂ emissions are determined mainly by the usage of fossil-fuelled power plants. Accordingly, the increase in fossil-fuelled electricity generation is the reason for the rise in direct CO₂ emissions from 20.8 to 22.7 million tCO₂ eq. The fall in indirect Scope 2 CO₂ emissions arises primarily from a lower level of grid losses within the distribution grid. Scope 3 CO₂ emissions reduced in 2013 compared with 2012 principally as a consequence of lower gas consumption at customers. Numerous EnBW activities also avoid CO₂ emissions: primarily that of generating electricity from renewable energy sources. Growth in such renewable

energy utilisation in 2013 fed through to a year-on-year increase in CO₂ emissions avoided.



Energy consumption: For the first time we are reporting EnBW's total final energy consumption as a Group metric. This comprises the consumption of final energy by EnBW's operating activities. It does not include conversion and transportation losses such as primary energy sources for electricity generation and grid losses. Total final energy consumption reflects the company's own requirements, and the operating consumption of the generation plants including pump energy. Lower year-on-year demand for pump energy is the main reason for the almost 5% fall in final energy consumption from 3,158 GW hours to 3,013 GWh in 2013.

Renewable energies' share of final energy consumption was up from 21% in 2012 to 24% in 2013. It is dominated by pump energy to which the share of renewable energies in the German electricity mix was imputed.

Environmental protection expenditure: We report environmental expenditure in line with the requirements of statistical offices and using the guidelines published by our sector association, the BDEW. Environmental protection expenditure increased from €180 million to €291 million in 2013. This growth primarily reflects higher investments in climate protection through constructing our EnBW Baltic 2 offshore wind farm, as well as investments in noise reduction in the electricity grid area. The aforementioned projects also resulted in an increase in current expenses.

Other environmental topics: Our website includes more information about our wide ranging environmental activities relating to energy efficiency at EnBW, the conservation of biological diversity, and about the protection of nature and species, such as our EnBW Amphibian Protection Programme or bird protection activities in the grids area (www.enbw.com/umweltschutz).

Unrecognised intangible assets

Various intangible assets that are not included on the balance sheet make a quite considerable contribution to the corporate development, success and profitability of the EnBW Group. This requires optimising the use and organisation of the knowledge of our highly qualified employees in combination with modern, efficient business processes and our relationships with partners and customers. The professional management of the human, structural and relationship capital of EnBW, its so-called "intellectual capital", exerts a significant influence on business activities and the company's value, and is consequently of strategic importance to us.

We are the only large company in Germany to appraise factors that influence intellectual capital based on the principle of the "Intellectual Capital Statement – Made in Germany", and have done so since 2005. As part of systematic self-appraisal, groups of employees composed on a technically and hierarchically representative basis within the

Group's central companies are surveyed in order to assess how the current orientation of these factors is to be appraised with respect to the company's medium-term targets.

The quality and quantity of the individual factors and their systematic development within the company are assessed on the basis of 27 questions. The results from these companies are then consolidated in a Group assessment.¹ This allows for an assessment of the future development of the influencing factors and also an identification of areas for action on Group-level. Between 2005 in 2013, more than 300 measures to develop the total of nine influencing factors were derived in order to bolster strengths and minimise intellectual capital risks.

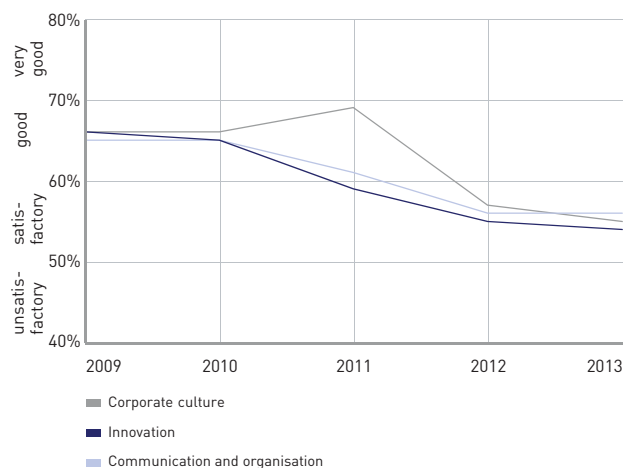
¹ Until 2011, this consolidation was conducted on a rolling basis. In other words, companies in the electricity segment were surveyed in uneven years, and companies in the gas and service segments were surveyed in even years. The results from the current and previous years were consolidated into a Group assessment. This approach was not implemented in the past two years due to the Group's restructuring. In 2012, the assessment was conducted with a reduced number of employees in ten companies across all segments. No changes occurred in this context, whether it be to the influencing factors to be appraised, or to the procedure. These intellectual capital surveys were prepared in the usual form at EnKK, EOG, ETG and EZG in 2013. For the 2013 Group assessment, rolling consolidation was performed as usual on the basis of this year's result, and with recourse to the previous year's results from the other companies.

Human capital

For more information about the status and development of human capital, please refer to the following chapter (The EnBW Group > Non-financial performance indicators > p. 88).

Structural capital

Development of factors of influence of EnBW's intellectual capital
Structural capital



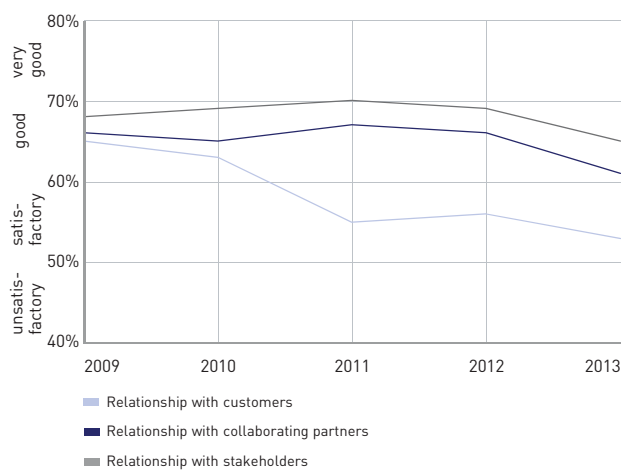
Corporate culture: Compared with 2012, the assessment of corporate culture is slightly different, although it is still categorised as "satisfactory". Mergers of areas with different cultures, the departure of experienced individuals, personnel changes, and uncertainty about EnBW's future orientation exerted a negative impact. Moreover, tools that make it

possible to communicate openly, rapidly and in a manner that employees can readily understand were no longer deployed as consistently as previously. Staff also notice a greater concentration on boosting efficiency, to the detriment of cultural development. The assessment of corporate culture also suffered downgrades as a result of the new requirement that employees should act increasingly entrepreneurially. Actions aimed at direct contact between management and employees – for example, the “Board of Management visits” – have proved to be very useful corporate development tools at some companies, and will be continued.

Communication and organisation: Communication and organisation continue to be appraised as “satisfactory”, thereby remaining stable year-on-year. Both are suffering from the Group restructuring. Higher expectations of the new company organisation are also affecting this assessment. Communication is functioning well within departments and teams, although interfaces entailing processes where work is shared or borne across segments still need to optimise communication paths and rules. The efficiency of cross-hierarchy communication and decision-making processes also continues to be assessed as sometimes unsatisfactory.

Relationship capital

Development of factors of influence of EnBW's intellectual capital
 Relationship capital



Relationships with customers: Given the change in strategic orientation, employees are evaluating current customer relationships with somewhat more reticence than in 2012, although they are still gauged to be “satisfactory”. This primarily reflects higher requirements due to efforts to realise growth, accompanied by more challenging political and competitive conditions.

Relationships with cooperation partners: Relationships with cooperation partners continue to be assessed as “good”, although they still lie at the lower end of the “good” range. They nevertheless continue to form one of EnBW's strengths. Possibilities for optimisation are identified especially in systems, as previous procedures and structures fit together with the new strategic requirements and changes in market conditions to only a limited extent. The number and quality of relationships are also regarded as in need of improvement given the alignment to new business areas and the accompanying changes in demands and requirements.

Relationships with stakeholders: The assessment of relationships with stakeholders has fallen since last year, although it is still assessed as “good”, and continues to form one of EnBW's strengths. Networking with stakeholders in the new business areas needs to be expanded further. The quality of relationships deteriorated, since relationships with some stakeholders proved insufficient to offset more critically-appraised relationships, as well as relationships with stakeholders in the new business areas that have not yet been included. Particularly with this stakeholder group, interaction must be pursued more systematically. In general, the actions taken are not pro-active enough and need better coordination.

EnBW AG

The result for the year of EnBW AG deteriorated owing to the difficult conditions prevailing and the ensuing, generally one-off effects. Accordingly, it declined by € 1,109.9 million to € 773.4 million, bringing the annual net loss to € 769.2 million. Taking account of profit carryforwards of € 129.4 million and transfers of € 831.0 million from the revenue reserves, retained earnings amount to € 187.0 million. Dividend distribution of € 0.69 per share will be proposed to the Annual General Meeting.

EnBW AG

The strategic realignment of the EnBW Group also consists of streamlining the Group's organisation structure under the slogan of "ONE EnBW". The emphasis of these endeavours is on significantly reducing the Group's complexity by combining companies ([Business model](#) > [Structure and business activity](#) > p. 28).

EnBW EnHol Beteiligungsgesellschaft mbH and Salamander Marken GmbH & Co. KG were integrated into EnBW AG before the end of the reporting year, resulting in an accounting gain of € 235.6 million.

The process of restructuring is scheduled for completion in the first half of 2014, with the combination of EnBW's core companies, specifically EnBW Trading GmbH, EnBW Operations GmbH, EnBW Vertrieb GmbH, EnBW Systeme Infrastruktur Support GmbH and EnBW Erneuerbare und Konventionelle Erzeugung AG, and their integration into EnBW AG. The integrated company will be managed in future through business and functional units. The core operating activities will be assigned to the business units, and the functional units will encompass Groupwide support and governance tasks. The model of a central holding company with management functions within the EnBW Group is therefore no longer applicable as from the financial year 2014.

In order to safeguard claims from pension commitments, investments in the Contractual Trust Arrangement (CTA) were transferred to a trustor (EnBW Trust e.V.) in the year

under review. Pursuant to Section 246 para. 2 sentence 2 of the German Commercial Code (HGB), provisions for pensions are offset against the corresponding cover funds.

The financial statements of EnBW AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The detailed financial statements of EnBW AG, audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Mannheim, and the management report of EnBW AG, which is combined with the Group management report, will be published in the German Federal Gazette ("Bundesanzeiger") together with the unqualified audit opinion. The full financial statements of EnBW AG are available for downloading (www.enbw.com/report2013 > [Financial statements of EnBW AG](#)).

Net assets of EnBW AG

The net assets of EnBW AG are largely dependent on its equity investments and on central treasury. Central treasury affects financial assets as well as receivables from and liabilities to affiliated entities. The provisions for pensions and similar obligations at EnBW AG combine obligations from the company pension scheme and other company agreements of major subsidiaries. The resulting annual expenses for the retirement benefits of active employees are paid by the subsidiaries concerned in each case.

Condensed balance sheet of EnBW AG in € million ¹	31/12/2013	31/12/2012
Assets		
Non-current assets		
Intangible assets	3.7	5.4
Property, plant and equipment	6.3	6.6
Financial assets	18,809.1	17,794.5
	18,819.1	17,806.5
Current assets		
Receivables from affiliated entities	1,354.6	2,661.7
Other receivables and other assets	382.7	324.6
Securites and cash equivalents	2,151.2	2,384.2
	3,888.5	5,370.5
Prepaid expenses	27.8	34.9
Surplus from offsetting	0.1	0.1
	22,735.5	23,212.0
Equity and liabilities		
Equity		
Subscribed capital	708.1	708.1
Treasury shares	-14.7	-14.7
Issued capital	(693.4)	(693.4)
Capital reserve	776.0	776.0
Revenue reserves	761.5	1,592.5
Retained earnings	187.0	359.6
	2,417.9	3,421.5
Provisions	4,380.6	5,060.2
Liabilities		
Liabilities to affiliated entities	14,105.8	12,923.8
Other liabilities	1,820.3	1,791.4
	15,926.1	14,715.2
Prepaid expenses	10.9	15.1
	22,735.5	23,212.0

¹ In accordance with German commercial law.

Financial assets rose by €1,014.6 million. This increase is essentially related to loans of €910.0 million to affiliated entities and securities held as non-current assets of €409.9 million. Countereffects were constituted by investment disposals mainly attributable to their transfer as cover funds to EnBW's own CTA.

The decline in receivables from affiliated entities and the increase in liabilities to affiliated entities arose mainly in connection with the combinations carried out and absorption of losses.

Equity declined owing to the net loss for the year. EnBW AG's equity ratio dropped by 4.1 percentage points to 10.6% in comparison with 2012.

The decline in provisions was largely attributable to provisions for pensions and similar obligations. In the reporting year, cover funds of €902.8 million were offset for the first time against pension provisions. A countereffect emanated from the lower discount rate.

Net profit of EnBW AG and dividend

Condensed income statement of EnBW AG in € million ¹	2013	2012
Investment result	-576.7	1,067.9
Interest result	-171.5	-377.2
Personnel expenses	-65.0	-93.5
Other income and expenses	-9.7	-100.1
Profit from ordinary activities	-822.9	497.1
Extraordinary income	235.6	0.0
Tax	-186.1	-160.6
Net income/loss for the year	-773.4	336.5

¹ In accordance with German commercial law.

EnBW AG's net loss in the financial year 2013 amounted to €773.4 million, down €1,109.9 million in a year-on-year comparison. After transfers of €831.0 million from revenue reserves, retained earnings stood at €187.0 million and take account of a profit carryforward amounting to €129.4 million. Measured against the previous year, the investment result declined by €1,644.6 million mainly owing to higher expenses in connection with the profit and loss transfer agreement with EnBW Erneuerbare und Konventionelle Erzeugung AG. These expenses were also incurred by burdens from the Site Selection Act. Moreover, the deterioration in the market environment resulted in transfers to provisions for onerous contracts in electricity production to take account of electricity procurement agreements which no longer covered the costs as well as of power plant impairments. The negative interest result improved slightly by €205.7 million compared to the previous year, principally on account of distributions from a special fund.

The decline in personnel expenses is essentially attributable to lower expenses for retirement benefits.

The change in other income and expenses is mainly due to higher income from releasing personnel provisions in the reporting year.

Extraordinary income consists of gains from the combination of EnBW EnHol Beteiligungsgesellschaft mbH and the integration of Salamander Marken GmbH & Co. KG.

At €186.1 million, the tax expense is €25.5 million higher than in the previous year. The increase is primarily due to provisioning for risks from tax audits. The item relates to current tax only, as the option of not recognising deferred tax assets was exercised for the deferred tax assets net of deferred tax liabilities.

We will propose 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. As of 31 December 2013, a total of 270,855,027 shares were entitled to dividend. If the Annual General Meeting approves this proposal, the amount distributed by EnBW AG for the financial year 2013 will total €186.9 million.

Comments on reporting

In accordance with Sec. 315a (1) German Commercial Code (HGB), the consolidated financial statements of EnBW AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Union as of the reporting date.

Dependent company declaration

Pursuant to Section 312 of the German Stock Corporation Act (AktG), the Board of Management of EnBW AG prepared a dependent company report for the financial year 2013. This details relationships with affiliated entities, and closes with the following declaration: "In the legal transactions listed in the dependent company report, and according to the circumstances that were known to us when those legal transactions were performed, our company received appropriate consideration for each legal transaction and was not placed at a disadvantage. We did not take, or refrain from taking, any reportable actions motivated by or in the interest of the controlling companies or their affiliated entities."

The EnBW share

At the start of the year, the DAX stood at 7,612.739 points and closed the first quarter having gained 2.4%. At the end of the first half of 2013, the DAX posted 7,959.22 points, having fallen to its lowest level in April at 7,459.96 points, and subsequently peaking in May when it achieved a new record high of 8,530.89 points. Stable economic data from the USA, the end of the political stalemate in Italy, and the key interest rate cuts by the European Central Bank (ECB) were all contributing factors. In the third quarter, the DAX gained another 8%, buoyed by the global improvement in economic indicators, improved economic data from China and the ECB's announcement of its intention to hold interest rates at a low level for a longer period. In the fourth quarter, this uptrend also held steady. The surprising move by the ECB in lowering interest rates, better global forecasting data and the continuous flow of fresh capital into European equity funds fuelled an increase of 11.2% in the final quarter of 2013. The DAX reached its peak of 9,589.39 points towards the end of the year on 27 December 2013. On the reporting date of 30 December 2013, the DAX's closing price stood at 9,552.16 points, signifying growth of 26% in 2013.

The challenging environment brought about by the Energiewende continues to exert pressure on energy supply companies in Germany. Accordingly, the price of the EnBW share stood at €26.85 at the end of 2013, down from €29.30 at the beginning of the year.

In a European context, the DJ EURO STOXX UTILITY index, which tracks the share price of European utilities, had risen by 9.36% as of the end of the year.

In financial 2013, a total of 95,634 EnBW shares were traded in XETRA. This corresponds to an average daily turnover of 439 units.

Dividend policy

The trust placed in EnBW by capital market participants accrues from the value generated by the company. Against this backdrop, EnBW pursues a fundamental goal of disclosing a positive free cash flow in each financial year and refraining from building up additional net debt. The amount of dividend is based on the performance of the company, the scope of the investment programme, as well as the volume of net debt and the dynamic leverage ratio. Depending on these parameters, EnBW strives to always pay out between 40% and 60% of adjusted Group net profit.


Overall assessment of the economic situation of the Group

The energy sector in Europe is currently in a state of upheaval. Sea changes are taking place in the political and regulatory environment, the market and competition structures as well as in the technological requirements placed on the entire energy system. The traditional business models of large energy supply companies can no longer accommodate these changed requirements. In the summer of 2013, EnBW decided upon a fundamental realignment of the Group under the EnBW 2020 strategy and implemented the first measures. The expansion of renewable energies, with the requisite redesigning of the grids and customer-oriented extension of the service portfolio, are the hallmarks of the Group's new positioning. This organisation is underpinned by the concept of a new structure for an integrated Group.

The EnBW Group's operating result declined by 5.3% in 2013, and the adjusted EBITDA of Generation and Trading, the segment that had dominated the Group's business for many years, contracted by 25.8%. This situation was compounded by high, one-off burdens emanating partly from decisions on energy policy and partly from unfavourable market developments. Group net profit attributable to EnBW AG's shareholders reported net income of €51.0 million in the financial year 2013. The Board of Management and Supervisory Board will put forward a proposal to the Annual General Meeting on 29 April 2014 for dividend of €0.69 per share to be distributed.

The company's financial position is sound. The EnBW Group's solvency was ensured at all times throughout the financial year 2013 through the liquidity available, the positive free cash flow and the external sources available for financing. The Group's adjusted net debt fell by 13.6% to €7,275.0 million as of 31 December 2013 compared with year-end 2012, and the dynamic leverage ratio dropped to 3.28, down from 3.60. However, the equity ratio in a year-on-year comparison had declined from 17.3% to 16.8% as of reporting date. All three important rating agencies confirmed EnBW's A rating in 2013.

Key financial ratios alone are insufficient to delineate the EnBW Group's position. Non-financial performance indicators complement the picture:

- Customer satisfaction with EnBW's products and services rose in 2013, and the attractiveness of the EnBW brand has also risen in their estimation.
- The Employee Commitment Index, calculated on the basis of a Groupwide employee survey, has fallen in the wake of huge pressure to change.
- Training measures for employees on compliance issues reached a very high level, with coverage running at 85.3% in 2013.
- The CO₂ intensity  of EnBW's electricity production continues to be way below the average for Germany.

EnBW is facing numerous challenges. In the next few years, realigning the Group swiftly and consistently will be decisive for its success. Only then will it be able to compensate for the weakening of its former mainstays of profit by expanding new business activities. Management is committed to securing the sound financial position of the company: investments are only addressed if the requisite cash flow from operations, divestitures and efficiency gains allow for sufficient leeway. EnBW needs the dedication of its employees and the support of its shareholders more than ever in its endeavours to seize the opportunities from Germany's Energiewende.

Report on risks and opportunities

The EnBW Group's risk situation intensified in 2013. EnBW continues to face major challenges due to the Energiewende in Germany and its associated political and regulatory consequences. This generates considerable risks, but also manifold opportunities for new business activities. We utilise targeted measures to minimise risks and to exploit opportunities. No risks currently exist that might jeopardise the Group as a going concern.

Principles of managing risks and opportunities

EnBW defines the risk/opportunity term as an event or a number of events that might result in a future potential negative or positive deviation from the targets that the Group has set for itself, an individual company or function. In other words, potential non-attainment or over-attainment of strategic, operational, financial (especially budgeted results of operations, net assets or financial positions), and compliance targets.

Risks arise from events which are either generally calculable, but which are nevertheless subject to chance occurrence, or other unpredictable occurrences. Opportunities may arise within the EnBW Group's sphere of operations or in the course of a specific activity. Opportunities frequently represent the reverse aspects of corresponding risks.

At the highest level of the Group-wide risk and opportunity landscape map, areas of risks and opportunities for the EnBW Group are split into the categories of strategic, operational, financial and compliance:

EnBW risk and opportunity map

Strategic	Operational			Financial				Compliance
	Business activity	Infrastructure	Man and environment	Market	Lending	Liquidity	Financial reporting	
Governance	Models	Plants/grids/storage	Personnel/labour market	Market price in general	Counter-parties	Cashflow	Financial accounting	Active corruption
Market development/society trends	Business processes	Locations/buildings	Occupational health and safety/health protection	Interest	Countries	Convertibility into cash	Tax	Passive corruption
Technology	Operations	IT-Management	Environmental protection	Margin	Issuers	Refinancing for own account	Debtors	Anti-trust law
Politics	Products/contracts	Information-Security	Contaminated sites	Forecast (volume/structure)	Collateral		Creditors	Data protection
Competition	Projects		Weather/natural phenomena					Asset accounting
Clusters/concentration	Approvals/licenses/Patents		Criminality/sabotage/terrorism			Consolidation	General fraud	
M&A/investments	Legislation/regulation/litigation					Service billing	Financial fraud	
							Procurement fraud	

The EnBW Group regards risk management as a proactive preventative process to steer internal and external risk for EnBW operating activities. It comprises risk identification, analysis, assessment and reporting, while taking into account attendant opportunities.

Risk management involves measures to avoid, reduce or transfer risk, and to make provision in the balance sheet for risk, or to tolerate risk. In this context, EnBW's aim is also to exploit opportunities so that they contribute as far as possible to delivering earnings growth ahead of budget.

The general observation horizon of risk management extends beyond the medium-term planning timeframe – currently from 2014 until 2016. To these are added long-term risks and opportunities to the extent that they are of particular importance.

Structure and process of the management of risks and opportunities

The EnBW Group's risk management system is divided into central and local units. At the level of the holding company, the risk management area and the internal controlling system are responsible for specifying Group-wide methods and processes, and for determining the Group risk position, as well as for reporting to the Board of Management on risks, and corresponding opportunity potentials.

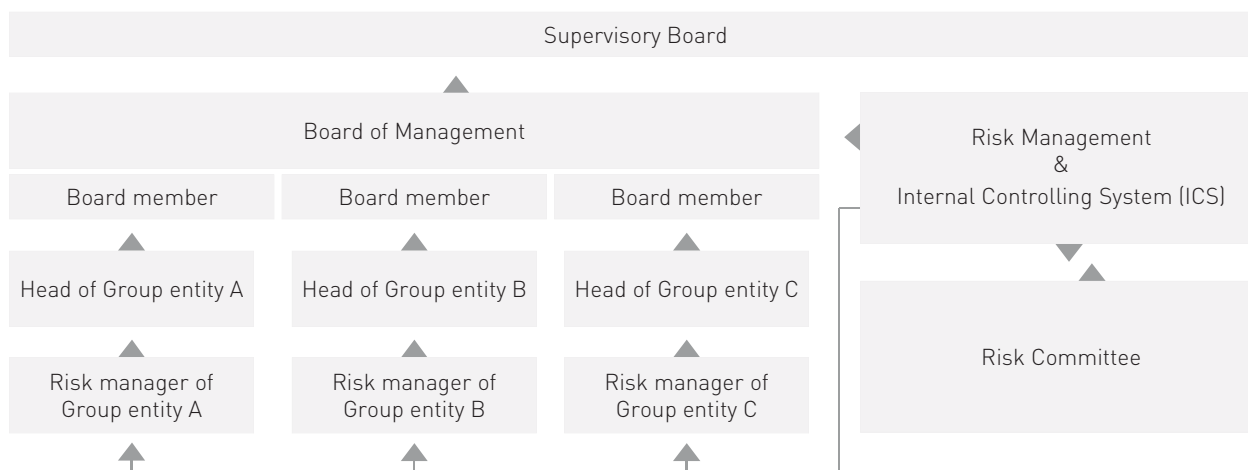
In its function as a central steering body, the risk committee, with the inclusion of the individual entities, addresses questions and issues relating to the management of risks and opportunities from various Group perspectives. It also ensures the quality of the Group risk report. The Supervisory Board is also informed regularly of the position relating to risks and opportunities. As recommended by the German Corporate Governance Code, within the Supervisory Board it

is primarily the risk committee that conducts a detailed assessment of the position relating to risks and opportunities that could significantly affect the Group's results of operations, financial position, net assets and liquidity position.

The risk management process is integrated into the EnBW Group's operating processes through a set of Group guidelines as a binding and continuous procedure, it ensures that risks are identified at an appropriately early juncture, and it supports risk management using the internal controlling system. Various stages of reporting and escalation are in place. Depending on the individual entities' size and business model, the reporting threshold for risks lies within the medium-term planning horizon given a potential loss of €1 million or €5 million. Control of these risks is the responsibility of the respective entity's management. Risks of €20 million or more in the medium-term planning horizon, or of €10 million or more in the first budget year, are reported to the relevant member of the Board of Management. The Group risk threshold within the medium-term planning horizon stands at €50 million. Matters of this dimension are submitted to the full Board of Management. The Group risk reports are submitted on a quarterly basis in standardised form. In the case of significant changes in risks, a special reporting process occurs. A review of relevant opportunities is also conducted in the case of selected matters. The Board of Management is informed without delay of the occurrence of any acute risk situations requiring immediate attention.

Any risks with a probability of occurrence of up to 50% are subject to an individual review as to whether are taken into account in the next planning round. Risks with an event risk in excess of 50% are generally taken into account within planning, with accounting measures being taken as far as possible in the consolidated financial statements in accordance with IFRS.

Structure



As part of the ongoing development of our integrated risk management process, in the 2012 financial year we expanded the bottom-up process we had in place by adding a systematic top-down perspective. In the 2013 financial year, we started to implement a project to further intermesh – from an organisational, methodological and process basis – risk management with the internal controlling system that is anchored within business processes. Given both external and internal requirements, and the thematic interrelatedness of these topics, the Board of Management decided to satisfy these requirements in the future with a comprehensive system, the integrated risk management (iRM) system. The iRM system is based on the internationally-established COSO II framework as a standard for risk management systems that span entire companies. The iRM system aims to effectively and efficiently identify, evaluate and manage risks and opportunities – including monitoring of the efficacy of measures that have been taken – and to ensure reporting concerning the risks and opportunities position, as well as on the appropriateness and functionality of related processes. This project was further implemented during the current 2014 financial year.

The Group's internal audit function regularly reviews the Group-wide risk management system – both in terms of compliance with legal requirements, and also in terms of its functionality and effectiveness. The Group's internal audit function reports the results of its review to the Supervisory Board.

Structure and process of the accounting-related internal controlling system

General

Along with the internal controlling system (ICS) anchored within business processes, an accounting related internal controlling system was established at EnBW that is intended to ensure that financial reporting is both proper and reliable. In order to ensure that the ICS is effective, Group-wide control mechanisms are tested regularly at entity and Group level to ascertain that they are suitable and functioning. If control weaknesses are identified and considered relevant for the financial statements, they are remedied rapidly. This accounting-related ICS methodology is based on the COSO standard, an internationally accepted framework for internal control systems.

The accounting-related ICS is gauged as effective if the control mechanisms reach a standardised and monitored degree of maturity, and no material control weaknesses are identified. The degree of maturity reflects the understanding of the ICS within the company as a useful method of risk provisioning, and the level of implementation of Group-wide ICS methodology at the Group entities. The materiality of control weaknesses is measured as the event risk and the extent

of a potential misstatement in relationship to the financial statements items concerned. As a component of the accounting-related ICS, the accounting-related risk management system defines measures for identifying and assessing risks that jeopardise the objective of preparing compliant financial statements.

Despite having established an ICS, no absolute security exists relating to the attainment of its objectives and its completeness. In exceptional cases, the effectiveness of the ICS can be impaired by unforeseeable changes in the control environment, fraud or human error.

Structure

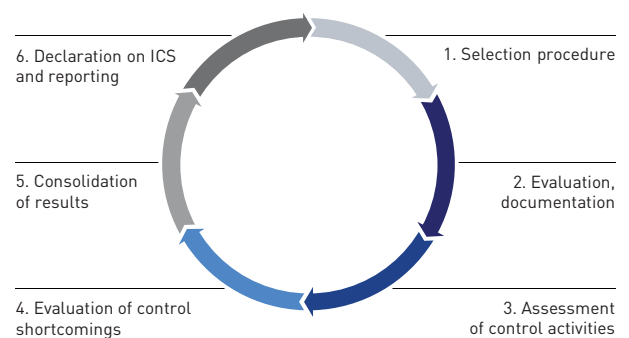
EnBW's ICS is divided into a central and a local organisation. All significant Group companies have their own ICS manager. Such managers monitor the efficacy of the ICS at entity level, and appraise control weaknesses that occur. An ICS report is prepared for the entity on an annual basis and approved by the entity's management. The ICS officer at Group level assists the entities with implementing a harmonised approach, and consolidates the data that are gathered.

Process

Standardised processes ensure completeness and consistency in the preparation of the financial statements and financial reporting. The accounting-related ICS defines controls designed to ensure compliance with the Group's accounting policies as well as procedural instructions and deadlines for the individual accounting processes. An annual cycle monitors that documentation is up-to-date, and the appropriateness and functionality of the controls; it also identifies and assesses any control weaknesses that arise.

Relevant entities, significant financial statements items, processes and controls are defined in a risk-based selection procedure. The procedure is based on quantitative and qualitative risk indicators.

Phases of accounting-related ICS



The defined processes and controls are recorded in a central documentation system. The efficacy of such controlling activities is then assessed. Such analyses assess whether the controlling activities are generally appropriate to reduce the risks of erroneous financial reporting. The defined controls are also reviewed to ascertain that they are functioning through regular monitoring of the implementation of the controls, and appropriate documentation of them. If any control weaknesses are identified, their effect on the financial statements is evaluated. The results are included in risk reporting at both entity and Group level. Furthermore, the internal audit function regularly performs ICS reviews for selected Group companies as part of risk-oriented audit planning.

Risk and opportunity position

The constant further development of the risk management system's methods and tools allows the EnBW Group to quantify the financial and commercial impact of risks and opportunities on a regular basis. In a further step, we employ a stochastic model for assessing the top opportunities and risks over the medium-term planning period. This makes it possible to determine the range of the future Group net profit or loss and additional targets. Such analysis focuses especially on potential effects on adjusted EBITDA and adjusted net debt (with effects on the dynamic leverage ratio), since such measures are also included in the measurement of top performance indicators within the financial dimen-

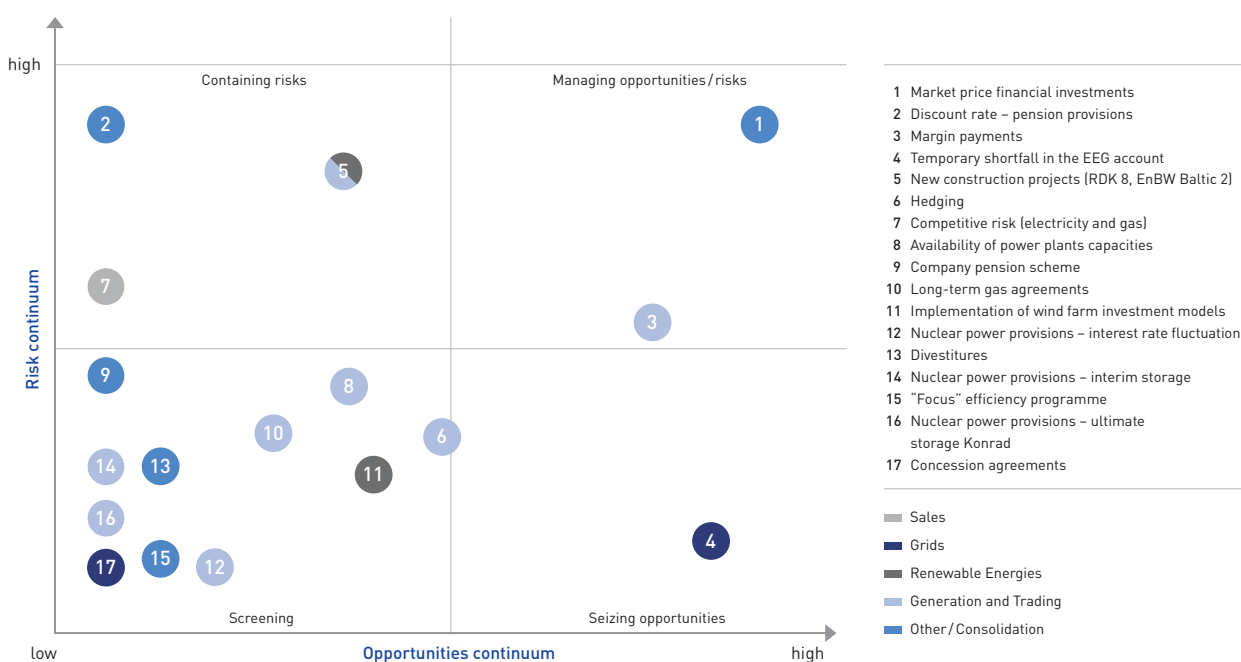
sion of the new goal system. Risks and opportunities could also have effects on other top performance indicators within the dimensions of Customers, Employees, Compliance and Ecology ([Strategy and Goals > Goals > p. 46 et seqq.](#)).

The following quantitative methods are applied to appraise individual risks and opportunities, and, in particular, the top risks and opportunities:




- > Measuring risk using up to three scenarios, with an event probability, and a value for a risk or opportunity, being recorded for each scenario
- > Measurement using selected distributions of loss figures and loss levels such as normal distribution, log-normal distribution and binomial distribution

The following graph shows how the top risks/opportunities within the EnBW Group that are selected for internal reporting by the risk committee are reported to the Board of Management. Derived from the individual evaluations of the approximately 15 to 20 top risks/opportunities depending on the risk and opportunity position, and followed by Monte Carlo modelling, the graph shows what effects the individual topics could have on adjusted EBITDA and/or adjusted net debt relative to the current planning horizon due to their risk and opportunity characteristics, and given a defined 66.67% event probability (internal 2/3 confidence level for the modelled distribution):

Top risks/opportunities as of 31/12/2013




The following key risks and opportunities were added in 2013:


- > **Konrad repository:** The risk exists that the commissioning of this repository is delayed beyond the date announced by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).
- > **Decommissioning of Obrigheim nuclear power plant:** As a result of the resolution to transfer the nuclear fuel rods from the nuclear power plant Obrigheim (KWO) that has been shut down, and their storage in the existing interim storage facility of the Neckarwestheim (GKN) nuclear power plant, risks exist that the project might fail, or might be implemented with a delay.
- > **ONE EnBW:** In 2014, delays and additional expenditures cannot be excluded in implementing the new management model.
- > **German Renewable Energies Act (EEG) state aid proceedings** : The examination proceedings that the EU Commission launched at the end of 2013 against the Federal Republic of Germany are resulting in a worsening of legal and location-related security for the companies affected. In some cases, subsequent claims could result in liquidity problems for, or insolvencies of, affected customers, thereby indirectly affecting EnBW Group sales companies.
- > **High-voltage DC transmission technology projects** : When setting up new high-voltage DC transmission technology connections, risks exist relating to potential delays and additional costs, and the risk that such connections can no longer be confirmed within a new grid development plan .

Further details about the top risks/opportunities presented in the graphs and their potential effects on the relevant performance indicators are listed in the following section with the respective segments and topics. The change in the risk and opportunities position in 2013 is as follows:


Cross-segment risks and opportunities (Other/Consolidation segment)


Strategic risks and opportunities

Political and regulatory environment: The new German federal government commenced its work at the end of 2013. Important energy policy decisions and directions are to follow by mid-2014. The risk exists that the political processes required for this are delayed, so that the energy sector has no reliable framework data for its strategic decisions available until well into 2014. The new federal government's energy policy may open up further business opportunities for EnBW, such as in the area of energy efficiency and CO₂ emissions trading . Additional risks can also arise: for example, given the change in the support provided to renewable energy forms in which EnBW has already made considerable investments. Additional charges in the nuclear energy area can also not be excluded. In general, the effects of the forthcoming energy policy decisions on the EnBW 2020 Strategy need to be analysed, and any corresponding necessary

adjustments be made to the strategy ( Forecast > Future political and regulatory environment > p. 115 et seq.).

As far as economic and financial conditions are concerned, the risk continues to exist that the Eurozone crisis flares up again, negatively impacting on both financial markets and the real economy. The very expansive monetary policy pursued by leading central banks also carries the risk that a transition to tighter monetary policy that might be necessitated by rising inflation rates or strong economic growth could feed through to turbulence on international capital markets.

13 Divestitures: As part of implementing the EnBW 2020 Strategy, the Group plans to make targeted disposals of companies in which it holds interests. This portfolio of divestitures is supplemented by plant disposals and participation models for renewable energies, such as in the case of the EnBW Baltic 2 ( Report on risks and opportunities > Risk and opportunity position > p. 108 seq.). Based on past experience, this gives rise to uncertainties regarding the realisation of reduced or surplus revenue, time delays in such transactions, and the amount of net debt reduction. If the disposal proceeds that are achieved are not in line with our medium-term budgets, this could impact our dynamic leverage ratio – one of our top performance indicators – in 2015, in a mid-double-digit amount in millions of euros. We currently regard the opportunities and risks profile relating to this as somewhat low.

New ONE EnBW Management model: As part of EnBW 2020, a resolution was passed in 2013 to implement the so-called ONE EnBW to create a new organisational structure, and to establish a new management model with an attendant reduction in the complexity of the Group. ( Business model > Structure and business activity > p. 28). As part of this top project, a large number of partly very complex matters need to be taken into account and reviewed by the relevant specialist areas. Erroneous corporation and tax law assessments could negatively impact earnings. Delays to its structural and process-related implementation – for example, in controlling, finance, IT (especially SAP systems), organisation, personnel and accounting – could also result in considerable additional expenses in 2014 in order to comply with the project plan with its defined targets as approved by the Board of Management. These risks, which are currently gauged as low, could consequently also negatively affect the top performance indicator of adjusted EBITDA. We nevertheless also identify additional opportunity potentials for 2014 and 2015 given the further identification and consistent implementation of efficiency measures.

Operating risks and opportunities

15 Efficiency measures: The “Fokus” efficiency programme was concluded successfully in the 2013 financial year, and tracking of the measures that were undertaken was transferred to individual operating line level. The full impact of improvement measures will be felt as of 2014, one year earlier than originally planned. The earnings improvements in the 2013 financial year were already ahead of original expectations, allowing additionally identified opportunities to be exploited. In this context, we can currently only identify a residual risk in the low double-digit range in millions of euros for 2014 and 2015 if the structural and value chain projects, as well as other efficiency measures that have been considered, fail to fully achieve the planned earnings improvement to the top performance indicator of adjusted EBITDA.

Legal risks: Along with political, and legislative and regulatory, risks, contractual relationships with customers and business partners bear the potential for further risks. Litigation and other legal disputes are being conducted on some of these topics. To a lesser extent, such matters also have a corporate law aspect. Adequate risk provisioning has been made with the approval of the departments concerned and the legal department. As a consequence, the opportunity also generally exists here of positive earnings effects, if the provisions form for the legal risks can be released again. A risk of €1,198.8 million, which is reported under contingent liabilities and other financial obligations, is reported for claims legally asserted against EnBW where it is predicted that the counterparty has little chance of winning the case. Various legal cases, official investigations procedures and other claims are also pending against EnBW, the success of which is nevertheless gauged as very unlikely, and which are consequently not reported among contingent liabilities and other financial obligations. Major disputes include:

- > **EWE/VNG claims for damages:** At the annual general meeting of Verbundnetz Gas Aktiengesellschaft (VNG) on 15 December 2011, a resolution was passed to reject transferring the investment held by EWE Aktiengesellschaft (EWE) in VNG to EnBW. EWE has meanwhile submitted an arbitration request to the German Institution of Arbitration, with which it is asserting a claim of around €500 million plus interest of approximately €231 million. The claim is justified by the assertion that EnBW through its behaviour thwarted the approval of the annual general meeting of VNG relating to the share transfer. EnBW is of the opinion that no basis exists for the claims that have been made, and that there is consequently a very low event risk attached to negative impacts on the top performance indicator of the dynamic leverage ratio in 2014 or 2015.
- > **Investment in EWE:** If the acquisition of the EnBW shares, which EDF held until 17 February 2011, by NECKARPRI-Beteiligungsgesellschaft mbH (NECKARPRI), and which are attributed to the federal state of Baden-Württemberg, and the conclusion of a shareholder agreement between NECKARPRI and OEW Energie-Beteiligungs GmbH, were to represent a change of control within the meaning of the agreement with EWE, EnBW would be obliged to offer its shares to the municipal shareholders of EWE at the market price as determined by an expert appraisal. EnBW is of the opinion that no change of control occurred. The municipal shareholders of EWE, however, requested that EnBW make an offer. EnBW did not comply with this request. In the event that the parties do not come to a mutual agreement, a risk exists that the sales price will be below the current carrying amount of the investment in EnBW. The municipal shareholders are currently not pursuing the matter. The risk for EnBW will diminish further over the course of time.
- > **9 Company pension scheme:** Legal proceedings are still pending before the relevant labour courts relating to the reorganisation of the company pension scheme at EnBW. There is a risk of proceedings going against EnBW, thereby incurring a negative impact on earnings in a mid-triple-digit amount in millions of euros. The prospects of success are significantly positive according to appraisals by EnBW and the lawyers who are advising it. These prospects of success were taken into account in the medium-term planning. An opportunity characteristic (exceeding planning) is consequently not reported in the top risks/opportunities graph. As a consequence, only a low event probability of negative effects relates to adjusted net debt with effects on the top performance indicator of the dynamic leverage ratio for 2014 and 2015.
- > **Anti-trust pricing reviews:** The Group may continue to incur anti-trust law risks in 2014 due to anti-trust abuse control in the pricing of district heating, gas, electricity and water supplies. The anti-trust reviews, in which EnBW is also involved, are currently focused exclusively on the water area. Nationwide, more stringent precedents from the German Federal Court of Justice since 2010, as well as increased activities on the part of the relevant authorities at state and national level, are indicating a trend towards taking a more critical stance regarding the calculation of water prices. As a water supplier in Stuttgart, EnBW increased prices as of 1 August 2012, thereby only passing on costs that had risen since 2007. The relevant anti-trust authority of Baden-Württemberg has since filed abuse proceedings against EnBW, which is not unusual given the comparably high prices in Baden-Württemberg. However, on account of the specific circumstances surrounding Stuttgart’s water supply, EnBW deems it justified that it is passing on the entire cost increases. These proceedings could yet continue for some time.

Personnel risks: EnBW is exposed to the risk of not having a sufficient number of employees with the necessary qualifications or skills. When recruiting in the relevant target groups, for example, this risk is primarily caused by competition on the labour market from other companies, exacerbated by demographic developments and stricter conditions for the energy industry. Ongoing analyses provide us with information on areas in particular need of action. The risk also currently exists that the Group's ability to respond sufficiently rapidly to changes in market conditions has not yet been satisfactorily formed. Measures to offset this include the restructuring to form ONE EnBW, and the related establishment of faster decision-making paths. We regard regular anonymous employee surveys as an important tool to seize early opportunities to develop and loyalise employees (■ The EnBW Group > Non-financial performance indicators > p. 84 et seq.). The employee commitment index is measured as a top performance indicator within the Employees dimension.

Financial risks and opportunities

Impairment risks: For investments that are to be stated at market value using share prices, a risk of impairment losses exists if share prices fall. Given positive share price trends, this is offset by potential value enhancement opportunities. In 2014 and 2015, this may consequently impact the top performance indicator of the dynamic leverage ratio either negatively or positively, if such investments are held within the cover funds.

Market price risk: The performance of EnBW continues to be affected by falling electricity prices on wholesale markets. Almost all assets and transactions of our Group entities in the Generation and Trading and Sales segments are exposed to market price risks. The valuation and management of the profit or loss potential arising from changes in market prices is a main task of our risk management. On a daily basis, EnBW Trading GmbH's (ETG) risk controlling records market price fluctuation and credit risks, compliance with the limits and earnings measured against current market prices for this purpose. ETG hedges the Group net profit/loss by hedging energy price risks on forward markets ■ at an early stage. The concept underlying the hedging strategy also involves the exploitation of opportunities. Despite its hedging strategy, when selling generated electricity volumes EnBW is exposed to the long-term risk of falling electricity prices and the risk of an unfavourable development of the fuel prices in proportion to electricity prices. The central

body of our risk management is a risk management committee which comprises various Group entities along the value chain and the Group's holding company. As part of risk management within the sales function, EnBW ensures that anticipated sales volumes are available. In addition to risk management, ETG uses its know-how to trade on its own account on the energy markets.

⑥ Where the hedge is concerned, we currently identify a medium opportunity characteristic, and a somewhat low risk characteristic, due to the fact that electricity prices have fallen and remained at a low level, and due to rising fuel and emission allowance prices on the wholesale market. As a consequence, this might positively impact the top performance indicator of adjusted EBITDA after 2015.

The hedging instruments utilised in 2013 were forwards, futures, swaps and options. As of 31 December 2013, the nominal value of all energy derivatives totalled €39,016.1 million. The market value of all energy derivatives was € -660.6 million. The EnBW Group has exposure to foreign currency risks from procurement and hedging of prices for fuel needs, as well as from gas and oil trading. In addition, EnBW has currency risks arising from liabilities denominated in foreign currency. We hedge this currency risk with the help of appropriate standardised financial instruments. The EnBW Group principally has exposure from US dollars, Swiss francs, Hungarian forints and Czech koruny. The net assets tied up at foreign Group entities outside the Eurozone, and their related translation risks, are hedged against exchange rate fluctuation only in exceptional cases.

The EnBW Group and EnBW AG use interest-sensitive financial instruments in order to meet the requirements of operational and strategic liquidity management. Interest rate risks only stem from floating-rate instruments. On the assets side, there is interest exposure from bank balances and on the liabilities side from floating-rate liabilities to banks. Exposure to interest-rate risks also exists from derivatives ■ in the form of swap transactions, primarily in the Eurozone. A sensitivity analysis is provided in the section on "Accounting for financial instruments" in the notes to the consolidated financial statements. The nominal volume of interest and currency derivatives amounted to €4,876.7 million as of 31 December 2013. These derivatives had a total market value of €18.7 million.

Credit risk: Due to the large number of relationships with customers, suppliers and traders, especially in the segments of Sales, Grids and Generation and Trading, EnBW is exposed to corresponding counterparty default risks, since the general economic situation affects our business partners' solvency. We counter such risk with an established credit risk management system that entails regular reporting to the CFO. Existing counterparty default risks are explained in greater detail in the section about the Generation and Trading segment.

Rating: The Energiewende, Germany's new energy concept, is burdening the economic situation and prospects for German energy suppliers. The rating agencies last confirmed their ratings of EnBW in the fourth quarter. We are nevertheless aware of the risk that the rating agencies could downgrade EnBW's credit rating if EnBW does not fulfil the agencies' expectations ([The EnBW Group > Financial performance indicators > p. 74 et seq.](#)). We measure our credit standing using our top performance indicator of our dynamic leverage ratio.

Asset management: In pursuit of its conservative cash investment strategy, EnBW is guided by the aims of achieving a good credit standing, a high level of liquidity and broad diversification of its financial investments. It is natural that a risk exists of target returns not being achieved, as well as other impairments. The value at risk determined per security as of the reporting date is €48.6 million (95%/10 days). In 2012, this figure came to €63.8 million (95%/10 days).

① The financial investments managed by the asset management function are exposed to price-change and other loss risks as a result of the volatile financial market environment. Impairment losses have to be recognised on securities if these risks lead to a significant or prolonged decline in the fair value of these investments below their cost. In financial year 2013, impairment losses due to a significant decline in fair value totalled €7.5 million (previous year: €26.3 million) ([The EnBW Group > Financial performance indicators > p. 72 et seq.](#)). As far as the market prices of financial investments are concerned, we currently identify high levels of opportunity and risk characteristics due to their being broadly diversified over various investment classes. As a consequence, this might exert corresponding positive or negative effects on adjusted net debt in a high double-digit amount in millions of euros in 2014 and 2015, thereby affecting our top performance indicator of the dynamic leverage ratio.

② **Discount rate applied to pension provisions:** As a result of falling interest rates, we were forced to adjust the discount rates for pension obligations in 2013. As of the close of financial year 2013, the discount rate was at 3.75%, down 0.05 percentage points on the prior-year interest rate. This resulted in the present value of defined benefit obligations increasing by €39.0 million. The resulting changes in the

present value of defined benefit obligations can in turn affect the amount of EnBW's adjusted net debt. In this context, we identify a low opportunity characteristic and a high risk characteristic due to the volatility of financial markets and the resultant interest-rate fluctuations. As a consequence, this might also negatively affect adjusted net debt in a mid triple digit amount in millions of euros in 2014 and 2015, thereby also negatively impacting our top performance indicator of the dynamic leverage ratio.

Compliance risks and opportunities

Due to their significance to the EnBW Group, this section presents compliance risks on a cross-segment basis. Compliance risks threatened the EnBW Group in the form of judicial or regulatory penalties, or reputation losses due to non-compliance with laws, regulations or internal regulations. EnBW also regards potential financial losses deriving from fraudulent activities as forming part of compliance risks.

For this reason, the Corporate Compliance and Data Protection area, in coordination with the Group auditing, risk management and internal controlling system areas, regularly conducts identification, analysis, appraisal and reporting of significant risks at Group and individual entity level. EnBW identifies important compliance risks especially in the areas of corruption, data protection, competition and anti-trust law, as well as in the fraud area.


Compliance risk management aims to establish transparency about the current compliance risk situation, to derive appropriate preventative measures for the compliance program, to generate leads for the Group audit department's risk-oriented audit planning, and to further optimise the integrated risk management system. Regular compliance training events and e-learning sessions for both managers and employees form one of the important preventative measures. The Group-wide attendance ratio at such events is measured as a top performance indicator within the Compliance dimension.

The given structure and continuous further development of the Group-wide compliance management system and the large number of preventative measures that have been implemented with Board of Management support consequently also generate opportunities for EnBW insofar as they are perceived positively by the public, thereby protecting the reputation that the company has established on the market.



Sales segment

Strategic risks and opportunities


Energy-related services: As part of its EnBW 2020 Strategy, EnBW identifies good long-term opportunities in the creation and establishment of customer segment-specific system and complete solutions. Along with classic electricity and gas supplies, the company also sees future opportunities to offer additional innovative solutions such as energy

technology at home, corporate energy efficiency, and electromobility , with corresponding earnings contributions for EnBW. As a consequence, this might positively impact the top performance indicator of adjusted EBITDA. Given the change in the market environment, however, entailing a large number of external and internal factors, risks cannot be excluded relating to the reliability of market estimates and economic calculations, as well as delays that have negative effects on the earnings contributions that are aimed for as part of further project and product development.

Operating risks and opportunities

German Renewable Energies Act (EEG) state aid proceedings : On 18 December 2013, the EU Commission launched official examination proceedings to assess the reliability, from a subsidy law perspective, of the German Renewable Energies Act (EEG) 2012. The Commission is of the view, among others, that the “special equalisation scheme for electricity-intensive enterprises and rail operators” pursuant to Sections 40 et seqq. of the German Renewable Energies Act (EEG) should be seen as impermissible state aid. This scheme makes provision whereby some sectors, under certain conditions, receive a reduction to the EEG cost allocation  in order to retain their competitiveness. The investigation proceedings are resulting in a worsening of the legal and locational security for the companies concerned, because, in the instance of a negative ruling by the Commission, they must anticipate retroactive EEG cost allocation claims, thereby jeopardising some of such companies as going concerns. As such retroactive claims are asserted by the electricity suppliers according to the current cost allocation mechanism, and must then be forwarded from the electricity suppliers to the transmission system operators, liquidity problems or insolvencies at affected customers can also indirectly affect EnBW Group sales companies. At the same time that it is conducting its state aid investigation, the Commission is also reviewing its guidelines on environmental and energy state aid. As a result of the investigation proceedings, the Commission, in the final analysis, is forcing the German government to concern itself intensively with the Commission’s political and legal opinions when reforming the German Renewable Energies Act (EEG).

Financial risks and opportunities

7 Competitive risk: The intense competition in the retail customer business as well as the B2C and B2B sectors harbours the risk that we might lose customers. Customers are very prepared to switch suppliers. Price and margin risks exist in a low double-digit amount in millions of euros if energy sector costs (such as EEG cost allocations ) cannot be passed on to customers. In this context, we consequently identify a low opportunity characteristic and a somewhat high risk characteristic due to the intensive competitive situation in the electricity and gas businesses for wholesale and private customers. As a consequence, this might negatively impact the top performance indicator of adjusted EBITDA in 2014 and 2015. Offsetting this, however, we identified high opportunity


potentials for Sales in the area of decentralised solution offerings (please see Energy-related services).

Grids segment


Strategic risks and opportunities


17 Re-conclusion of concession agreements: The EnBW Group operates significant parts of its grid networks on the basis of concession agreements. Concessions were extended in electricity grid 42 and gas grid 6 in the 2013 financial year. A total of 8 concessions in the gas grid and 3 in the electricity grid were lost due to rising competition. As a consequence, the total number of electricity concessions amounts to 832, and the total number of gas concessions amounts to 266, as 31 December 2013. As a result of the decline in the number of outstanding concessions, we consequently currently identify only a low opportunity characteristic and low risk characteristic in this context.


A strong trend towards re-municipalisation is generally evident in the Grids segment, in other words, a trend towards greater commitment and investment by municipal organisations. For instance, the city of Stuttgart has long since announced that it will resume operation of its own water supply as of 1 January 2014. The city of Stuttgart is assuming that it has a right to take over such supplies without having asserted its claim to EnBW on a binding basis to date. The non-binding discussions between the city of Stuttgart and EnBW that have been conducted to date accordingly relate mainly to the scope and pricing of charges for water supply in Stuttgart. The city of Stuttgart suspended these talks for an extended period before restarting them on a constructive basis in spring 2013. As far as the contents are concerned, EnBW’s perception that agreement all the potential for agreement exists with the discussion partners of the city of Stuttgart on various points, such as the scope of charges. EnBW would also be prepared to render selected services in future in order to secure supplies. A lack of agreement has nevertheless existed to date concerning the valuation methods for the calculation of prices. In autumn 2013, the city of Stuttgart brought a lawsuit against the EnBW Regional AG before the Stuttgart Regional Court, to have judicially determined the view of the city of Stuttgart relating to charge obligations, the scope of charges and value calculation methodology. It is impossible to reliably predict the case’s duration.



High-voltage DC transmission technology projects : Our transmission system operator, TransnetBW GmbH, wishes to set up new high-voltage DC transmission technology lines with other transmission system operators. With these projects (“Ultranet” project up to 2019 and “SUED-LINK” up to 2022), risks exist relating to potential delays and additional costs, and the risk that such connections can no longer be confirmed within a new grid development plan .

Operating risks and opportunities


Grid utilisation: The German Incentive Regulation Ordinance and the associated revenue caps and network user charges may be subject to changes within a regulation period. In accordance with Sec. 19 (2) of the German Electricity Network User Charges Ordinance (StromNEV) , network user charges for energy-intensive customers do not apply or will be charged on an individual basis. The transmission system operators perform an equalisation of charges between themselves in this context, and determine and publish a standardised nationwide cost allocation. As specified by the Federal Network Agency (BNetzA) on 14 December 2011, the cost allocation is to be initially determined on the basis of budget figures. The financial risk is minimised in that potential differences to the actual values are taken into account when calculating the cost allocation for following years.

System responsibility: The German Energy Industry Act  assigns EnBW, as an operator of transnational and long-distance transmission networks in the electricity and gas segments, with what is termed “system responsibility”. The networks have been subject to changes in requirements over the last few years. Transmission system operators expect they will only be able to operate the transmission grid subject to more and more extensive intervention in accordance with European minimum safety standards. This has increased the risk of bottlenecks in the electricity and gas grid leading more frequently to supply-related irregularities or disruptions. Should it prove impossible to eliminate a disruption or hazard to reliable network operations in good time, or at all, by means of the usual mechanisms in place, the operators of transnational and long-distances transmission networks are entitled by law to perform emergency measures for the duration of which all obligations to perform are suspended. As a transnational and long-distance transmission grid operator, EnBW’s liability for asset losses arising from such emergencies is excluded. However, EnBW generally bears the risk relating to erroneous estimates concerning the actual instance of an emergency measure. Should supply irregularities or interruptions arise, EnBW will be liable for any resulting damage, with the legislator having provided for certain limitations of liability (German Low-Voltage Grid Connection Ordinance – NAV). A reputation risk cannot be ruled out.

Regulation of system services : As of the end of 2013, the transmission system operators and the German Federal Network Agency (BNetzA) reached consensus in terms of voluntary commitments for balancing energy, grid losses and re-dispatch for the second regulatory period. Only the formal ruling by the Federal Network Agency relating to cost regulation was still outstanding. For this reason, the risk of non-recognition of the resulting costs thereof is considered as very unlikely.

Balancing energy abuse proceedings : Although the German Federal Network Agency (BNetzA) has not yet included its abuse proceedings against the German transmission system operators, the risk of the potential non-recognition of balancing energy expenditures  that have been made to date is nevertheless appraised as having only a very low event probability.

Financial risks and opportunities

4 Occasional lack of cover for EEG bank account : The additional construction of generation capacities for renewable energies, which is running beyond the forecast period, is increasing EEG compensation payments at TransnetBW GmbH. As the EEG cost allocation is set for each calendar year, higher payments cannot be settled during the year. Consequently, the resulting shortfall will most likely be settled with the EEG cost allocation for the subsequent year. As of the 31 December 2013 reporting date, a net deficit existed in a mid-double-digit amount in millions of euros in the EEG bank account, which temporarily increased EnBW’s net debt. The same risk generally exists for subsequent years. Here, however, we identify a high opportunity characteristic and a somewhat low risk characteristic due to the rectification of the EEG cost allocation was set for 2014, the high liquidity reserve, and the fact that the expansion of renewable energies capacities might lie below the forecast, and related resultant lower EEG compensation payments at TransnetBW GmbH. As a consequence, this might also temporarily affect the top performance indicator of the dynamic leverage ratio in 2014 through effects on adjusted net debt in a mid-triple digit range in millions of euros.



Renewable Energies segment

Strategic risks and opportunities

Political and regulatory environment: Please refer to further information given in the cross-segment section for strategic risks and opportunities.

Operating risks and opportunities

5 Viability of capital expenditures: For the offshore wind farm EnBW Baltic 2 currently under construction, a risk exists of costs increasing, as well as a further delay to commissioning beyond 2014. Overall in this instance, we identify a medium opportunity characteristic and a high risk characteristic due to the large number of external and internal factors. As a consequence, this might also negatively impact the top performance indicator of adjusted EBITDA in a mid-double-digit amount in millions of euros.

As a result of the lengthy discussions on amending the German Energy Industry Act (EnWG)  and the German Renewable Energies Act (EEG) , EnBW postponed the investment decision for its planned wind farm EnBW Hohe See in the North Sea. The provisions of the EnWG regarding binding deadlines for connecting offshore wind farms to the grid do not themselves offer any planning certainty. The uncertain framework conditions mean there is a risk, in a mid double-

digit amount in millions of euros, of incurred project expenses having to be written off.

Financial risks and opportunities

11 Implementation of onshore and offshore participation models: EnBW offers opportunities to invest in its wind farm projects in Germany. Due to existing interest among both institutional and municipal investors to invest in the renewable energies area, we currently identify a somewhat medium opportunity characteristic and a low risk character risk in this context. As a consequence, this might also positively impact the top performance indicator of adjusted EBITDA in a mid-double-digit amount in millions of euros after 2015.

Generation and Trading segment

Strategic risks and opportunities

Repository: On 27 July 2013, the German Site Selection Act came into force. This act aims to explore for a repository for highly radioactive waste. An accounting provision was formed in the financial statements for the first half of 2013 as a consequence of this act. According to the regulation on advance payments for the establishment of federal facilities for safe custody and ultimate storage of radioactive waste (Endlager VIV), the costs for the exploring of storage locations must be borne by companies using nuclear energy, such as EnBW. The legal obligation of operators to bear costs for an alternative site to Gorleben is under dispute. As a consequence, it cannot be excluded that, as a result of the costs of exploring for and expanding repositories, as well as the utilisation of repositories in their own right, negative effects on adjusted net debt, with consequent impacts on the top performance indicator of the dynamic leverage ratio, might arise after 2015.

16 According to the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), the emplacement of low-level and intermediate-level radioactive waste in the Konrad repository is not expected to commence before 2022. In the event of another delay beyond the aforementioned date in commissioning the repository, which would entail an extended and greater intermediate storage requirement for radioactive waste, a cost risk potential exists which would impact the EnBW Group's adjusted net debt after 2015, thereby affecting the top performance indicator of the dynamic leverage ratio. In this context, however, we currently identify a low opportunity and risk characteristic due to existing uncertainties surrounding the public-sector and political circumstances.

14 Repository: As a result of the resolution to transfer the nuclear fuel rods from the nuclear power plant Obrigheim (KWO) that has been shut down, and their storage in the existing interim storage facility of the Neckarwestheim (GKN) nuclear power plant, risks exist that the project might fail, or might be implemented with a delay. As a result, re-processing waste can no longer be transported to the central interim storage site at Gorleben. A risk exists that the return

of waste to the interim storage facilities may be delayed. This may incur additional costs as the waste may have to be stored for a longer period in the UK and France, as well for footing the costs of approval and authorisation procedures. In this context, we currently identify a low opportunity and risk characteristic due to existing legal and political uncertainties. As a consequence, this might also exert corresponding negative effects on adjusted net debt in a low double-digit amount in millions of euros in 2014 and 2015, thereby affecting our top performance indicator of the dynamic leverage ratio.

Nuclear energy in France: The nuclear power station located at Fessenheim in France is anticipated to be finally removed from the grid at the end of 2016. A basic risk exists that EnBW will have to share the costs for dismantling the power plant. In the opinion of EnBW, however, the power plant operator is not legally entitled to claim for this. The matter is being investigated. The risk also remains of higher investments potentially having to be made for the modernisation of power plants and, as a result, higher electricity procurement expenses for EnBW as well as for the power plant at Cattenom.

Operating risks and opportunities

B Availability of power plants: The production processes along our value chain in the EnBW Group segments involve complex and highly specialised plant and equipment. We make every effort to avoid damage to our plants and minimise downtimes. To prevent intrinsic risks, we use cutting-edge technology, carry out regular maintenance at our facilities, and train our staff. However, despite the high standards, it is impossible to rule out risks completely. External factors tend to impact our processes very rapidly and unexpectedly, making risk assessment difficult. We strive to counter such risks with preventive measures. The economic effects of operating risks are minimised, among other measures, by taking out insurance, if possible and economically justified. Every year, we analyse the effectiveness of the insurance cover and any additional requirements to guarantee that we are adequately insured should damage to property occur. We select the amount of the deductible based on the basis of economic sense. Operating interruptions, depending on how long they last, can significantly impact the Group's operations.

In this context, we currently identify a somewhat medium opportunity and risk characteristics due to power station availabilities that diverge from plan, when measured on the basis of current market prices. As a consequence, this might exert either positive or negative impact on the top performance indicator of adjusted EBITDA in a low double-digit amount in millions of euros in 2014 and 2015.

Viability of capital expenditures: The EnBW Group is driving ahead with many new construction projects that are by their very nature highly complex and involve the interaction of a large number of participants. For this reason, it is impossible

to rule out events in the construction process that can lead to deviations from planned project schedules, involving delays and cost increases.

5 After fire broke out on 7 August 2013, caused by leakage in the hydraulic system in the nacelle of the new RDK 8 power plant, the risk currently exists in a mid-double-digit amount in millions of euros that the entire plant cannot be finished by spring 2014, as planned. Overall in this instance, we identify a medium opportunity characteristic and a high risk characteristic due to the large number of external and internal factors. These circumstances could consequently also negatively affect the top performance indicator of adjusted EBITDA.

Commissioning of the new construction of unit 9 of the large-scale power plant in Mannheim (GKM 9) could be delayed until 2015.

Operation and decommissioning of nuclear technology plants: Various topical areas generate potential opportunities and risks that might affect the top performance indicators in the Finance dimension. Such risks include deadline-related risks arising from delays to approvals for transportation and warehousing containers for the interim storage of nuclear fuel rods and containers for the emplacement of radioactive waste in the Konrad repository. In the case of the decommissioning of the Obrigheim, Neckarwestheim I and Philippsburg 1 nuclear power plants, the risk exists, as is generally the case with all long-running large-scale projects, of delays due to changes in framework conditions or planning assumptions. This is offset by opportunities arising from potential acceleration measures. Besides this, a further risk arises from the lawsuit against the second closure and decommissioning approval for the Obrigheim nuclear power station. If this proves successful, it would result in a delay to the decommissioning, with potential additional costs depending on the timing of the procedure.

Energiewende legislative package: After the nuclear fuel rod tax was announced for GKN II and KKP 2 in 2011, 2012 and 2013, EnBW in each case submitted lawsuits to the Freiburg finance court on the basis of breaching constitutional and European law. The nuclear fuel rod tax that was to be announced prospectively for 2014 and 2015 was included as a charge on operating earnings in the medium-term planning. After the 13th amendment to the German Atomic Power Act (AtG) came into force, nuclear power station operators are of the view that the agreement on the fund to support renewable energies no longer creates any obligation to make advance payments to a fund for renewable energies.

Financial risks and opportunities

12 **Changes to interest rates on nuclear power provisions:** The discount rate and inflation rate are key factors influencing the present value of nuclear power provisions. A potential divergence in both factors – a downtrend in the discount rate in contrast to an uptrend in the inflation rate – gives rise to the risk of a rise in the present value of nuclear power provisions. An increase in the present value could have a negative effect on the amount of adjusted net debt, thereby jeopardising EnBW's rating. Countervailing developments could exert correspondingly positive effects on adjusted net debt and EnBW's rating. In this context, we currently identify a high opportunity characteristic and a low risk characteristic based on current interest-rate trends, the inflation rate and frequent external surveys. For this reason, positive effects might arise in 2014 and 2015 in a low triple-digit amount in millions of euros as far as adjusted net debt is concerned, with a further effect on the top performance indicator of the dynamic leverage ratio.

Counterparty risk: Apart from customer transactions, transactions on the over-the-counter (OTC) market present counterparty risks. EnBW realises OTC transactions in its trading area. On the trading side, counterparty risk consists of settlement risk and mark-to-market risk. Settlement risk arises from unsecured receivables from trading partners and sales-based customer relationships. The mark-to-market risk is the result of market price fluctuations. Price movements affect the value of open positions in the trading and customer portfolio. If a trading partner were to default, this would generate risks relating to resale and the closing of positions. In the latter case, a trading position would need to be covered at current market prices.

Bilateral margin agreements have been concluded with a large number of trading partners in order to reduce the related counterparty risk (please also refer to the next paragraph). Collateral is provided in relation to existing counterparties in this context. As a consequence, counterparty risk arising from the relevant business relationships lies within defined limits. For trading partners on the OTC market, we define individual credit limits on the basis of their credit standing. The Group regularly calculates counterparty risk, and monitors compliance with credit facilities and how they are distributed. EnBW generally carries out OTC market transactions on the basis of master agreements, for example those published by the European Federation of Energy Traders (EFET), the International Swaps and Derivatives Association (ISDA) or the International Emissions Trading Association (IETA). Counterparty risk is excluded by clearing transactions through energy exchanges such as the EEX or ICE and the clearing bank. None of our OTC business partners filed for insolvency in 2013.

3 **Margin payments:** Margin regulations for stock market transactions and bilateral margin agreements may lead to short-term cash outflows as a result of unfavourable market developments. These are settled again upon fulfilment of the underlying futures transactions. This liquidity risk is constantly monitored by performing stress tests. In this context, we currently identify a high opportunity risk characteristic and a somewhat medium risk characteristic. As a consequence, corresponding effects on adjusted net debt in a mid triple-digit amount in millions of euros in 2014 and 2015 might impact the top performance indicator of the dynamic leverage ratio.

Uranium supply agreements: EnBW shut down two nuclear power plants in March 2011 as a consequence of the Energieende. In summer 2011, it finally shut down these power plants' output operations. EnBW has concluded long-term supply agreements with uranium suppliers. The shutdown of its nuclear power units means that EnBW now needs significantly less uranium than previously planned. Failure to comply with the contractually agreed purchase volume incurs the risk for EnBW of having to make compensation payments to its suppliers. Depending on how market prices develop, a risk exists of EnBW's potential compensation payments exceeding the balance sheet provision for risk recognised.

Electricity procurement agreements and power plant portfolio: Group electricity procurement agreements can give rise to financial burdens when market price conditions are unfavourable. In 2013, EnBW formed further provisions for owners contracts relating to electricity procurement agreements that no longer cover their costs. The feasibility study of the conventional power station portfolio could result in early decommissioning of individual power plant units, thereby entailing the risk of impairment losses on residual carrying amounts. In particular, impairment risks also exist for our generation plants due to the current energy-sector market environment.

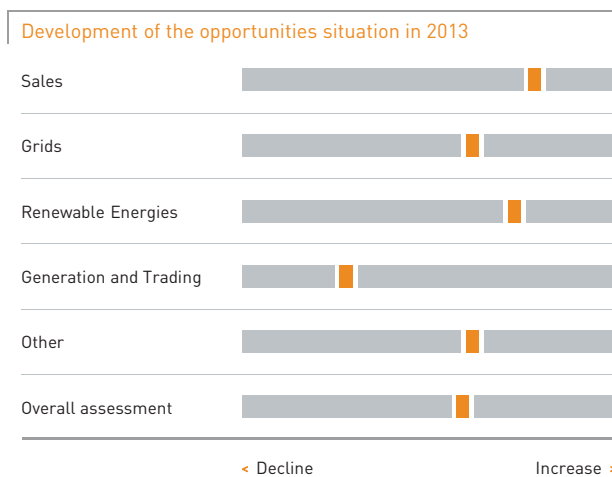
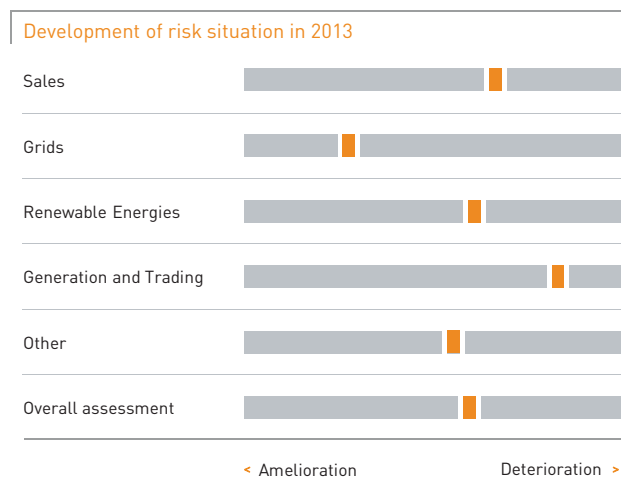
10 **Long-term gas agreements:** EnBW aims to establish a long-term gas procurement portfolio as part of its gas strategy. The related opportunities and risks due to falling summer-winter spreads and lower volatilities lie in a low double-digit amount in millions of euros. In this context, we currently identify a low opportunity risk characteristic and a somewhat medium risk characteristic. As a consequence, this might exert either positive or negative impacts on the top performance indicator of adjusted EBITDA in 2014 and 2015.

Change in the risk and opportunities position

Compared with the previous year, essentially the following risks and opportunities were removed from Group reporting due to their low evaluation:

- > **Implementation of the third energy liberalisation package:** The residual risks arising from the implementation of the independent transmission operator (ITO) model for transmission system operators amounts to just a low single-digit amount in millions of euros, according to current valuations.
- > **Retrofitting of masts:** The requisite retrofitting or new construction measures were reflected through provisions in current medium-term planning.
- > **Offsetting of balancing groups:** The risks resulting at the transmission system operator from the procurement and deployment of balancing energy to offset any balance divergences within the balancing groups now amount to just a low single-digit amount in millions of euros according to current appraisals.
- > **Amendment to the German Water Resources Act:** The retrofitting requirements resulting from the Ordinance on Installations for the Handling of Substances Hazardous to Water (AwSV), which will prospectively come into force in mid-2014, will potentially now amount to just a low double-digit amount in millions of euros according to current assessments.
- > **Price adaptation clauses:** To the extent required, the price adaptation clauses utilised within the EnBW Group have been adjusted to reflect current legal precedent, and provisions for potential customer reclamations have been formed in the current medium-term planning. According to current evaluations, the residual risk now amounts to just a low double-digit amount in millions of euros.
- > **Utilisation of reprocessed plutonium:** Due to the accounting treatment of the mixed oxide fuel rod production in France in combination with a plutonium instrument swap in the UK, only a very low residual risk now remains.
- > **IT and IC risks:** During the development, implementation and deployment of IT solutions and the utilisation of information and communication (IC) technologies to support production and business processes, EnBW is also exposed to potential system shutdown and data loss risks, for example. We reduce such risks to a very low residual risk level through IT and security standards that are based on high international and sector-specific principles.
- > **VAT fraud in energy trading:** In the 2012 fiscal year, the tax authorities imposed amended VAT assessments of around €50 million on EnBW for the 2009 and 2010 assessment periods. The expense was already reported among other taxes in the 2012 fiscal year, and the liability was settled, although EnBW contests the allegations, and has submitted an appeal correspondingly. For this reason, a related risk of additional expenses does not exist.

Overall assessment by the Group management



Since 2011, the risk situation has been intensifying for the entire energy supply industry. Framework conditions are changing significantly as a consequence of the Energiewende in Germany. EnBW's overall risk situation remains significantly strained as far as 2014 is concerned. Numerous factors jeopardise the attainment of our financial targets. At the same time, however, the Energiewende also offers numerous opportunities to develop new business models, which we are pursuing through our new EnBW 2020 Strategy that we approved in 2013. The implementation of the strategy should provide the Group with new opportunities for future competitiveness and long-term growth options.

The political decision involving Germany phasing out nuclear power reduced planning certainty and will hold great risk potential in future. This has resulted in far-reaching consequences for the EnBW Group's operations, and burdens its profitability. The euro debt crisis triggered a period of persistent volatility on the international financial markets.

In light of this, recognising further impairment losses on investments and other assets may become necessary. Added to this are competition and market risks that may impact the EnBW Group's net assets, financial position, result of operations, and liquidity situation. Risks relating to future investment projects will also increase.

We deploy operational and accounting measures to reduce the risk potential for the Group. Provisions and impairments in the accounts allow for risks where the probability of occurrence is high. Material risks are included in current projections.

Although some risks were reduced or were eliminated completely over the course of 2013, several additional risks emerged for EnBW, or intensified or materialised. As far as 2013 is concerned, no going concern risks to the EnBW Group were identified.

Forecast

Overall conditions for the energy sector continue to assume a challenging form, especially in Germany, and will exert a tangible impact on EnBW's earnings trends over the coming years. EnBW has launched, and to a great extent already implemented, an extensive package of measures in order to secure EnBW's credit standing in the long term. As a consequence, we will continue to play an active role in structuring the Energiewende.

As far as possible, our forecast takes an in-depth look at the expected future growth and development of EnBW and its environment for the years 2014 to 2016.

Expected economic conditions

Future macroeconomic trends

In its January 2014 outlook, the International Monetary Fund published an upgrade to its global economic growth forecast for 2014 that it published in October 2013, raising it by 0.1 percentage points to 3.7%. This upgrade primarily reflects prospectively stronger growth in industrial economies. The US economy is set to expand by 2.8% in 2014.

Eurozone gross domestic product (GDP) is set to register low economic growth of 1.0% in 2014, according to the German Institute for Economic Research (DIW). More favourable export conditions and improved domestic demand will drive this growth. In Austria, the Austrian Institute of Economic Research (WIFO) sees the economy accelerating to growth of 1.7% in 2014. This expectation primarily reflects a recovery in private consumption and investment activity. For Switzerland, the Swiss State Secretariat for Economic Affairs (SECO) in its most recent forecast published in December 2013 expects 2014 to be a year of economic recovery encompassing both exports and the labour market, driving economic growth up to 2.3%. In the Czech Republic, the finance ministry forecasts that the country's macroeconomic output will resume growth in 2014, amounting to 0.8%. For Turkey, the World Bank forecasts 2014 economic output up by 3.5%.

Gross domestic product (GDP) growth in %	2014	2013
World	3.7	3.0
Euro area	1.0	-0.4
Germany	1.6	0.4
Austria	1.7	0.3
Switzerland	2.3	1.9
Czech Republic	0.8	-1.5
Turkey	3.5	4.3

In its 2013/2014 Winter report, the DIW anticipates that Germany's economic growth will accelerate in 2014. Total economic output is set to increase by 1.6%. The growth-drivers in this context are private consumption, which continues to benefit from a healthy labour market, and an increase in capital spending driven by the global economic recovery.

Energy demand: Global energy consumption is set to increase by around one third in the 2011 to 2035 period, according to the World Energy Outlook 2013 published by the International Energy Agency (IEA). BP's Energy Outlook 2030 even envisages growth of as much as 36% between 2011 and 2030. Emerging and developing economies' industrialisation and population growth are the main drivers of this growth. For this reason, around 90% of the increase in energy consumption will be attributable to countries outside the OECD, according to the IEA. Fossil fuel sources' share of primary energy input will fall from 82% in 2011 to 76% in 2035, with around half of electricity generation growth being then covered by renewable energy sources. Global per capita energy consumption is expected to rise at an annual rate of 0.7%.

Future trends in markets for primary energy sources, CO₂ allowances and electricity

Oil market: Expectations concerning global economic growth are a key factor determining future oil price trends. Although forecasts for global economic growth in 2014 assume that the recession in Southern European countries is over and that economic growth in the USA will accelerate, the impulses that drive oil prices higher are low. This reflects, firstly, the lower level of economic dynamism in China and some emerging economies compared with earlier phases of upturn. Secondly, prices of other primary energy sources, such as coal and gas, are relatively low due to partial oversupply. Finally, political events regularly impact oil as a strategic raw material, and consequently its price development. Last, but not least, from a Eurozone perspective, the oil price is affected by the future US dollar to euro exchange rate, and by crude oil's attractiveness as an asset class. The average price for short-term oil deliveries (front month) stood at US\$ 108.71/bbl in 2013. Forward market prices for Brent crude oil for 2014 supply average US\$ 103.14/bbl in 2013. This price constellation (backwardation) signals that, the end of 2013, market participants assumed that price levels would fall.

Coal market: At the end of 2013, the forward market price for coal deliveries to the ARA region (Amsterdam, Rotterdam, Antwerp) of US\$ 82.35/t were at the current spot market price level of US\$ 82.59/t. This price constellation shows that market participants assume that prices will remain the same in the future. This expectation is primarily based on a continued good supply situation in the coal market, accompanied by robust demand in Europe, the USA and Asia. Demand trends from major client countries, such as China and India, are nevertheless beset by numerous uncertainties. Above and beyond this, price trends for CO₂ allowances are very important for European demand for coal. The expansion of renewable energies is also tending to result in a low deployment of conventional power plants, and consequently also to lower demand for coal. In addition, a tightening of emission limits in the USA and emission-reducing measures in China could feed through to a considerable decline in coal demand.

Gas market: Forward market prices for gas moved in a relatively narrow corridor between 26.00/MWh and €28.00/MWh in 2013. At the end of 2013, the price for gas supplies in 2014 on the Dutch TTF wholesale market stood at €26.99/MWh, €0.18/MWh above the €26.81/MWh spot market price. This current backwardation implies that the market expects that prices will fall in the future. This price trend is based on in anticipation that gas supplies will continue to increase. In parallel with this, effects no longer occurred in 2014 that had resulted in additional demand in previous years: For example, after nuclear power plants in Japan were shut down in 2012, supplies by gas power plants fired by liquefied natural gas (LNG) were secured. In Germany, gas storage units' filling levels in spring 2013 were at a


very low level after the long winter. These gas storage units were nevertheless refilled over the course of summer 2013, ensuring supplies for the 2013/2014 winter.


CO₂ emission allowances: The supply cuts set to occur prospectively with the start of backloading in April/May 2014 will tend to boost prices. A corresponding effect could also be felt from an eventual decision concerning an increase in the reduction target for CO₂ emissions for the European Union for 2020, depending on international climate protection negotiations, the fixing of targets for 2030 that is planned for 2014, and also from the EU's targeted reform of the allowance trading scheme to rationalise structural oversupply of CO₂ allowances. In the case of all such measures, however, an effect is hardly expected before 2015. Moreover, demand for CO₂ allowances and their price movement consequently largely depend on future EU economic growth and related emission volumes.


Electricity market: The average spot market price stood at €37.78/MWh in 2013. At €37.30/MWh, the forward prices at the end of 2013 for base products for 2014 was at a similar level to the 2013 delivery year, while prices for later delivery years lay slightly below the average spot market price of 2013 (€36.50/MWh for 2015 and €36.10/MWh for 2016). This backwardation is signalling that market participants currently anticipate that wholesale electricity market prices will continue to fall in 2015 and 2016. On the supply side, the main factors relevant to the future price development include prices for fuels and CO₂ allowances as well as the future availability of power station capacities and the expansion of renewable energies. The purchase and remuneration requirement for electricity from renewable energies under the German Renewable Energies Act (EEG) has resulted in a rise in the input level of renewable energies. In the future, this might result in a further increase in price volatility on wholesale markets, and frequently to very low prices at certain market times. Extreme weather conditions, power station downtimes or bottlenecks in other countries could cause sharp, temporary price jumps on the spot market. On the demand side, primarily macroeconomic trends and industrial demand determine the electricity price. The cost allocation under the German Renewable Energies Act is also causing a structural rise in the costs for end customers.



Future political and regulatory environment

EnBW's business operations will continue to be impacted to a significant degree by European and German energy policy over the coming years.

Europe: In January 2014, the EU Commission published its proposals for climate and energy policy framework for 2030. This is concerned with the question as to whether existing targets relating to greenhouse emission reduction, the expansion of renewable energies, and energy efficiency, should be continued, and what further-reaching measures are required. Member states are expected to reach agreement on the basic framework at a summit in spring 2014. Conditions relating to the continuation of the climate protection targets with its effects on allowances trading , as well as signals for investments in the renewable energy sector, are of particular significance in this context. The Commission's proposals comprise a 40% reduction in greenhouse gas emissions, a 27% expansion target for the proportion of renewable energies across the EU, and a review of potential further energy efficiency rules after an evaluation of previous policy in autumn 2014. It is nevertheless still open as to whether member states will support these proposals.

With the 2030 package, a proposal was also submitted relating to the structural modification of the Emissions Trading Directive in the form of the introduction of a flexibilisation mechanism. This should thereby create the basis to counter potential serious market disruptions – such as the current significant excess of emission allowances  due to the economic crisis – beyond the ruling relating to the temporary removal of certificates (so-called backloading), which is to be concluded prospectively by the second quarter of 2014. The legislative process will not be concluded before 2015, however.

Besides this, this year the Commission will also investigate, in particular, potential further measures to improve the end-customer market, including the question relating to distribution grid operators' future role. As part of a corresponding announcement, key guidelines are then to be initially described – prospectively in the second quarter of 2014 – which the new Commission is then to further pursue in the form of specific legislative proposals following the European elections. In this context, the agenda will focus especially on securing innovations in the smart world  and competition area, including a potential revision of unbundling requirements.


The current review of European state aid law, the state aid proceedings that have been launched against the German Renewable Energies Act (EEG)  overall, and industrial exemption from the EEG cost allocation , will be important for determining the extent to which Germany is free to structure the EEG and potential capacity mechanisms.


If the Commission were to prove successful at the European Court of Justice in asserting that the EEG and cost allocation exemptions amounted to state aid, customers benefiting from the compensation regulation might, in extreme cases, face a requirement to repay the cost allocations that they have saved. The categorisation of the EEG as state aid would also mean that the EEG would also be required to conform with future EU state aid guidelines.

According to draft versions of the state aid guidelines that have been made to date, a more narrow framework, especially for support for renewable energies, is to be set. The Commission expects the German federal government to implement the amendment to the EEG that was announced in its coalition agreement. The Commission can use the state aid proceedings and the revision of the guidelines to exert pressure on the German federal government.


The EU Commission published its proposal to amend the Nuclear Security Directive on 13 June 2013. It thereby wishes to further advance the process of introducing pan-European security targets in order to further reduce risk, and to ensure the protection of citizens and the environment. The draft version includes numerous critical items that had already been discussed in advance of the proposal's publication. The implementation of the original Commission proposal would entail additional personnel and monetary expenses for EnBW. The proposal is due to be approved in the first half of 2014.

The EU Commission also plans to publish a non-legislative “Announcement concerning liability and external emergency provisioning in the nuclear area” in spring 2014. This might also include the results of the consultation on the topic of “European rules on liability and insurance in the nuclear area” that was published in October 2013.

Germany: In their coalition agreement, the CDU/CSU and SPD agreed to consistently further develop the Energiewende. The further expansion of renewable energies forms a central topic in this context. Renewable energies' share of the electricity market is to be increased to between 40 and 45% by 2025, and to between 55 and 60% by 2035, applying a managed expansion corridor. With the amendment to the EEG  that is announced for Easter 2014, the transition to mandatory direct marketing of renewable energies is to be gradually introduced. It is also planned to extend by two years until 2019 the acceleration model for offshore wind farms, in which offshore projects are to enjoy a better financial positioning through a shortened payment period for EEG compensation. The plan is also to further develop the reference yield model in order to be able to continue to utilise good locations across Germany for on-shore projects with reference values of between 75% and 80%. Such a proposed reform carries the risk – depending on its structure – that a number of locations in Southern Germany cannot be utilised economically in the future.

No announcements about the definition of the requisite balancing output  to ensure short-term supply security have yet been made. Moreover, to date no rules have existed concerning existing power plants which are facing closure, and which are to be held ready for grid reserve purposes. Given the extremely negative commercial situation for conventional power plants that are indispensable to supply security, energy utilities require reimbursement of their full costs, including returns on their capital employed, as the financial burdens are no longer tolerable for sector companies. Overall, the success of the Energiewende in Germany depends on what is decided in this context. EnBW will be unable to make further investment decisions until sufficient security about energy policy conditions is available.


Future sector trends

The energy sector is undergoing radical change across the whole of Europe, although especially in Germany due to the Energiewende. Policy and regulatory circumstances are changing faster and more comprehensively than in past decades. This is also considerably affecting market and competitive structures. Competition in business with private and industrial customers remains acute in both the electricity and gas areas, and is being intensified even further through customers' high price sensitivity and a growing number of providers that are new to the sector. Given these circumstances, companies in the sector are being forced to review their business models, and to orientate themselves to new market circumstances. Falling generation margins, the full auctioning of CO₂ allowances , increasing requirements relating to the environmental and climate compatibility of business activities, as well as increasing government regulations are burdening companies' earning power and consequently limiting their ability to invest. The answers to these challenges vary from company to company. Politicians are demanding and supporting local generation concepts and more widespread energy services. These circumstances are generally positive for EnBW's business growth and development, since it is expected that they will generate growing demand for energy efficiency services. Such solutions are demanded by industrial and commercial customers due to their need for energy-efficient and low-carbon facilities, as well as by municipalities and the service sector, where boosting buildings' efficiency is a key priority. EnBW pursues a balanced and future-oriented corporate strategy that takes into account the interests of the stakeholders and the company's future sustainability.

Corporate strategy and future development of the company

Under the motto of "Energiewende. Safe. Hands on.", the following aspects form significant pillars of the EnBW 2020 Group strategy:

- > restructuring the business portfolio,
- > a stringent investment and divestiture programme,
- > a strategic reorientation entailing the two business perspectives of "customer proximity" and "engine room of the Energiewende", and
- > a new structural concept for the Group: ONE EnBW.

EnBW started to implement this strategy in summer 2013, accompanied and coordinated with the EnBW 2020 programme. In parallel, the new business units developed detailed concepts with specific measures and initiatives in order to ensure that targets are attained ( Strategy and Goals > Strategy > p. 45).

At the centre of our strategic reorientation stand the three segments on which we will concentrate our activities over the next three years: Grids, Renewable Energies and Sales/Decentralised Solution Offerings. As a consequence, we are building on the company's strengths in the grid infrastructure area and our regional anchoring. By contrast with other market players, we are able to use our system expertise to combine the different and decentralised areas of the Energiewende in order to establish ourselves as an organiser of the energy system in Baden-Württemberg.

EnBW is a central player in the Energiewende in Germany. Partnerships in the form of technological development partnerships, partnerships through joint ventures with energy-related companies, and active participation options, especially for municipalities and local authorities, form part of its strategy. EnBW is thereby boosting its acceptance within the region, and tapping new business opportunities. This presupposes a decisive repositioning of the company that is characterised by transparency, openness and a clear dialogue-orientation. The aim is to tangibly underpin the company's capacity to enter into partnerships and to be accepted by its customers.

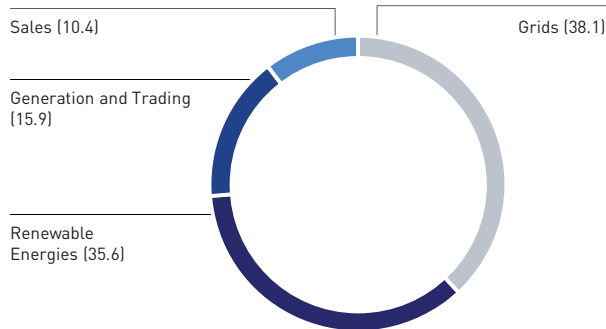
EnBW is the only project-based energy utility in the renewable energies area, especially in the case of onshore wind farms. Opportunities to create and establish the onshore wind portfolio are to be exploited more efficiently through decentralised project offices.

The attainment of these ambitious objectives presupposes a fundamental change at EnBW. The requisite further development of the organisation, processes, culture and performance orientation will become key topics over the coming years. Such a transformation is not restricted to structural changes, but also comprises new management logic. We will significantly reduce our decision-making paths, thereby securing the requisite response speed within a constantly changing market environment.

Implementation of the strategy over a three-year period

An extensive €5.0 billion investment programme is planned for the 2014 to 2016 period in order to continue to play an active role in structuring the Energiewende. These investments are split into €3.6 billion for growth projects and €1.4 billion for investments in existing plant.

Gross capital expenditures in 2014 – 2016
 in %



A total of 10.4% of the investments will go into the Sales segment. By contrast with the conventional plant-intensive energy utility business, less investment is required to develop a decentralised solutions-provider. This segment also includes investments for the nationwide introduction of smart meters.

A total of 35.6% of investments are attributable to the Renewable Energies segment – representing more than one third of our total investments. These are mainly for investments in our EnBW Baltic 2 offshore project, and to develop the onshore portfolio. As a consequence, we are adding an average of around 200 MW per year in Germany over the next three years. The at-equity consolidated activities in Turkey are reflected in the investment programme with their proportional equity requirements.

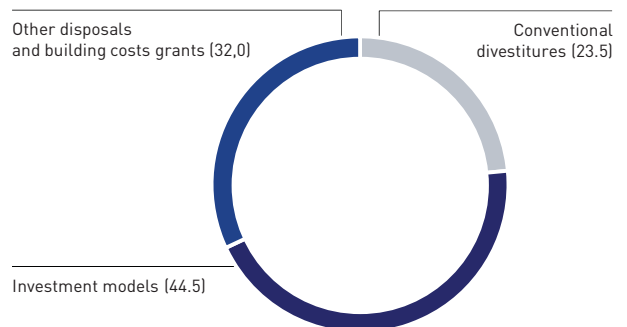
The Grids segment will receive a total of 38.1% of the investments, in order to ensure supply security and to expand renewable energies. Along with investments in maintaining existing grid infrastructure, the company also plans extensive investments in renewable energies plant connections, as well as investments in the retrofitting of existing grids due to higher mast growth reflecting decentralised electrici-

ty input. As far as transmission grids are concerned, growth investments to implement the grid development plan are important. EnBW will be involved in implementing two of the three planned corridors. Together with investments in the Renewable Energies segment, 75% of our investments are consequently attributable to the Energiewende.

The Generation and Trading segment, which dominated the investment programme in earlier years (including through the construction of coal power plants), will now receive only 15.9% of the investment volume, less than one sixth. Important investments in this context include low-carbon generation at the Lausward Combined Cycle Gas Turbine (CCGT) near Düsseldorf. As a supplementary measure, we are optimising EnBW's existing portfolio of power plants and ensuring that the operation and decommissioning of our nuclear power plants is performed safely following the highest security standards.

This investment programme consequently reflects our strategy of adopting an active role in structuring the Energiewende.

Divestitures in 2014 – 2016
 in %



Divestitures totalling €2.4 billion over the same timeframe are earmarked to finance the €5 billion investment volume. Around €1.0 billion is attributable to participation models. We are consequently offering local authorities, municipal utilities, industrial and commercial customers, as well as citizens, the opportunity to take an active role in the Energiewende. Participation models for onshore renewable energies projects facilitate partnerships – for example, with municipal utilities that can acquire up to 49% of the projects. Participation models with one or several industrial partners are planned for EnBW Baltic 2. Other disposals totalling around €0.7 billion arise mainly from the grid companies' concession losses. Around €0.6 billion is attributable to the sale of strategic investments.

Expected trend in financial performance indicators

Expected sales trend

The revenue of the EnBW Group in absolute terms is of secondary importance for earnings performance, as revenue in the Generation and Trading segment is determined especially by the trading activities of our trading entity. Depending on how the market develops over the year, prices and revenue may be subject to considerable fluctuations without this being reflected as such in the profit or loss. Revenue in the Grids segment depends greatly on the development of EEG revenue, although this does not have an impact on its earnings trends.

(External) sales of the EnBW Group in 2014 compared to the previous year

B2C electricity sales	0% to -5%
B2C gas sales	0% to +5%
B2B electricity sales	0% to -5%
B2B gas sales	+5% to +10%

Compared with this, the company's future results of operations are influenced to a greater extent by unit sales in the B2C and B2B sectors of electricity and gas. Overall, we expect sales in the electricity business in 2014 to continue to fall in comparison to 2013. In the B2C business, sales will prospectively fall slightly due to weather conditions and growing energy efficiency. A fall in sales in the industrial customers area is also anticipated in the B2B business, also due to continued intense competition. Where gas is concerned, we anticipate minor sales growth in the B2C business from the expansion of the gas business and greater processing of the market. This growth will exceed the expected decline compared with the above-average cold 2013 reporting period. Generally significant growth should be achieved in the B2B business. By contrast with the electricity business, trading activities of the gas area cannot be stringently separated from the B2B business, consequently feeding through to sales fluctuations without corresponding earnings effect.

TOP Adjusted EBITDA

Since the start of its 2013 financial year, the EnBW Group has adjusted its Group structure to the reorientation of its business model. Since then, segment reporting has been on the basis of the following segments:

- > Sales segment
- > Grids segment
- > Renewable Energies segment
- > Generation and Trading segment
- > Other/Consolidation

Development of 2014 earnings (adjusted EBITDA) ¹ compared to the previous year	2014	2013
Sales	+10% to +20%	227.1
Grids	-5% to -15%	961.8
Renewable Energies	+5% to +15%	216.4
Generation and Trading	0% to -5%	834.7
Other/Consolidation	-	-23.4
Scope of consolidation	No changes	-
Adjusted EBITDA, Group	0% to -5%	2,216.6

¹ Business segments adjusted for changes in the scope of consolidation.


We are assuming that the Sales segment will deliver earnings growth in 2014 (+10% to +20%). We anticipate slight growth in sales volumes, and consequently a rising margin, as a result of expanding gas sales. In addition to this, an extraordinary charge on the gas procurement side deriving from 2013 will be incurred in 2014. In the electricity sales business, we are assuming a more positive customer portfolio composition, accompanied by higher specific margins. The growing marketing of decentralised solution offerings in the energy area should boost earnings on our service offerings.

Following growth in 2013, the Grids segment's adjusted EBITDA will prospectively fall (-5% to -15%). This is due to the start of the second regulation period, resulting in the discontinuation of extraordinary items from the first regulation period in the distribution grid.

Earnings in the Renewable Energies segment are set to grow in 2014 (+5% to +15%). Overall, we are assuming that the share of renewables installed output will increase from 15% to 20% of total capacity, depending on the commissioning and start-up of EnBW Baltic 2. We are assuming declining earnings generated by our run-of-river power plants due to a drop in wholesale market prices. The earnings growth is mainly attributable to the expected commissioning of the first windmills at our EnBW Baltic 2 offshore wind farm at the end of 2014. In addition to this, activities in the onshore wind energy area are feeding through to earnings growth. We are assuming that installed output in the onshore area will double.

Along with the Grids segment, the Generation and Trading segment is delivering most of the earnings. Adjusted EBITDA in this segment will fall slightly in 2014. This continues to be primarily due to prices and spreads falling on wholesale electricity markets during prior periods in which we have agreed on fixed sales prices for quantities of electricity that are to be supplied in 2014. Our efficiency improvement measures may only slightly cushion these negative influences in this segment in 2014.

As things stand today, changes in the scope of consolidation will not have any effect on earnings in 2014.

As a result, adjusted EBITDA at Group level in 2014 will be between 0% and 5% below the 2013 level. This is mainly due to extraordinary items incurred from the first regulation period, and falling wholesale market prices and spreads . The “Fokus” efficiency project is already unfolding its full effects in 2014 – a year earlier than expected.

Due to the already advanced hedging process, we are also assuming a slight fall in 2015 earnings in a range of between 0% and -5% – despite the commissioning of further renewable energies capacities. Group earnings trends in 2016 depend decisively on the results of the hedging process and the realisation of the grid development plan. Already during the investment phase, the latter would positively affect the transportation grid area's EBITDA contributions. We are assuming a negative earnings forecast given the uncertain political conditions for 2016 and the resultant wholesale market prices, as well as the extent to which the grid development plan can be implemented in political terms.

TOP Dynamic leverage ratio

Top performance indicator	2014	2013
Dynamic leverage ratio	3.4 – 3.8	3.28

We will prospectively be unable to fully finance the very high level of net capital expenditures in 2014, especially as a result of EnBW Baltic 2, from current cash flow (funds from operations, FFO). Adjusted net debt will increase slightly for this reason. We are aiming for adjusted net debt of between €7.5 billion and €8.0 billion. Based on the earnings forecast, we are assuming a dynamic leverage ratio of between 3.4 and 3.8, and we are confident that we can thereby retain our rating. As already communicated in our 2012 annual report, we aim to have largely concluded our divestiture strategy by 2015. To this extent, we expect a significant fall in net debt in 2015 compared with 2013 and 2014. Along with our 2015 earnings forecast, this feeds through to a dynamic leverage ratio of below 3.3. For 2016, we are also assuming that we will continue to pay down our net debt position. This is offset, however, by a forecast net loss – status as of today – that is still subject to great uncertainty.

Taking financial stability into consideration, in principle we continue to aim to achieve a dividend payout ratio of between 40% and 60% on our adjusted Group net profit.

TOP ROCE


Top performance indicator	2014	2013
ROCE in %	8 – 9	9.7

Capital employed is influenced mainly by investments and depreciation, amortisation and impairment losses. We assume that capital employed will increase in 2014 due to strong investment activity. We expect ROCE of between 8% to 9% for the 2014 financial year. For 2015 and 2016, we anticipate a fall in ROCE due to a continued high level of investment activities.

Business development at EnBW AG

As a result of the restructuring 2014, the earnings of EnBW AG will no longer be primarily characterised by its investment result, but also by the operating results of its business units. The 2013 loss for the year was strongly impacted by extraordinary charges. For 2014, we expect around €200 million of net income excluding extraordinary items. In addition, positive extraordinary earnings items will arise as a result of the mergers.

Significant opportunities and risks

EnBW's key targets relate to adjusted EBITDA and adjusted net debt, on which this forecast also focuses. Potential factors influencing the forecast are described in detail in the risk and opportunities report ( Report on risks and opportunities > Risk and opportunity position > p. 102 et seqq.)

Expected trend in non-financial performance indicators

Expected trend in the customers area

Top performance indicators	2014	2013
CO ₂ emissions avoided in million of tonnes ¹	5.8	5.4
EnBW/Yello brand attractiveness index	42/38	42/38
EnBW/Yello customer satisfaction index	114/150	111/148
SAIDI ² (electricity) in min/a	15	15

¹ Figures not comparable with previously reported data due to change in calculation methodology.

² Figure valid only for Germany.

TOP CO₂ emissions avoided: The top performance indicator of CO₂ emissions avoided depends on numerous – including external – factors that cannot be managed directly. These include, for example, avoidance factors that the German Environmental Protection Agency (BDA) calculates and updates regularly depending on the development of the power station base in Germany. CO₂ emissions avoided in 2013 amounted to 5.4 million tonnes of CO₂. While taking into account the aforementioned uncertainties, we expect a figure of 5.8 million tonnes of CO₂ for 2014.

TOP Brand attractiveness index: The attractiveness of the EnBW and Yello brands was boosted slightly in 2013. These brands' attractiveness is to be stabilised over the coming years through continuous activities. The index is also to be held at its current level in 2016.

TOP Customer satisfaction index: The satisfaction of EnBW's customers increased in 2013. Perceived improvements in performance areas proved decisive to this result. We expect a further rise in the customer satisfaction index over the coming years. EnBW will launch a number of new and attractive products for both business and private customers. These will focus on new advisory and energy sector services. EnBW would like to establish itself to an even greater extent as a partner to its customers. Customer satisfaction at Yello was almost unchanged in 2013, and remains at a very good level. The customer satisfaction of both EnBW and Yello is to grow further in 2016.

TOP SAIDI: EnBW has always ensured high supply quality within its grid area and for its customers. The corresponding top performance indicator of SAIDI, which states the average duration of supply interruptions per connected customer per year, reached 15 minutes in 2013. We expect this figure to remain constant in the 2014 financial year. We aim to retain this very good level in 2015 and 2016.

Expected trend in the employees area

Top performance indicators	2014	2013
Employee commitment index	60	58
LTIF	≤ prior-year figure	5.9
Sickness ratio in %	4.3	4.5

TOP Employee commitment index: We aim to advance this top performance indicator already during 2014. In order to

attain this objective, we will integrate the results of the 2013 employee survey into transformation projects that are already underway at EnBW. By deriving and then implementing measures from the survey's results, employees will gain a sense of orientation, with the change process increasingly bearing their handwriting. We are also assuming that the restructuring to create ONE EnBW by mid-2014 and the consolidation of the company within the new structures and processes will soon have tangible effects on daily working. Until the next employee survey is conducted, we will measure the further development of the employee commitment index using annual monitoring surveys comprising a representative random sample. This will signal to us at an early stage whether the measures that have been introduced are taking effect, allowing us to directly make any adjustments that are required.

TOP LTIF: The top performance indicator of LTIF (Lost Time Injury Frequency), which we use to measure occupational safety within our company, reached a level of 5.9 in 2013. For us, it goes without saying that we are concerned to continuously improve occupational safety within the company for both our own and third-party employees. Numerous accident prevention measures serve this purpose.

TOP Sickness ratio: We expect the sickness ratio to stabilise at 4.3% in the medium term. We deploy our quality-assured health management scheme to address long-term sickness incidence within the company. Along with our existing "trust-based flexitime" scheme, we have adopted further measures to combine working and private lives, such as with the introduction of alternating tele-homeworking in 2013, so that the changes that EnBW's reorientation entails for many of our staff do not become a particular burden, such as if they need to look after children or other family members.

Further significant developments: Given the difficult environment that surrounds us, it will be important over the coming years to realise further efficiency enhancements across the entire Group. A moderate level of hiring will occur in the Decentralised Solutions (Product Innovations) and Grids areas as part of restructuring our business portfolio. The effects of the "Fokus" efficiency enhancement programme, entailing minor personnel losses, will be felt in parallel until into 2016. The "Working Worlds" project was set up as an initiative as part of the EnBW 2020 Group strategy. EnBW employees are to work in open plan offices in the future, thereby facilitating communication and interaction between staff and managers, the exchange of knowledge, and networked working.

Expected trend in the compliance area

Top performance indicators	2014	2013
Staff trained in corruption prevention and anti-trust law in %	85	86.9

TOP Staff trained in corruption prevention and anti-trust law: We wish to maintain the high level of the Compliance top performance indicator in 2014 through continuous training of new staff and refresher training sessions. Following the focal point training of all staff using Group-wide e-learning, as well as management training sessions in 2013, we will now refocus on attendance events in sensitive areas.

The announced structural and strategic changes within the EnBW Group will also affect the compliance organisation. We aim to implement the necessary adjustments during the first half of 2014.

We will adapt EnBW's guidelines landscape to the new Group structure, taking this opportunity to streamline and optimise it further by the end of 2014. This will be based on the centrally-managed guideline management scheme which was set up in 2010, and which provides transparent and up-to-date internal regulations to staff, thereby making an important contribution to the prevention of compliance infringements.

Given the new internal and external developments, we aim to optimise the established business partner review process in 2014 in order to secure EnBW as best as possible against financial and reputational losses.

In general, we wish to establish compliance aspects in 2014 as an even stronger integral component of our business processes.

Expected trend in the ecology area

Top performance indicators	2014	2013
CO ₂ intensity of own electricity production in g/kWh	410	403
Installed renewable energies output in GW and renewable energies' share of generation capacity in % ¹	2.7 – 3.0/ 19 – 20	2.6/19.1

¹ Depending on commissioning of EnBW Baltic 2.

EnBW is taking an active role in the restructuring of Germany's energy landscape, continuing consistently with its efforts in the environmental and climate protection area. As derived from the EnBW 2020 Group strategy, the environmental protection functional strategy is to be specifically developed in 2014.

TOP CO₂ intensity of own electricity production: The top performance indicator of CO₂ intensity from own electricity production, which stood at 403 g/kWh in the year under review, will prospectively increase to around 410 g/kWh in 2014. Renewable energies cannot fully compensate for the fall in electricity production from nuclear energy over the coming years. For this reason, fossil fuel-operated power plants will be increasingly deployed. The commissioning of the RDK8 hard coal unit also impacts 2014.

TOP Installed output of renewable energies, and renewable energies' share of generation capacity: We expect an increase in the installed output of renewable energies and renewable energies' share of generation capacity in 2014, the extent of which primarily depends on the commissioning of the EnBW Baltic 2 offshore wind farm.

Management's overall assessment of the anticipated development

For 2014, we expect EnBW's adjusted EBITDA to drop by between 0% and 5% in comparison to 2013. For 2015, we are also assuming a decrease of between 0% and 5%. As a result of the furthest-reaching possible implementation of the divestiture programme by 2015, we can nevertheless create sufficient financing resources to play an active role in structuring the Energiewende, and also reduce net debt, in order to retain our credit rating.

Forward-looking statements

This report contains forward-looking statements that are based on current assumptions and projections of EnBW's management. Such statements are subject to risks and uncertainties. These and other factors mean that the actual results, financial position, developments or performance of the company may diverge materially from the estimates made here. EnBW assumes no obligation of any kind to update forward-looking statements or to adjust them to reflect future events or developments.

Remuneration report

The remuneration report summarises the principles applied to determine the remuneration of members of the Board of Management, and explains its structure and levels, as well as the remuneration of the Supervisory Board.

The remuneration report takes into consideration the recommendations of the German Corporate Governance Code and the requirements of German Accounting Standard (DRS) 17 (amended in 2010). It also contains disclosures required by German commercial law and the supplementary provisions of the German Act on the Appropriateness of Management Board Remuneration (VorstAG) in the notes to the financial statements in accordance with Sec. 314 German Commercial Code (HGB) and the management report in accordance with Sec. 315 HGB.

Remuneration of the Board of Management

Based on a proposal of the personnel committee, the Supervisory Board passes a resolution on the remuneration of the Board of Management including the main contract elements and reviews it on a regular basis. The criteria for determining appropriate remuneration include the responsibilities and performance of the Board of Management members, the economic situation, the performance and sustainable development of the company, the relationship between Board of Management remuneration and the remuneration of senior management and the overall workforce, and its development over time.

The Board of Management's remuneration consists of the following main components:

Fixed remuneration

This comprises a fixed basic annual salary, of which only a part counts towards pension claims, as well as other compensation. The minimum bonus is no longer granted in the service contracts that exist at the time when this financial report was prepared.

Variable remuneration

> **Performance bonus:** The performance bonus depends on the extent to which annual targets are met. These include financial targets at Group level measured using the performance indicators EBITDA and ROCE in addition to individual targets. The Supervisory Board performed a weighting of these targets at the beginning of the financial year. The performance bonus may not exceed 200% of the average fixed annual basic remuneration. The performance bonus is based on targets being reached over an overall period of three years: The share of the performance bonus for individual targets (30%) for the respective assessment year is paid out right away; the share of the per-

formance bonus for corporate targets (70%) is divided into three. The first third is likewise paid out immediately. The remaining two shares (deferral 1 and deferral 2) are adjusted to reflect the extent to which corporate targets are met in subsequent years. Interest of 3% per annum is paid on these shares, which are then paid out following ratification of the respective financial statements for subsequent year 1 and subsequent year 2. Payment is made subject to the condition that a minimum level is achieved.

- > **Long-term incentive (LTI):** The LTI depends on the relative increase in the Group's value. This is determined by reference to the increase in value of net equity by comparing the mean averages of net equity for two three-year periods. The LTI can range between 0% and 85% of a member of the Board of Management's average fixed annual basic remuneration and between 0% and 100% for the Chairman of the Board of Management. This is supplemented by a component that measures the relative performance of the Group against a peer group of competitors based on net equity. This can lead to a change of $\pm 20\%$ on the LTI determined by reference to the net equity value. The payment is made after ratification of the annual financial statements, but not before three years' service on the Board of Management.
- > **Board of Management's contribution to "Fokus":** The Board of Management contributes to the "Focus" programme by voluntarily waiving a portion of its variable remuneration. The portion of variable remuneration waived relates exclusively to two remuneration components, the collective performance bonus and the LTI including the competition component. Calculations are based on the target income of respective members of the Board of Management. Upon achieving their target income, 20% is deducted from the collective performance bonus and the LTI including the competition component.

This fixed percentage, calculated based on the respective target income, is deducted in the following cases:

- > upon achieving the target income
- > upon exceeding the target income

Should the actual remuneration fall short of the target income, the difference between the target income and actual income is credited against the fixed percentage and the lower amount is deducted. In any case, a minimum of €20,000 per year is deducted.

The contribution of the Board of Management to the "Fokus" programme is the result of supplementary agreements to the service agreement the Supervisory Board made with each individual member of the Board of Management. The supplementary agreements apply for financial years 2012 to 2014. This regulation is also applied to new service agreements with members of the Board of Management concluded in the aforementioned period.

Remuneration of the members of the Board of Management in the 2013 financial year

in € (prior-year figures in brackets)	Fixed remuneration			Variable remuneration		Total
	Basic remuneration	Other remuneration ¹	Minimum bonus	Without long-term incentive	Long-term incentive	
Dr. Frank Mastiaux, Chairman (since 01/10/2012)	812,500 (200,000)	402,243 ² (121,818) ²	– –	720,904 (176,933)	124,361 ³ –	2,059,999 (498,751)
Dr. Bernhard Beck, LL.M.	500,000 (500,000)	48,527 (49,808)	– (112,500)	435,958 (667,083)	77,726 ³ –	1,062,211 (1,329,391)
Thomas Kusterer	450,000 (450,000)	25,749 (21,344)	– –	396,033 (389,350)	345,647 ³ (63,917)	1,217,428 (924,611)
Dr. Dirk Mausbeck	450,000 (412,500)	16,828 (8,257)	– –	389,350 (355,238)	276,002 ³ (18,938)	1,132,179 (794,933)
Dr. Hans-Josef Zimmer	450,000 (450,000)	39,946 (38,401)	– –	390,970 (389,350)	279,813 ³ –	1,160,729 (877,751)
Hans-Peter Villis, Chairman (until 30/09/2012)	– (637,500)	– (8,701)	– (191,250)	5,737 (959,738)	– –	5,737 (1,797,189)
Total	2,662,500 (2,650,000)	533,283 (248,329)	– (303,750)	2,338,952 (2,937,692)	1,103,549 (82,855)	6,638,284 (6,222,626)

¹ Other remuneration includes monetary benefits from the provision of company cars in an amount of €135,514 (previous year: €130,329), other outlays, mainly relating to double housekeeping and removal costs, in an amount of €54,127 (previous year: €5,500), and contributions to Group accident insurance.

² Included is the one-off premium of €450,000 (pro rata) agreed with Dr. Frank Mastiaux payable after one year of service on the Board of Management.

³ Current deferral amounts are as follows: Dr. Frank Mastiaux €878,440 (previous year: €192,233), Dr. Bernhard Beck €541,516 (previous year: €120,140), Thomas Kusterer €651,950 (previous year: €482,630), Dr. Dirk Mausbeck €633,663 (previous year: €411,313) and Dr. Hans-Josef Zimmer €651,950 (previous year: €432,503).

Target incomes of Board of Management members¹

in €	Dr. Frank Mastiaux Chief Executive Officer (since 1/10/2012)				Dr. Bernhard Beck, LL.M. Chief Personnel Officer				Thomas Kusterer Chief Financial Officer			
	2012	2013	2013 (min.)	2013 (max.)	2012	2013	2013 (min.)	2013 (max.)	2012	2013	2013 (min.)	2013 (max.)
Fixed remuneration	200,000	812,500	812,500	812,500	500,000	500,000	500,000	500,000	450,000	450,000	450,000	450,000
Fringe benefits	121,818	402,234	402,234	402,234	49,808	48,527	48,527	48,527	21,334	25,749	25,749	25,749
Minimum bonus	-	-	-	-	112,500	-	-	-	-	-	-	-
Total	321,818	1,214,734	1,214,734	1,214,734	662,308	548,527	548,527	548,527	471,344	475,749	475,749	475,749
One-year variable remuneration performance bonus	146,000	593,125	-	790,833	462,500	365,000	-	486,667	328,500	328,500	-	438,000
Multi-year variable remuneration												
Deferral 1	56,000	227,500	-	303,333	35,000	140,000	-	186,667	126,000	126,000	-	168,000
Deferral 2	56,000	227,500	-	303,333	35,000	140,000	-	186,667	126,000	126,000	-	168,000
LTI	120,000	487,500	-	780,000	280,000	280,000	-	408,000	252,000	252,000	-	367,200
Total	699,818	2,750,359	1,214,734	3,392,234	1,474,808	1,473,527	548,527	1,816,527	1,303,844	1,308,249	475,749	1,616,949
Pension expenses	158,732	430,080	430,080	430,080	329,961	160,473	160,473	160,473	121,984	203,416	203,416	203,416
Total remuneration	858,550	3,180,439	1,644,814	3,822,314	1,804,769	1,634,000	709,000	1,977,000	1,425,828	1,511,665	679,165	1,820,365

¹ This table shows the compensation in both the year under review and the previous year which arises given 100% target-attainment (target income), and potential minimum and maximum compensation for the financial year under review. The table includes the Board of Management members who were appointed at least on a part-time basis in either the year under review or in the previous year as Board of Management members at EnBW AG.

Payments to Board of Management members¹

in €	Dr. Frank Mastiaux Chief Executive Officer (since 1/10/2012)		Dr. Bernhard Beck, LL.M. Chief Personnel Officer		Thomas Kusterer Chief Financial Officer	
	2013	2012	2013	2012	2013	2012
Fixed remuneration	812,500	200,000	500,000	500,000	450,000	450,000
Fringe benefits	514,734 ²	9,318 ²	48,527	49,808	25,749	21,344
Minimum bonus	-	-	112,500	150,000	-	-
Total	1,327,234	209,318	661,027	699,808	475,749	471,344
One-year variable remuneration performance bonus	178,733	-	668,208	343,500	396,032	195,413
Multi-year variable remuneration						
Deferral 1 from 2011	-	-	-	-	63,917	-
Total	1,505,967	209,318	1,329,235	1,043,308	935,698	666,757
Pension expenses	430,080	158,732	160,473	329,961	203,416	121,984
Total remuneration	1,936,047	368,050	1,489,708	1,373,269	1,139,114	788,741

¹ This table shows receipts in both the year under review and in the previous year in the meaning of the German Income Tax Act. The table includes the Board of Management members who were appointed at least on a part-time basis in either the year under review or in the previous year as Board of Management members at EnBW AG.

² The one-off premium of € 450,000 that Dr. Frank Mastiaux receives after one year of service on the Board of Management accrued to him in its entirety in 2013.

	Dr. Dirk Mausbeck Chief Commercial Officer				Dr. Hans-Josef Zimmer Chief Technical Officer				Hans-Peter Villis Chief Executive Officer (until 30/09/2012)			
	2012	2013	2013 (min.)	2013 (max.)	2012	2013	2013 (min.)	2013 (max.)	2012	2013	2013 (min.)	2013 (max.)
	412,500	450,000	450,000	450,000	450,000	450,000	450,000	450,000	637,500	-	-	-
	8,257	16,828	16,828	16,828	38,401	39,946	39,946	39,946	8,701	-	-	-
	-	-	-	-	-	-	-	-	191,250	-	-	-
	420,757	466,828	466,828	466,828	488,401	489,946	489,946	489,946	837,451	-	-	-
	301,125	328,500	-	438,000	328,500	328,500	-	438,000	631,125	-	-	-
	115,500	126,000	-	168,000	126,000	126,000	-	168,000	-	-	-	-
	115,500	126,000	-	168,000	126,000	126,000	-	168,000	-	-	-	-
	231,000	252,000	-	367,200	252,000	252,000	-	367,200	357,000	-	-	-
	1,183,882	1,299,328	466,828	1,608,028	1,320,901	1,322,446	489,946	1,631,146	1,825,576	-	-	-
	35,278	31,789	31,789	31,789	247,007	250,117	250,117	250,117	286,144	-	-	-
	1,219,160	1,331,117	498,617	1,639,817	1,567,908	1,572,563	740,063	1,881,263	2,111,720	-	-	-

	Dr. Dirk Mausbeck Chief Commercial Officer		Dr. Hans-Josef Zimmer Chief Technical Officer		Hans-Peter Villis Chief Executive Officer (until 30/09/2012)	
	2013	2012	2013	2012	2013	2012
	450,000	412,500	450,000	450,000	-	637,500
	16,828	8,257	39,946	38,401	-	8,701
	-	-	-	-	191,250	255,000
	466,828	420,757	489,946	488,401	191,250	901,201
	355,238	56,300	390,970	-	965,475	574,600
	18,938	-	-	-	-	-
	841,004	477,057	880,916	488,401	1,156,725	1,475,801
	31,789	35,278	250,117	247,007	-	286,144
	872,793	512,335	1,131,033	735,408	1,156,725	1,761,945

Compensation agreed with the Board of Management in the event of termination of service

During their first term of office, members of the Board of Management are generally not entitled to retirement benefits. As of their first term of office, Dr. Frank Mastiaux and Thomas Kusterer have a vested right to retirement benefits. In the case of Dr. Dirk Mausbeck, the entitlement to retirement benefits arises from the contractual provisions relating to his prior work within the group.

From the second term of office onwards, the pension entitlements from the age of 63 or in the event of permanent disability are as follows: the vested benefits rise in proportion to the period as of the first-time appointment to the Board of Management and are capped at 60% of the pensionable basic annual salary. Unless benefits have already become vested by operation of law, they become vested as of the second term of office. The rates of increase are generally set such that the maximum post-employment benefit is reached at the same time as the contractually agreed age limit. Other company pension entitlements acquired are credited once the maximum pensionable basic annual salary has been exceeded.

When the benefit obligations become due for payment, the payments are indexed in accordance with the German Company Pensions Act.

In the event that a member of the Board of Management dies, the surviving dependants are entitled to continued payment of the remuneration for three months. For as long as they live, widows receive 60% of the benefits that the member of the Board of Management received or would have received on the day they died if the pensions had been due for payment on that day. Children of the member of the Board of Management receive an orphan's allowance until they reach the age of 25 (20% if they have lost both parents, 12% if they have lost one parent). The surviving dependants' benefits are limited to 100% of the pension entitlements.

No termination benefit obligations exist in the event of premature termination of service on the Board of Management. However, termination benefits may be payable on the basis of a cancellation agreement made with the individual. For agreements in place as of the reporting date, it was agreed that payments made to a member of the Board of Management on premature termination of his or her contract without serious cause, including fringe benefits, do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. In concluding or extending management board contracts, care is taken to ensure that no payments are made to a member of the Board of Management

on premature termination of the contract for an important reason for which the member of the Board of Management is responsible.

The following changes control regulation currently exists for all Board of Management members: If Board of Management members relinquish their office and resign due to a change of control, they are entitled to their annual basic salary outstanding until the expiry of the planned contractual duration, although to a maximum of three annual basic salaries, and to the deferrals already earned as part of the performance bonus. Such claims are restricted to one and a half times the settlement cap, cannot compensate for more than the residual term of the service contract, and fall due with the early termination of the service contract.

Where Board of Management employment contracts are entered into or extended, in the instance of the early discontinuation of Board of Management activity due to a change of control, it is agreed that settlement or termination payments should not exceed the settlement cap, and should not compensate for more than the residual term of the service contract.

In the event of temporary unavailability for work on the part of a member of the Board of Management on account of illness or any other reason for which the member of the Board of Management is not responsible, remuneration will be paid for the first six months. The amount of the variable remuneration will be calculated from the average of the last three years and basic remuneration will be paid for a further six months. Payments in the event of unavailability for work will be made no longer than until the end of the term of the service agreement.

Upon expiry of his term of office on 30 September 2014, Dr. Dirk Mausbeck will step down from the Board of Management. No further agreements with Dr. Dirk Mausbeck were made beyond the regulations contained in his service agreement as described above.

The disclosures for the financial year 2013 concerning post-employment benefits (prior-year figures in brackets) are presented below. This presentation satisfies the requirements of Sec. 285 Number 9a of the German Commercial Code (HGB). The disclosures include the vested right as of the end of the reporting period, the annual expenses for pension obligations and the present value of the pension obligations vested as of the end of the reporting period (including pension commitments financed by the board members themselves by converting part of their salary).

Post-employment benefits (prior-year figures in brackets)	Vested benefit as of 31/12/2013	Annual expenses for pension obligations in € ⁴	Present value of pension obligations (defined benefit obligation) in €
Dr. Frank Mastiaux, Chairman (since 01/10/2012)	30% ¹ (30%)	430,080 (158,732)	548,289 (158,732)
Dr. Bernhard Beck, LL.M.	60% ² (60%)	160,473 (329,961)	4,450,918 (4,222,979)
Thomas Kusterer	35% ² (32.5%)	203,416 (121,984)	1,373,839 (1,371,714)
Dr. Dirk Mausbeck	7% ³ (7%)	31,789 (35,278)	409,423 (357,810)
Dr. Hans-Josef Zimmer	45% ² (42.5%)	250,117 (247,007)	3,474,206 (3,148,367)
Hans-Peter Villis, Chairman (until 30/09/2012)	– (130,000 €)	– (286,144)	– (1,997,744)

¹ Basis for entitlement in per cent of the pensionable annual basic remuneration currently € 600,000.

² Basis for entitlement in per cent of the pensionable annual basic remuneration currently € 350,000.

³ Basis for entitlement in per cent of the pensionable annual basic remuneration currently € 250,000.

⁴ Including an addition to capital for pension benefits totalling € 48,490 (previous year: € 79,884).

This is a pension commitments financed by voluntarily waiving part of the salary.

Annual expenses for pension obligations include both service cost and interest cost. There are defined benefit obligations in accordance with IFRS of €10.3 million for the current members of the Board of Management (previous year: €11.3 million).

The benefits paid to former members of the Board of Management and their surviving dependants amounted to €4.3 million (previous year: €5.2 million). These pension payments are indexed to the percentage change in remuneration according to the collective bargaining agreement.

Defined benefit obligations as per IFRS of €63.1 million (previous year: €65.4 million) exist relating to former members of the Board of Management of EnBW and their surviving dependants.

As in the previous year, no loans or advances were granted to members of the Board of Management at the end of the financial year under review.

Remuneration of the Supervisory Board

At the proposal of the Board of Management and Supervisory Board, the annual general meeting on 25 April 2013 revised the regulations for Supervisory Board remuneration. Accordingly, members of the Supervisory Board receive fixed remuneration of €30,000 payable at the end of a financial year in addition to reimbursement of their expenses

for the entire financial year 2013. The Chairman of the Supervisory Board receives twice the above amounts and the deputy Chairman of the Supervisory Board receives one-and-a-half times the aforementioned amount.

Members of the Supervisory Board receive fixed remuneration of €5,000 per financial year to offset the additional work involved in any activities in one or more Supervisory Board committees. The Chairman of one or more committees receives twice the amount of the remuneration for the committee work, unless the respective committee has not met in the financial year concerned.

Supervisory Board members who belong to the Supervisory Board or a committee or acted as Chairman for only part of the financial year are paid remuneration proportionately to the duration of their office or their position in that financial year.

In addition, the Supervisory Board members receive an attendance fee of €500 for Supervisory Board meetings and committee meetings. Attendance at preliminary meetings is remunerated with €250 per meeting, however only for one preliminary meeting per Supervisory Board meeting.

According to this remuneration system, the members of the Supervisory Board will receive the following total remuneration for the financial year 2013 (including attendance fees and remuneration for offices held at subsidiaries):

Remuneration of the members of the Supervisory Board of EnBW AG in 2013 in € (prior-year figures in brackets)	Fixed remuneration (incl. attendance fees)	Remuneration for offices held at subsidiaries	Total
Dr. Claus Dieter Hoffmann, Chairman	80,000 (86,000)	0 (0)	80,000 (86,000)
Dietrich Herd, Deputy Chairman	61,000 (65,875)	18,620 (19,220)	79,620 (85,095)
Dirk Gaerte ¹	39,000 (39,250)	0 (0)	39,000 (39,250)
Stefan Paul Hamm ² (since 01/06/2013)	20,589 (0)	3,027 (0)	23,616 (0)
Silke Krebs ³	42,500 (42,081)	0 (0)	42,500 (42,081)
Marianne Kugler-Wendt ²	42,000 (42,000)	13,120 (13,420)	55,120 (55,420)
Wolfgang Lang	41,750 (41,750)	8,260 (7,960)	50,010 (49,710)
Dr. Hubert Lienhard	39,500 (40,250)	0 (0)	39,500 (40,250)
Sebastian Maier (since 01/03/2013)	28,651 (0)	3,628 (0)	32,279 (0)
Arnold Messner	42,500 (44,750)	9,190 (7,299)	51,690 (52,049)
Bodo Moray ²	42,000 (43,500)	14,250 (15,059)	56,250 (58,559)
Gunda Röstel	48,000 (47,750)	0 (0)	48,000 (47,750)
Dr. Nils Schmid ³	41,500 (40,581)	0 (0)	41,500 (40,581)
Klaus Schörnich	41,750 (41,750)	12,975 (13,250)	54,725 (55,000)
Heinz Seiffert ¹	45,500 (43,250)	0 (0)	45,500 (43,250)
Gerhard Stratthaus	40,500 (40,750)	0 (0)	40,500 (40,750)
Dietmar Weber	42,000 (42,000)	6,860 (9,425)	48,860 (51,425)
Kurt Widmaier ¹	42,000 (43,750)	0 (0)	42,000 (43,750)
Dr. Bernd-Michael Zinow	49,500 (51,000)	10,720 (11,193)	60,220 (62,193)
Günther Cramer (until 22/12/2013)	35,137 (39,080)	0 (0)	35,137 (39,080)
Reiner Koch ² (until 31/05/2013)	14,411 (35,000)	5,550 (14,150)	19,961 (49,150)
Bernd Munding (until 28/02/2013)	6,099 (35,000)	0 (7,000)	6,099 (42,000)
Total	885,887 (905,367)	106,200 (117,976)	992,087 (1,023,343)

¹ Pursuant to Secs. 82-88 Civil Service Act (LBG) in conjunction with Sec. 5 Ancillary Activities Ordinance (LNTVO), remuneration is transferred to the district.

² In accordance with the regulations of the German Federation of Trade Unions (DGB) on the transfer of supervisory board remuneration, the remuneration is transferred to the Hans-Böckler-Stiftung foundation and ver.di GewerkschaftsPolitische Bildung gGmbH.

³ The members of the state government have agreed to transfer any remuneration received for membership of supervisory boards, advisory boards and all other comparable boards to which they have been appointed in connection with their office or to which they are assigned as a member of the state government, applying Sec. 5 Ancillary Activities Ordinance (LNTVO) by analogy, to the extent that the remuneration received in the calendar year exceeds a gross total of € 6,100 (council of ministers resolution dated 24/05/2011).

The above disclosures include attendance fees of the members of the Supervisory Board amounting to €136,750 in the fixed remuneration (previous year: €155,250) and attendance fees totalling €35,086 in the board remuneration of subsidiaries (previous year: €38,100). No other remuneration or benefits for services rendered personally, in particular consulting or mediation services, were paid to members of the Supervisory Board. Nor did they receive any loans or advances in the reporting year.

The members of the Board of Management and the Supervisory Board are covered by adequate D&O insurance taken out in the interest of EnBW. An appropriate deductible has been arranged for this D&O insurance – three basic monthly salaries for members of the Board of Management and half of the annual remuneration for members of the Supervisory Board. Since 1 July 2010, the deductible for D&O insurance for members of the Board of Management and Supervisory Board has been 10% of the claims, but no more than one-and-a-half times the fixed annual compensation.

Disclosures pursuant to Secs. 289 (4), 315 (4) German Commercial Code (HGB) and explanatory report of the Board of Management

In the following, the Board of Management provides the information prescribed by Secs. 289 (4) and 315 (4) German Commercial Code (HGB) and explains this in accordance with Sec. 176 (1) Sentence 1 German Stock Corporations Act (AktG).

Composition of subscribed capital

The subscribed capital of EnBW Energie Baden-Württemberg AG (EnBW) amounts to € 708,108,042.24 and is divided into 276,604,704 no par value bearer shares with an imputed value of € 2.56 each.

Direct or indirect capital investments exceeding 10%

OEW Energie-Beteiligungs GmbH, which is based in Ravensburg (Germany), and NECKARPRI-Beteiligungsgesellschaft mbH, which is based in Stuttgart (Germany), each held 46.75% of the share capital of EnBW as of 31 December 2013.

The sole shareholder of OEW Energie-Beteiligungs GmbH is Zweckverband Oberschwäbische Elektrizitätswerke with registered offices in Ravensburg (Zweckverband OEW). The latter consequently held an indirect shareholding of 46.75% in EnBW's share capital via OEW Energie-Beteiligungs GmbH as of 31 December 2013.

The sole shareholder of NECKARPRI-Beteiligungsgesellschaft mbH is NECKARPRI GmbH, which is based in Stuttgart, and which in turn is an entity wholly owned by the federal state of Baden-Württemberg. NECKARPRI GmbH and the federal state of Baden-Württemberg consequently each held an indirect interest of 46.75% in EnBW's share capital via NECKARPRI-Beteiligungsgesellschaft mbH as of 31 December 2013.

Restrictions relating to the voting rights or transferability of shares

On 27/31 January 2012, Zweckverband OEW and OEW Energie-Beteiligungs GmbH on the one hand and the federal state of Baden-Württemberg, NECKARPRI GmbH and NECKARPRI-Beteiligungsgesellschaft mbH on the other hand, entered into a shareholder agreement that replaces the regulations of the previous shareholder agreement made among the main shareholders of EnBW on 26 July 2000. The shareholder agreement contains customary clauses governing the relationship between the two major shareholders of EnBW and their relationship with EnBW, and coordination of their influence on EnBW. These include but are not limited to clauses prescribing that voting rights are to be exercised in a coordinated and in some cases uniform manner, establishing a shareholders' committee for these purposes and clauses stipulating that each party shall consult with the other party on significant transactions and decisions. These continue to include regulations relating to restrictions of authorisation over the EnBW shares held by the main shareholders, and a generally mutual obligation of both shareholders to maintain parity investment relationships in EnBW with respect to each other.

On 10 September 2012, an agreement was signed between NECKARPRI GmbH and NECKARPRI-Beteiligungsgesellschaft mbH on the one hand, and Zweckverband OEW and OEW Energie-Beteiligungs GmbH on the other hand. This entitles OEW Energie-Beteiligungs GmbH to acquire the two additionally-acquired lines of shares of NECKARPRI-Beteiligungsgesellschaft mbH in EnBW AG arising from the voluntary takeover offer dated 7 January 2011 (3,852,236 shares) and from the capital increase implemented on 5 July 2012

(12,929,978 shares) if, as part of the request for arbitration of NECKARPRI GmbH against E.D.F. INTERNATIONAL S.A., Paris, France, the purchase is unwound of the EnBW shares acquired by this company with an agreement dated 6 December 2010. It was communicated to EnBW that the federal state does not wish to unwind this transaction, and that the agreement is intended to ensure that EnBW's ownership structure should remain stable at all times.

Legal provisions and statutes on the appointment and dismissal of members of the Board of Management and amendments to the articles of incorporation and bylaws

Pursuant to Sec. 84 German Stock Corporations Act (AktG) in conjunction with Sec. 31 German Co-determination Act (MitbestG), responsibility for the appointment and dismissal of members of the Board of Management rests with the Supervisory Board. This competence is stipulated in Art. 7 (1) Sentence 2 of EnBW's articles of incorporation and bylaws. If under exceptional circumstances a required board member is missing, Sec. 85 German Stock Corporations Act (AktG) requires in urgent cases that the board member be appointed by the court.

The annual general meeting has the right to make changes to the articles of incorporation and bylaws in accordance with Sec. 119 (1) No. 5 German Stock Corporations Act (AktG). The specific rules of procedure are contained in Secs. 179 and 181 German Stock Corporations Act (AktG). For practical reasons, the right to amend the articles of incorporation and bylaws in relation solely to their wording was transferred to the Supervisory Board. This option pursuant to Sec. 179 (1) Sentence 2 German Stock Corporations Act (AktG) is embodied in Art. 18 (2) of the articles of incorporation and bylaws.

Pursuant to Sec. 179 (2) German Stock Corporations Act (AktG), resolutions of the annual general meeting to amend the articles of incorporation and bylaws are passed by the annual general meeting with a majority of at least three quarters of the capital stock represented at the passing of the resolution, unless the articles of incorporation and bylaws provide that the amendment of the purpose of the company requires a higher majority of the capital. Pursuant to Art. 18 (1) of the articles of incorporation and bylaws, the resolutions of the annual general meeting require a simple majority of the votes cast, unless legal regulations or the articles of incorporation and bylaws prescribe otherwise. If the law requires a larger majority of the votes cast or of the capital stock represented when taking the resolution, the simple majority suffices in those cases where the law leaves it up to the articles of incorporation and bylaws to determine this.

Authority of the Board of Management regarding the possibility to issue or redeem shares

As the result of a resolution by the annual general meeting on 26 April 2012, the Board of Management was authorised,

with Supervisory Board assent, to increase the company's share capital until 25 April 2017 by up to € 100 million against cash capital contributions through issuing, either once or on several occasions, new ordinary bearer shares. As part of the capital increase implemented in July 2012, and with Supervisory Board assent, the Board of Management has largely utilised this authorisation, increasing the company's share capital by € 68,092,170.24 to € 708,108,042.24. Following corresponding amendment to Section 5 (2) of the articles of incorporation and bylaws, the Board of Management has since then continued to be authorised, subject to Supervisory Board approval, to increase the company's share capital until 25 April 2017, once or on several occasions, by a total of a maximum of € 31,907,829.76 against cash capital contributions through issuing new ordinary bearer shares.

An authorisation by EnBW's annual general meeting of the company pursuant to Sec. 71 (1) No. 8 German Stock Corporations Act (AktG) to purchase treasury shares no longer exists since 29 April 2004. The company may acquire treasury shares only on the basis of other reasons justifying such purchases in accordance with Sec. 71 (1) German Stock Corporations Act (AktG). As of 31 December 2013, the company holds 5,749,677 treasury shares which were purchased on the basis of earlier authorisations in accordance with Sec. 71 (1) No. 8 German Stock Corporations Act (AktG). The company's treasury shares can be sold on the stock exchange or by public offer to all shareholders. The use of treasury shares, in particular their sale, in any other way must fall within the scope of the resolution taken by the annual general meeting on 29 April 2004. The treasury shares held by EnBW do not grant the company any rights in accordance with Sec. 71b German Stock Corporations Act (AktG).

Material agreements of the company subject to the condition of a change of control as a result of a takeover bid and the resulting effects

The following agreements of EnBW are subject to the condition of a change of control following a takeover bid as defined by Sec. 289 (4) No. 8 and Sec. 315 (4) No. 8 German Commercial Code (HGB):

Financing arrangements

A syndicated line of credit of € 2 billion, which had not been drawn by 31 December 2013, can be terminated by the lenders, thereby falling due for repayment given a change of control at EnBW. This does not apply if the purchaser of the shares is the state of Baden-Württemberg or Zweckverband OEW or another German public law legal entity.

A € 650 million syndicated loan for Group company Stadtwerke Düsseldorf AG (SWD), of which around € 126 million was drawn down as 31 December 2013, can be called due for repayment given a change of control at SWD, including an indirect change of control. This does not apply if, after the change of control, the majority of shares in SWD are held

directly or indirectly by German government entities, and the city of Düsseldorf holds at least 25.05% of the shares in SWD.

A bond of JPY 20 billion issued on 12 December 2008 under the debt issuance programme can be terminated by the lenders and fall due for repayment given a change of control. This does not apply if the acquirer is EDF (whose legal successor as shareholder is now the state of Baden-Württemberg) or Zweckverband OEW or another German public law corporation.

A bilateral long-term bank loan of € 500 million also exists that can be terminated by the lender and fall due for repayment given a change of control, provided the change of control has a negative effect on repayment of the loan in future. This does not apply if the acquirer of the shares is EDF (whose legal successor as shareholder is now the state of Baden-Württemberg) or Zweckverband OEW ([The EnBW Group](#) > [Financing facilities](#) > p. 73 et seq.).

A further bilateral long-term bank loan of € 500 million has also been agreed, although it has not yet been drawn down as of 31 December 2013. The loan can be terminated by the lender and fall due for repayment given a change of control, provided the change of control has a negative effect on repayment of the loan in future. This does not apply if the purchaser of the shares is the state of Baden-Württemberg or Zweckverband OEW or another entity controlled by one of these entities.

Corporate law agreements

Under the shareholder agreement between EnBW and Eni S.p.A., Eni S.p.A. has the right to acquire EnBW's 50% share in EnBW Eni Verwaltungsgesellschaft mbH in the event of a change of control at EnBW. A change of control is deemed to have occurred if an energy supply company directly or indirectly obtains the majority of the voting rights in EnBW. EnBW Eni Verwaltungsgesellschaft mbH holds 100% of the shares in Gasversorgung Süddeutschland GmbH as well as terranets bw GmbH. The purchase price that Eni S.p.A. would have to pay for the share held by EnBW in EnBW Eni Verwaltungsgesellschaft mbH is based on the market value determined by expert appraisal.

In the event of a change of control at EnBW, EnBW is required to offer its shareholding in EWE Aktiengesellschaft (EWE) to EWE's municipal shareholders, Weser-Ems-Energiebeteiligungen GmbH and Energieverband Elbe-Weser-Beteiligungsholding GmbH. The purchase price is the market price as determined by an expert appraisal. A change of control is deemed to have occurred if a shareholder other than EDF (whose legal successor as shareholder is the state of Baden-Württemberg) or Zweckverband OEW directly or indirectly obtains the majority of the voting rights in EnBW; this may also be achieved through joint control together with another shareholder.

Nos. 4, 5 and 9 of Secs. 289 (4), 315 (4) German Commercial Code (HGB) were not relevant for EnBW in the financial year 2013.

Significant events after the reporting date

No events which would be significant for assessing the net assets, financial position and results of operations of EnBW occurred after 31 December 2013.

Condensed financial statements

of the EnBW Group

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Income Statement

in € million ¹	Notes	2013	2012
Revenue including electricity and energy taxes		21,373.1	20,209.6
Electricity and energy taxes		- 832.8	- 885.2
Revenue	(1)	20,540.3	19,324.4
Changes in inventories		0.6	- 26.6
Other own work capitalised		55.9	59.8
Other operating income	(2)	1,001.6	993.9
Cost of materials	(3)	- 17,082.1	- 15,288.6
Personnel expenses	(4)	- 1,536.4	- 1,585.2
Other operating expenses	(5)	- 988.5	- 1,170.5
EBITDA		1,991.4	2,307.2
Amortisation and depreciation	(6)	- 971.0	- 1,017.9
Earnings before interest and taxes (EBIT)		1,020.4	1,289.3
Investment result	(7)	103.1	144.3
of which net profit/loss from entities accounted for using the equity method		(78.8)	(25.5)
of which other income from investments		(24.3)	(118.8)
Financial result	(8)	- 953.6	- 710.9
of which finance revenue		(358.0)	(395.9)
of which finance costs		(- 1,311.6)	(- 1,106.8)
Earnings before tax (EBT)		169.9	722.7
Income tax	(9)	- 47.6	- 177.1
Group net profit		122.3	545.6
of which profit/loss shares attributable to non-controlling interests		(71.3)	(61.4)
of which profit/loss shares attributable to the equity holders of EnBW AG		(51.0)	(484.2)
EnBW AG shares outstanding (millions), weighted average		270.855	257.265
Earnings per share from Group net profit/loss (€)²	(26)	0.19	1.88

¹ Prior-year figures restated. Further disclosures are presented in the notes under "Changes in accounting policy" and "Restatement of prior-year figures". We publish the complete consolidated financial statements at > www.enbw.com/report2013 > Financial statements of the EnBW Group.

² Diluted and basic; in relation to shares in profit/loss attributable to the equity holders of EnBW AG.

Statement of comprehensive income

in € million ¹	2013	2012
Group net profit	122.3	545.6
Revaluation of pensions and similar obligations	31.0	-1,053.4
Income taxes on other comprehensive income	-7.9	305.1
Total of other comprehensive income and expenses without future reclassifications impacting earnings	23.1	-748.3
Difference from currency translation	-48.7	51.6
Cash flow hedge	-179.9	-309.6
Available-for-sale financial assets	36.3	169.9
Income taxes on other comprehensive income	58.3	77.0
Total comprehensive income and expenses with future reclassifications impacting earnings	-134.0	-11.1
Total comprehensive income	11.4	-213.8
of which profit/loss shares attributable to non-controlling interests	(54.3)	(64.8)
of which profit/loss shares attributable to the equity holders of EnBW AG	(-42.9)	(-278.6)

¹ Prior-year figures restated. Further disclosures are presented in the notes under "Changes in accounting policy". We publish the complete consolidated financial statements at > www.enbw.com/report2013 > Financial statements of the EnBW Group.

Balance sheet

in € million ¹	Notes	31/12/2013	31/12/2012	01/01/2012
Assets				
Non-current assets				
Intangible assets	(10)	1,840.8	1,926.7	2,004.2
Property, plant and equipment	(11)	13,924.4	13,782.5	13,791.5
Investment properties	(12)	77.0	81.5	77.3
Entities accounted for using the equity method	(13)	2,066.8	2,355.9	3,042.4
Other financial assets	(14)	6,399.9	6,058.7	5,442.8
Trade receivables	(15)	641.9	567.4	531.1
Income tax refund claims	(16)	12.9	17.1	19.2
Other non-current assets	(17)	277.2	298.5	312.2
Deferred taxes	(23)	257.8	48.3	38.1
		25,498.7	25,136.6	25,258.8
Current assets				
Inventories	(18)	1,353.9	1,285.9	955.1
Financial assets	(19)	750.3	785.6	1,011.0
Trade receivables	(15)	3,747.0	3,919.3	3,075.3
Income tax refund claims	(16)	343.1	169.4	164.1
Other current assets	(17)	1,936.0	2,204.5	2,279.3
Cash and cash equivalents	(20)	2,421.2	2,583.3	2,732.3
		10,551.5	10,948.0	10,217.1
Assets held for sale	(25)	90.3	681.1	209.9
		10,641.8	11,629.1	10,427.0
		36,140.5	36,765.7	35,685.8
Equity and liabilities				
Equity	(21)			
Equity holders of EnBW AG				
Subscribed capital		708.1	708.1	640.0
Capital reserve		774.2	774.2	22.2
Revenue reserves		4,378.9	4,559.1	4,278.8
Treasury shares		-204.1	-204.1	-204.1
Other comprehensive income		-791.8	-697.9	64.9
		4,865.3	5,139.4	4,801.8
Non-controlling interests		1,217.4	1,236.5	1,255.0
		6,082.7	6,375.9	6,056.8
Non-current liabilities				
Provisions	(22)	12,448.4	12,258.5	10,851.0
Deferred taxes	(23)	953.7	998.8	1,465.3
Financial liabilities	(24)	5,547.4	5,563.9	6,222.9
Income tax liabilities	(24)	164.4	289.6	264.1
Other liabilities and subsidies	(24)	1,968.7	2,006.0	1,959.0
		21,082.6	21,116.8	20,762.3
Current liabilities				
Provisions	(22)	1,391.0	1,225.6	1,243.3
Financial liabilities	(24)	224.7	1,201.1	1,426.0
Trade payables	(24)	3,604.7	3,466.5	3,514.3
Income tax liabilities	(24)	417.6	254.2	200.5
Other liabilities and subsidies	(24)	3,304.6	3,125.0	2,482.0
		8,942.6	9,272.4	8,866.1
Liabilities directly associated with assets classified as held for sale	(25)	32.6	0.6	0.6
		8,975.2	9,273.0	8,866.7
		36,140.5	36,765.7	35,685.8

¹ Prior-year figures restated. Further disclosures are presented in the notes under "Changes in accounting policy" and "Restatement of prior-year figures". We publish the complete consolidated financial statements at > www.enbw.com/report2013 > Financial statements of the EnBW Group.

Cash flow statement

in € million ^{1,2}	2013	2012
1. Operating activities		
EBITDA	1,991.4	2,307.2
Changes in provisions	41.3	-423.2
Profit/loss on disposal of non-current assets	-24.7	-6.5
Other non-cash expenses/income	-59.0	105.0
Change in assets and liabilities from operating activities	315.5	-915.1
Inventories	(-123.8)	(-393.4)
Net balance of trade receivables and payables	(191.4)	(-867.2)
Net balance of other assets and liabilities	(247.9)	(345.5)
Income tax paid	-356.0	-211.1
Cash flow from operating activities	1,908.5	856.3
2. Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-1,047.6	-816.8
Cash received from disposals of intangible assets and property, plant and equipment	171.7	89.8
Cash received from construction cost and investment subsidies	72.6	66.2
Cash paid for the acquisition of subsidiaries and entities accounted for using the equity method	-44.0	-38.8
Cash received from the sale of subsidiaries and entities accounted for using the equity method	14.0	258.1
Cash paid for investments in other financial assets	-1,187.2	-1,560.7
Cash received from the sale of other financial assets	1,077.3	1,176.9
Cash received/paid for investments in connection with short-term finance planning	14.0	204.8
Interest received	198.4	188.5
Dividends received	171.1	157.7
Cash flow from investing activities	-559.7	-274.3
3. Financing activities		
Interest paid for financing activities	-304.0	-335.9
Dividends paid	-310.8	-313.3
Cash paid for changes in ownership interest without loss of control	0.0	-1.1
Increase in financial liabilities	435.7	570.8
Repayment of financial liabilities	-1,330.6	-1,470.7
Capital increase	0.0	819.4
Cash flow from financing activities	-1,509.7	-730.8
Net change in cash and cash equivalents	-160.9	-148.8
Net foreign exchange difference	-1.2	-0.2
Change in cash and cash equivalents	-162.1	-149.0
Cash and cash equivalents at the beginning of the period	2,583.3	2,732.3
Cash and cash equivalents at the end of the period	2,421.2	2,583.3

¹ Prior-year figures restated. Further disclosures are presented in the notes under "Changes in accounting policy".

² Further disclosures are presented under (33) "Notes to the cash flow statement". We publish the complete consolidated financial statements at > www.enbw.com/report2013 > Financial statements of the EnBW Group.

Statement of changes in equity

in € million ^{1,2}	Other comprehensive income ⁴									Total
	Subscribed capital and capital reserve ³	Revenue reserves	Treasury shares	Revaluation of pensions and similar obligations	Currency translation differences	Cash flow hedge	Available-for-sale financial assets	Equity holders of EnBW AG ⁴	Non-controlling interests ⁴	
As of: 01/01/2012⁵	662.2	4,268.5	-204.1	0.0	-119.7	43.7	207.2	4,857.8	1,265.2	6,123.0
Changes in accounting policy		10.3		-66.3				-56.0	-10.2	-66.2
As of: 01/01/2012 After changes in accounting policy	662.2	4,278.8	-204.1	-66.3	-119.7	43.7	207.2	4,801.8	1,255.0	6,056.8
Other comprehensive income				-739.9	45.1	-216.5	148.5	-762.8	3.4	-759.4
Group net profit ⁶		484.2		0.0				484.2	61.4	545.6
Total comprehensive income	0.0	484.2	0.0	-739.9	45.1	-216.5	148.5	-278.6	64.8	-213.8
Capital increase	820.1							820.1		820.1
Dividends paid		-207.6						-207.6	-83.0	-290.6
Other changes ⁷		3.7						3.7	-0.3	3.4
As of: 31/12/2012	1,482.3	4,559.1	-204.1	-806.2	-74.6	-172.8	355.7	5,139.4	1,236.5	6,375.9
Other comprehensive income				23.1	-25.5	-138.3	46.8	-93.9	-17.0	-110.9
Group net profit		51.0						51.0	71.3	122.3
Total comprehensive income	0.0	51.0	0.0	23.1	-25.5	-138.3	46.8	-42.9	54.3	11.4
Dividends paid	0.0	-230.2	0.0	0.0	0.0	0.0	0.0	-230.2	-61.7	-291.9
Other changes ⁷	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	-1.0	-11.7	-12.7
As of: 31/12/2013	1,482.3	4,378.9	-204.1	-783.1	-100.1	-311.1	402.5	4,865.3	1,217.4	6,082.7

¹ Prior-year figures restated. Further disclosures are presented in the notes under "Changes in accounting policy" and "Restatement of prior-year figures". We publish the complete consolidated financial statements at > www.enbw.com/report2013 > Financial statements of the EnBW Group.

² Further disclosures are presented in note 21 under "Equity".

³ Of which subscribed capital € 708.1 million (31/12/2012: € 708.1 million, 01/01/2012: € 640.0 million) and capital reserve € 774.2 million (31/12/2012: € 774.2 million, 01/01/2012: € 22.2 million).

⁴ Of which other comprehensive income directly associated with assets classified as held for sale amounting to € 0.0 million as of 31/12/2013 (31/12/2012: € 0.0 million, 01/01/2012: € 16.5 million). Of which attributable to the equity holders of EnBW AG: € 0.0 million (31/12/2012: € 0.0 million, 01/01/2012: € 16.5 million). Of which attributable to non-controlling interests: € 0.0 million (31/12/2012: € 0.0 million, 01/01/2012: € 0.0 million).

⁵ Revenue reserves include retroactive restatements as of 01/01/2012 amounting to € -3.8 million. Of which attributable to the equity holders of EnBW AG: € -3.8 million. Of which attributable to non-controlling interests: € 0.0 million.

⁶ The Group net loss includes retroactive restatements of € 10.8 million for the period from 01/01/2012 to 31/12/2012. Of which attributable to the equity holders of EnBW AG: € 10.7 million. Of which attributable to non-controlling interests: € 0.1 million.

⁷ Of which change in revenue reserves and difference from currency translation due to changes in ownership interest in subsidiaries without loss of control amounting to € 0.0 million or € 0.0 million (previous year: € -0.4 million or € 0.0 million). Of which changes in non-controlling interests due to changes in ownership interest of subsidiaries without loss of control amounting to € 0.0 million (previous year: € -0.6 million).

Material shareholdings extracted from the list of shareholdings pursuant to Section 313 para. 2 of the German Commercial Code (HGB) as of 31 December 2013

	Foot-note	Capital share ¹ in %	Equity ² in € thousand	Earnings ² in € thousand
Sales Segment				
Subsidiaries				
1	EnBW Operations GmbH, Karlsruhe	³ 100,00	14.354	-
2	EnBW Vertrieb GmbH, Stuttgart	³ 100,00	92.397	-
3	ESD Energie Service Deutschland AG, Offenburg	100,00	- 16.250	- 6.874
4	Gasversorgung Süddeutschland GmbH, Stuttgart	^{3,7} 100,00	65.000	-
5	Sales & Solutions GmbH, Frankfurt am Main (formerly Watt Deutschland GmbH, Frankfurt am Main)	³ 100,00	75.618	-
6	Yello Strom GmbH, Köln	³ 100,00	1.100	-
Grids Segment				
Subsidiaries				
7	EnBW Regional AG, Stuttgart	^{3,11} 100,00	730.860	-
8	Energiedienst Netze GmbH, Rheinfelden	³ 100,00	30.165	-
9	EVGA Grundstücks- und Gebäudemanagement GmbH & Co. KG, Obrigheim	100,00	91.621	10.479
10	Netzgesellschaft Ostwürttemberg GmbH, Ellwangen	³ 100,00	135	-
11	NWS Grundstücksmanagement GmbH & Co. KG, Obrigheim	100,00	320.933	50.933
12	PREdistribuce a.s., Prague/Czech Republic	⁵ 100,00	760.156	39.475
13	Stadtwerke Düsseldorf Netz GmbH, Düsseldorf	^{3,5} 100,00	1.000	-
14	TransnetBW GmbH, Stuttgart	³ 100,00	178.141	-
15	EnBW Ostwürttemberg DonauRies AG, Ellwangen	³ 99,73	115.439	-
16	ZEAG Energie AG, Heilbronn	98,26	166.512	12.891
17	Erdgas Südwest GmbH, Karlsruhe	79,00	47.694	11.736
18	Stadtwerke Düsseldorf AG, Düsseldorf	⁵ 54,95	356.643	23.613
19	Pražská energetika a.s., Prague/Czech Republic	⁸ 41,40	353.238	72.454
Entities accounted for using the equity method				
20	Stadtwerke Esslingen am Neckar GmbH & Co. KG, Esslingen am Neckar	⁵ 49,98	55.782	3.333
21	Zweckverband Landeswasserversorgung, Stuttgart	⁵ 27,20	108.839	699
22	FairEnergie GmbH, Reutlingen	^{4,5} 24,90	90.766	-
23	Zweckverband Bodensee-Wasserversorgung, Stuttgart	⁵ 22,13	149.328	3.000

		Foot- note	Capital share ¹ in %	Equity ² in € thousand	Earnings ² in € thousand
24	Stadtwerke Karlsruhe GmbH, Karlsruhe	4, 5	20,00	165.710	-
Renewable Energies Segment					
Subsidiaries					
25	EnAlpin AG, Visp/Switzerland	6	100,00	170.165	14.970
26	EnBW Baltic 2 GmbH, Börgerende-Rethwisch		100,00	41.858	- 15.779
27	EnBW Onshore Portfolio GmbH, Stuttgart (formerly EnBW Windpark Buchholz II GmbH, Stuttgart)		100,00	166.519	-3.799
28	Energiedienst AG, Rheinfelden	6	100,00	196.551	36.571
29	Energiedienst Holding AG, Laufenburg/Switzerland	6, 10	66,67	782.044	87.802
Entities accounted for using the equity method					
30	Borusan EnBW Enerji yatırımları ve Üretim Anonim Şirketi, Istanbul/Turkey	5, 9	50,00	178.000	1.388
31	Rheinkraftwerk Iffezheim GmbH, Iffezheim	5, 9	50,00	107.017	2.989
Trading and Generation Segment					
Subsidiaries					
32	EnBW Erneuerbare und Konventionelle Erzeugung AG, Stuttgart (formerly EnBW Kraftwerke AG, Stuttgart)	3	100,00	1.123.166	-
33	EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH, Stuttgart	3	100,00	297.640	-
34	EnBW Trading GmbH, Karlsruhe	3	100,00	38.311	-
35	Kernkraftwerk Obrigheim GmbH, Obrigheim	3	100,00	51.130	-
36	KMS Kraftwerke Grundbesitzmanagement und -service GmbH & Co. KG, Karlsruhe		100,00	235.319	1.175
37	TWS Kernkraft GmbH, Gemmrigheim	3	100,00	149.297	-
38	U-plus Umweltservice AG, Karlsruhe	3	100,00	170.360	490
39	EnBW Kernkraft GmbH, Obrigheim	3	99,80	10.000	-
40	AWISTA Gesellschaft für Abfallwirtschaft und Stadtreinigung mbH, Düsseldorf	5	51,00	45.313	14.786
Entities accounted for using the equity method					
41	Friedeburger Speicherbetriebsgesellschaft mbH "Crystal", Friedeburg	5, 9	50,00	151.147	0
42	Schluchseewerk Aktiengesellschaft, Laufenburg/Baden	5	50,00	59.339	2.809
43	Grosskraftwerk Mannheim AG, Mannheim	5	32,00	114.142	6.647
Other Segment					
Subsidiaries					
44	EnBW City GmbH & Co. KG, Obrigheim		100,00	8.885	9.087
45	EnBW International Finance B.V., Rotterdam/Netherlands		100,00	1.166.944	35.230
46	EnBW Systeme Infrastruktur Support GmbH, Karlsruhe	3	100,00	16.500	-

	Foot- note	Capital share ¹ in %	Equity ² in € thousand	Earnings ² in € thousand
47	Facilma Grundbesitzmanagement und -service GmbH & Co. Besitz KG, Obrigheim	100,00	199.595	12.953
48	Neckarwerke Stuttgart GmbH, Stuttgart	100,00	1.666.214	1.050.223
Entities accounted for using the equity method				
49	EWE Aktiengesellschaft, Oldenburg	⁵ 26,00	2.046.600	153.500

¹ Shares of the respective parent company calculated in accordance with Section 313 para. 2 HGB (as of: 31/12/2013).

² In the case of separate entities, the figures stem from financial statements prepared pursuant to local principles and do not show the contributions of each entity to the consolidated financial statements. Financial statements denominated in foreign currency are translated. In the case of financial statements denominated in foreign currency, equity is translated at the middle rates on the reporting date to obtain the annual average costs.

³ Profit and loss transfer agreement and/or domination agreement.

⁴ Profit and loss transfer agreement with third parties.

⁵ Prior-year figures.

⁶ Preliminary figures.

⁷ Held via EnBW Eni Verwaltungsgesellschaft mbH, Karlsruhe (EnBW shareholding: 50%), which is fully consolidated by virtue of the casting vote regulation.

⁸ Control due to contractual agreement.

⁹ Joint control pursuant to IAS 31.

¹⁰ Before taking treasury shares of the company into account.

¹¹ Change of corporate form/renaming as Netze BW GmbH on 31/01/2014.

Information on the result of the audit of the consolidated financial statements and the combined management report of the company and the Group for the financial year 2013

These condensed financial statements for the 2013 financial year that form part of the combined report do not include the notes to the consolidated financial statements. The full set of consolidated financial statements – including the notes to the consolidated financial statements – and the combined management report for the company and the Group, both for the 2013 financial year, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft as the auditor and Group auditor elected by the annual general meeting of EnBW Energie Baden-Württemberg AG on 25 April 2013. Based on its audit, KPMG AG Wirtschaftsprüfungsgesellschaft arrived at the overall conclusion that the audit did not lead to any reservations and issued an unqualified audit opinion. The full set of consolidated financial statements and the combined management report for the company and the Group, both for the 2013 financial year, as well as the unqualified audit opinion issued by the auditor, can be accessed on the website of EnBW Energie Baden-Württemberg AG.

Corporate governance

Declaration of conformity and corporate governance report

The declaration of compliance, including the corporate governance report, are available on the company's website at www.enbw.com/company/investors/corporate-governance/german-corporate-governance-code/index.html.

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The Supervisory Board

Members

Dr. Claus Dieter Hoffmann, Stuttgart

Managing partner of
 H + H Senior Advisors GmbH
 Chairman

Bodo Moray, Mannheim

ver.di trade union secretary responsible
 for supply and waste disposal divisions in
 Baden-Württemberg

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 (until 22 December 2013)

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 Deputy Chairman

Gunda Röstel, Flöha

Managing director of Stadtentwässerung
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 Gelsenwasser AG

Reiner Koch, Glienicke/Nordbahn

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 (until 31 May 2013)

Dirk Gaerte, Sigmaringendorf

District administrator of the Sigmaringen
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 (until 28 February 2013)

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 disposal division for Baden-Württemberg,
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 (since 1 June 2013)

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Heinz Seiffert, Ehingen

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 district

Silke Krebs, Stuttgart

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 Württemberg

Gerhard Stratthaus MdL, Brühl

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 interim member of the management board of
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 Heilbronn-Neckar-Franconia district

Dietmar Weber, Esslingen

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 EnBW Operations GmbH

Wolfgang Lang, Karlsruhe

Chairman of the central works council of
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Kurt Widmaier, Ravensburg

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Dr. Hubert Lienhard, Heidenheim

CEO of Voith GmbH

Sebastian Maier, Ellenberg

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 Ostwürttemberg DonauRies AG
 (since 1 March 2013)

Dr. Bernd-Michael Zinow, Pfinztal

Senior vice president public affairs and
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 Württemberg AG

Arnold Messner, Aichwald

Chairman of the central works council of
 Netze BW GmbH, formerly
 EnBW Regional AG

Key

Active member

Inactive member

As of: 13 February 2014

Committees

Personnel committee

- > Dr. Claus Dieter Hoffmann
Chairman
- > Dietrich Herd
- > Arnold Messner
- > Dr. Nils Schmid

Finance and investment committee

- > Dr. Claus Dieter Hoffmann
Chairman
- > Dietrich Herd
- > Silke Krebs
- > Dr. Hubert Lienhard
- > Arnold Messner
- > Bodo Moray
- > Heinz Seiffert
- > Dr. Bernd-Michael Zinow

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Chairwoman
- > Marianne Kugler-Wendt
- > Wolfgang Lang
- > Dr. Nils Schmid
- > Klaus Schörnich
- > Heinz Seiffert
- > Dietmar Weber
- > Kurt Widmaier

Nomination committee

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Chairman
- > Silke Krebs
- > Gunda Röstel
- > Heinz Seiffert
- > Kurt Widmaier
- > Günther Cramer
(until 22 December 2013)

Ad hoc committee (since 7 June 2010)

- > Dr. Bernd Michael Zinow
Chairman
- > Dirk Gaerte
- > Dietrich Herd
- > Gerhard Stratthaus

Mediation committee (committee pursuant to Sec. 27 (3) German Co-determination Act (MitbestG))

- > Dr. Claus Dieter Hoffmann
Chairman
- > Dietrich Herd
- > Sebastian Maier (since 1 March 2013)
- > Dr. Nils Schmid
- > Bernd Munding (until 28 February 2013)

Key

Active member
Inactive member

As of: 13 February 2014

Other offices held by members of the Board of Management

Dr. Frank Mastiaux

Chairman

- > EWE Aktiengesellschaft

Dr. Bernhard Beck

- > EnBW Kernkraft GmbH (Chairman)
- > EnBW Erneuerbare und Konventionelle Erzeugung AG, formerly EnBW Kraftwerke AG (Chairman)
- > EnBW Operations GmbH
- > EnBW Perspektiven GmbH (Chairman)
- > EnBW Systeme Infrastruktur Support GmbH (Chairman)
- > Energiedienst AG
- > SOMENTEC Software AG (Chairman until 11 November 2013)
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- > BKK VerbundPlus, Körperschaft des öffentlichen Rechts
- > EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH, Stuttgart (Chairman until 30 June 2013)
- > Energiedienst Holding AG

Thomas Kusterer

- > EnBW Kernkraft GmbH (until 7 March 2013)
- > EnBW Erneuerbare und Konventionelle Erzeugung AG, formerly EnBW Kraftwerke AG (until 11 March 2013)
- > Netze BW GmbH, formerly EnBW Regional AG
- > EnBW Vertrieb GmbH (until 28 February 2013)
- > EVN AG (since 17 January 2013)

Dr. Dirk Mausbeck

- > EnBW Operations GmbH (Chairman)
- > Netze BW GmbH, formerly EnBW Regional AG (Chairman)
- > EnBW Vertrieb GmbH (Chairman)
- > European Energy Exchange AG
- > Stadtwerke Düsseldorf AG
- > ZEAG Energie AG (Chairman)
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- > Gasversorgung Süddeutschland GmbH (Chairman)
- > Pražská energetika, a.s.

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- > EWE Aktiengesellschaft
- > terranets bw GmbH (Chairman)
- > TransnetBW GmbH (Chairman)
- > Vorarlberger Illwerke AG

Key

Active member

Inactive member

Disclosures of office holders pursuant to Sec. 285 No. 10 HGB

- > Membership in other statutory supervisory boards
- > Membership in comparable domestic and foreign control bodies of business

As of: 13 February 2014

Other offices held by members of the Supervisory Board

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(Chairman)

> ING-DiBa AG (Chairman)

- > De Boer Holding NV
- > EJOT Holding GmbH & Co. KG

Dietrich Herd

(Deputy Chairman)

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- > Verkehrsverbund Neckar-Alb-Donau GmbH (naldo)
- > Zweckverband Oberschwäbische Elektrizitätswerke
- > Zweckverband Thermische Abfallverwertung Donautal
- > Zweckverband Tierische Nebenprodukte Süd-Baden-Württemberg (after merger as of 1 January 2014 of both special-purpose associations: Zweckverband Protec Orsingen und Zweckverband Tierkörperbeseitigung Warthausen)

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> TransnetBW GmbH

Silke Krebs

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- > Baden-Württemberg Stiftung (since 1 November 2013)

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- > Regionale Gesundheitsholding Heilbronn-Franken GmbH
- > Stadtwerke Heilbronn GmbH

Wolfgang Lang

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- > EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (until 30 June 2013)

Dr. Hubert Lienhard

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- > SGL Carbon SE
- > SMS Group GmbH (since 1 July 2013)
- > Voith Turbo Beteiligungen GmbH (Chairman)
- > Voith Hydro Holding GmbH & Co. KG (Chairman)
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- > Voith Paper Holding GmbH & Co. KG (Chairman)
- > Voith Turbo GmbH & Co. KG (Chairman)

Sebastian Maier

> EnBW Ostwürttemberg DonauRies AG

- > ODR Technologie Services GmbH (since 10 July 2013)
- > Netzgesellschaft Ostwürttemberg GmbH

Arnold Messner

> Netze BW GmbH, formerly EnBW Regional AG

Bodo Moray

- > EnBW Erneuerbare und Konventionelle Erzeugung AG, formerly EnBW Kraftwerke AG
- > Netze BW GmbH, formerly EnBW Regional AG

Gunda Röstel

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- > Kreditanstalt für Wiederaufbau (KfW), Anstalt des öffentlichen Rechts
- > Leichtbau BW GmbH (member and Chairman since 6 June 2013)

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- > Stadtwerke Düsseldorf AG
- > Stadtwerke Düsseldorf Netz GmbH

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- > Donau-Iller-Nahverkehrsverbund GmbH
- > Fernwärme Ulm GmbH
- > Kreisbaugesellschaft mbH Alb-Donau (Chairman)
- > Pflegeheim GmbH Alb-Donau-Kreis (Chairman)
- > Regionalverband Donau-Iller (Chairman)
- > Sparkasse Ulm, Anstalt des öffentlichen Rechts (Chairman)
- > Zweckverband Oberschwäbische Elektrizitätswerke (Chairman)
- > Zweckverband Thermische Abfallverwertung Donautal (Chairman)

Gerhard Stratthaus

- > Badische Staatsbrauerei Rothaus AG (since 1 August 2013)
- > Zentrum für Europäische Wirtschaftsforschung GmbH

Dietmar Weber

- > EnBW Operations GmbH

Kurt Widmaier

- > Oberschwabenklinik GmbH (Chairman)
- > Bodensee-Oberschwaben-Bahn GmbH & Co. KG (until 31 December 2013, Chairman)
- > Bodensee-Oberschwaben Verkehrsverbundgesellschaft mbH (Chairman since 1 January 2014)
- > Kreissparkasse Ravensburg (Chairman)
- > LBS Landesbausparkasse Baden-Württemberg
- > REAG Ravensburger Entsorgungsgesellschaft mbH (Chairman)
- > WIR – Gesellschaft für Wirtschafts- und Innovationsförderung Landkreis Ravensburg mbH (Chairman)
- > Zentrum für Psychiatrie Weissenau, Anstalt des öffentlichen Rechts
- > Zweckverband Oberschwäbische Elektrizitätswerke
- > Zweckverband Tierische Nebenprodukte Süd-Baden-Württemberg (after merger as of 1 January 2014 of both special-purpose associations: Zweckverband Protec Orsingen und Zweckverband Tierkörperbeseitigung Warthausen)

Dr. Bernd-Michael Zinow

- > EnBW Kernkraft GmbH
- > TransnetBW GmbH

Günther Cramer

- > SMA Solar Technology AG (Chairman)

Reiner Koch

- > Stadtwerke Düsseldorf AG

Bernd Munding

- > EnBW Operations GmbH

Key

- Active member
- Inactive member

Disclosures of office holders pursuant to Sec. 285 No. 10 HGB

- > Membership in other statutory supervisory boards
- > Membership in comparable domestic and foreign control bodies of business

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B

Back-end services

Term from > **electromobility** indicating all steps involved in the process of “refuelling” with electricity such as ensuring billing at supraregional charging facilities.

Backloading

As the price for > **CO₂ emission allowances** has suffered an extremely sharp fall over recent years, the EU Commission aims to stabilise it through creating an artificial shortage of such rights (so-called backloading). A total of 900 million CO₂ allowances are to be removed from the market in order to reinvigorate trading in the allowances. Now that the EU Parliament has declared itself in favour of such backloading, it is expected to commence from March 2014. This entails removing a total of 400/300/200 million allowances from the auction volumes planned for 2014/2015/2016, and to reintroduce them on the market during 2019 and 2020.

Balancing energy

Ensures that consumers are supplied with sufficient electrical energy of an adequate quality even if unforeseen events occur in the electricity grid. Adjustments in output can be made at short notice at power plants capable of generating balancing energy; these are power plants which can be started up quickly (such as gas turbine power plants) or pumped storage power plants. The term balancing energy is frequently used for the energy purchased by the transmission system operators to provide system-related services.

Base

Base load product. Constant purchase/supply throughout the whole period.

C

Carbon footprint

In the energy sector, carbon footprint refers to CO₂ emissions connected with electricity generation. Carbon footprint is measured in terms of g/kWh or t/MWh. “Carbon footprint” as referred to in this way in the energy sector should not be confused with the

meaning of the term “carbon footprint” as used in the overall economy.

Certified Emission Reductions (CERs)

Certified emission reductions from > **CDM projects**. Pursuant to the Kyoto protocol, investors from industrialised countries generate these in developing countries with CDM emission reduction projects. 1 CER corresponds to 1 t CO₂. CERs can be used by companies to meet the obligation to return allowances under the European emissions trading system (> **emissions trading**).

CHP – Combined heat and power

The waste heat of a power plant can be used as process heat or to heat buildings in the surrounding area. In this case, additional output of energy is obtained with the same amount of fuel. A power plant that generates both electricity and heat from a single source is called a CHP station.

Clean Dark Spread (CDS)

Difference between the cost of fuel (coal), including the price of CO₂ and electricity.

CO₂ emission allowances

CO₂ allowances have been traded on the Leipzig electricity exchange since 2005. Purchasing one CO₂ allowance entitles a company to emit 1 t CO₂ (> **emission trading**).

Cogeneration levy

Levy on grid charges per kilowatt hour consumed. This measure aims to promote the generation of electricity from > **combined heat and power** sources.

Contracting

Outsourcing, for a specific period and for a specific area, of tasks relating to the provision and supply of energy to a third party (contractor) acting on its own behalf and on its own account. Forms of energy include, for example, cooling, heating, steam and compressed air.

D

Derivative

Financial instrument used to hedge the market risks entailed in traded products such as commodities, currencies and equities.

E

EEG (Renewable Energies Act)

Germany’s Priority of Renewable Energy Sources Act (referred to in brief as: Renewable Energy Sources Act - EEG) has existed since 2000, regulating the preferential input of electricity generated from renewable energy sources into the electricity grid, and guaranteeing its producers fixed input compensation for a 20-year period. It has thereby successfully contributed to the technological development of electricity generation plants from various sources, mainly hydropower, wind power, solar energy, biomass and > **geothermal power**. Around 25% of generated electricity was produced from renewable energy sources in 2013. The new German federal government plans to revise this act in the first half of 2014, in order to set new expansion targets for 2025 and 2035, and to improve cost-efficiency when generating from renewable energy sources (> **EEG cost allocations**).

EEG cost allocations

Cost allocations under the EEG are charged by the transmission system operators. The cost allocations cover the difference between the income generated by the transmission system operators from selling the electricity from EEG plants and the expenses incurred by the transmission system operators for the fixed feed-in remuneration, market premium payments to direct marketers of EEG plants as well as the costs of implementing the EEG. EEG cost allocations are necessary as the income generated from marketing the EEG electricity falls far short of the expenditure for remuneration payments and market premiums. Today, half of the electricity price consists of taxes and levies. EEG cost allocations make up the largest share having increased from 5.3 ct/kWh in 2013 to 6.24 ct/kWh.

Electricity network development plan (NEP Electricity)

This plan describes the measures that need to be deployed over the next 10 and 20 years to expand and restructure the German terrestrial extra-high-voltage grid in order to secure network operations. These measures make a significant contribution to integrating rapidly-growing renewable energies, and consequently the Energiewende. The NEP Electricity is prepared jointly by the four German transmission system operators every year, before being submitted to the Federal Network Agency (BNetzA) as the relevant regulator. The general public has the opportunity to voice its opinion on the related measures at various consultation proceedings.

Electromobility

Electromobility relates to the use of electric vehicles for individual and fleet transportation (e.g. electric cars, buses and bicycles), the related requisite infrastructure, the – generally – renewable energies and associated services (charging, billing, etc.) as well as the corresponding information and communications systems.

Emissions trading

In order to meet its commitments to reduce emissions, the European Union has introduced emissions trading at a corporate level. Allowances (> **EUA**) are granted to the participating companies on the basis of an emissions cap in place for the whole of the EU. Companies requiring more allowances than they have been issued with have to buy the difference, while those companies that receive more than they need are free to sell them. Every market participant is free to purchase emission allowances or, alternatively, implement measures to reduce emissions. The aim is to achieve the targeted emissions reduction in the most cost-efficient manner possible.

Emission trading allowances (> CO₂ emission allowances)

Energy Industry Act (EnWG)

The EnWG, which came into force in July 2005, introduced a regulatory regime for electricity and gas supply. The cornerstones of the act are the definitions of network operator duties, rules for network access and network charges, as well as monitoring by the Federal Network Agency or the state regulatory

authorities. The act has been amended several times since coming into force.

Energy-saving contracting

Cross-discipline optimisation of building technology and building operations based on partnership collaboration. Investments in renewals or efficiency-enhancement measures are financed through energy cost-savings.

Energy supply contracting

Temporally or spatially delimited transfer of tasks relating to energy-optimisation or utility energy supplies to a third party.

EU allowance (EUA)

EU emission allowance. Each EU state allocates its supply of > **CO₂ certificates** (1 EUA = 1 t CO₂) to its national companies, primarily industrial. Should a state exceed the permitted limit, it must purchase additional emission rights (allowances). However, to ensure it takes environmental measures itself, a state may not cover more than 50% of the shortfall with allowances.

F

Forward market

Market on which electricity, fuel and CO₂ allowance supply and procurement quantities are traded for a future period. Usual periods include weeks, months, quarters and years. Settlement can be either physical or financial. The forward market has the primary function of acting as a price hedge.

Fuel cell

Convert chemically-bound energy from the energy source into electrical current and heat based on the principle of inverse electrolysis. Can be deployed for electricity supplies to devices and vehicles for example, and for supplying electricity and heat to buildings, as well as for industrial purposes. Fuel cell plants are an efficient technology for local energy generation.

Full auctioning of CO₂ emission allowances

The third emission allowance trading period started in early 2013. With a few exceptions, what matters to energy utility companies in this context is that there are no longer any free certificates for electricity generation (> **CO₂ certificates**).

G

Gas network development plan (NEP Gas)

As part of the NEP Gas, German long-distance gas network operators calculate the transportation capacities that they will require in the future. The plan is prepared yearly in close coordination with the German Federal Network Agency and including the relevant market participants.

Geothermal energy

Power harnessed by means of heat from the interior of the earth. In Germany, temperatures at depths of several thousand metres reach more than 100 °C which can be used for the generation of electricity. To heat buildings, geothermal energy can be extracted using probes that need to reach a depth of only about 100 metres.

German Renewable Energies Act (EEG) state aid proceedings

Proceedings launched by the EU Commission to review exemptions granted to industry in the case of > **EEG cost allocations**.

H

High-voltage DC transmission technology projects

High-voltage Direct Current transmission lines are used to transport electrical energy across huge distances. The transmission lines use direct current for the transport as the transmission losses are lower.

I

Independent Transmission Operator (ITO)

An energy company's independent operator of the transmission grid subject to the provisions the German Energy Industry Act. The ITO functions as a neutral platform which makes the transmission grid available to all market participants on a non-discriminatory basis.

Index-linked full supply

Product which combines the advantages of the conventional power supply contract (full supply) with the flexibility of responding to market price trends.

M

Meter-to-cash

A fixed term in energy billing which covers the whole process from reading the meter right through to payments received from the customer.

N

Network User Charges Ordinance

Since 1 January 2012, electricity-intensive companies have been able to exempt themselves from network user charges. Beneficiaries include companies with at least 7,000 hours of use and demand of more than 10 million kWh. Nationwide, the resultant charges are allocated to end-consumers and deducted from net invoice amounts for electricity.

Nuclear fuel rod tax

This is imposed from 2011 to 2016 at a tax rate of €145/g of nuclear fuel employed. According to the government's coalition agreement, the anticipated revenue of €2.3 billion will be used to consolidate the federal budget. Energy companies may deduct this levy for tax purposes.

O

Offshore network development plan (O NEP)

Designed to enable the efficient expansion of wind energy from the North and Baltic seas, it is prepared every year by the four German transmission system operators before being submitted to the Federal Network Agency, as with the > **NEP Electricity**. It describes the measures required in the next 10 and 20 years to connect the wind farms in the North and Baltic seas to the terrestrial transmission grid. The general public has the opportunity to voice its opinion on the related measures at various consultation proceedings.

Over-the-counter (OTC) derivatives trading according to the EMIR

Off-bourse trading in derivative products according to the European Market Infrastructure Regulation (EMIR). This entails market participants notifying their transactions to a mediator that keeps their identities anonymous.

R

Repowering

Old power plants for generating energy are replaced by newer and more efficient ones. The term is mainly used in connection with wind turbines.

S

Smart grid

Smart electricity grid. A network that uses information technology to monitor and optimise the operation of its interconnected elements – from electricity generators, storage systems, consumers of electricity and network operating equipment in energy transmission and distribution grids. The aim is to optimise energy supplies in an efficient, reliable and cost-effective system.

Smart home/Smart world

The use of the Internet to network and manage household devices, entertainment electronics, heating and air conditioning systems, and household automation applications.

Spot market

Market on which electricity supply and procurement quantities are offered and requested for the following day.

Spread

Interest difference between a risk-free investment and other investments, e.g. an EnBW bond.

Summer-winter spreads

Refers to the difference between wholesale gas market prices and their respective winter and summer prices.

System services










Total services to ensure quality of electricity supplies. This includes: provision of > **balancing energy**, frequency stability, voltage control, supply re-establishment, management services.

V

Vertically integration

Companies with activities both on the grid side (transmission and distribution) and on the market side (generation, procurement and sales) are referred to as vertically integrated.

Our locations

-  Onshore and offshore wind farm
-  Offshore wind farm at planning or construction stage
-  Photovoltaic power plant¹
-  Hydro-electric power plant Own operation¹
-  Hydro-electric power plant with EnBW participation, purchase and supply contracts¹
-  Biomass plant
-  Conventional power plant Own operation
-  Conventional power plant with EnBW participation, purchase and supply contracts
-  Nuclear power plants Own operation

In addition, EnBW holds participating investments in Switzerland, Austria², Hungary², the Czech Republic and Turkey.

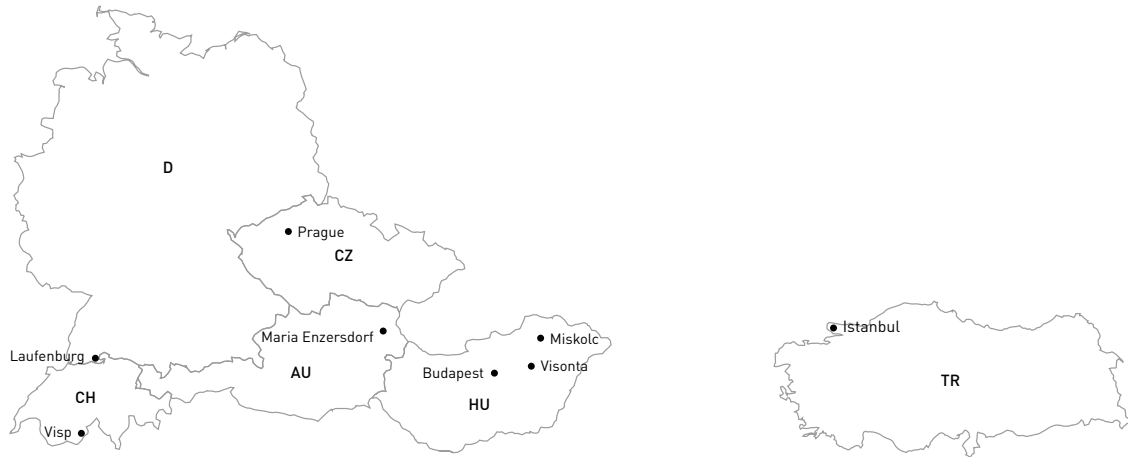
¹ EnBW operates around 70 hydro-electric power plants as well as numerous other plants producing power from renewable energies. We have therefore restricted ourselves to a number of major locations.
² Assigning of the participating interests to EnBW's own Contractual Trust Arrangement (CTA) at the end of the financial year 2013.

Baden-Württemberg

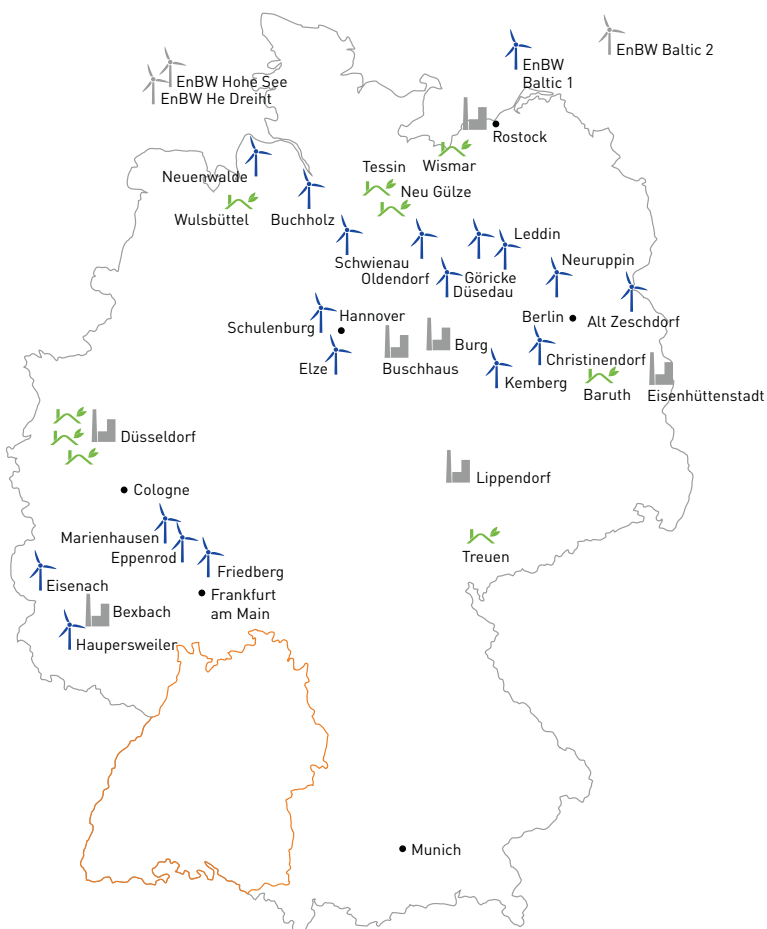


³ Operations were shut down on 11 May 2005 in line with the consensus on nuclear power.

Europe



Germany



Important notes

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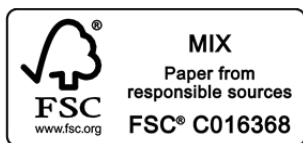
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The complete consolidated financial statements prepared by EnBW Energie Baden-Württemberg AG and audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Mannheim, and the management report, which is combined with the group management report, will be published in the German Federal Gazette ("Bundesanzeiger") together with the unqualified audit opinion. The necessary documents will be submitted to the German Federal Gazette ("Bundesanzeiger") by 30 April 2014 at the latest.

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Financial calendar

07 | 03 | 2014

Publication of report 2013

29 | 04 | 2014

Annual General Meeting 2014

09 | 05 | 2014

Publication quarterly financial report of January to March 2014

01 | 08 | 2014

Publication quarterly financial report of January to June 2014

11 | 11 | 2014

Publication quarterly financial report of January to September 2014

Multi-year overview

EnBW Group ¹		2013	2012	2011	2010	2009
Earnings						
Revenue	€ million	20,540	19,324	18,756	17,509	15,564
Adjusted EBITDA	€ million	2,217	2,341	2,449	2,859	2,615
EBITDA	€ million	1,991	2,307	1,810	3,315	2,748
Adjusted EBIT	€ million	1,336	1,453	1,600	1,926	1,794
EBIT	€ million	1,020	1,289	678	2,125	1,889
Adjusted Group net profit ²	€ million	463	652	648	964	879
Group net loss/net profit ²	€ million	51	484	- 842	1,157	768
Earnings per share from adjusted Group net profit ²	€	1.71	2.53	2.65	3.95	3.60
Earnings per share from Group net loss/profit ²	€	0.19	1.88	- 3.45	4.74	3.15
Balance sheet						
Non-current assets	€ million	24,309	24,205	24,358	25,883	23,191
Total assets	€ million	36,141	36,766	35,689	35,780	34,639
Equity	€ million	6,083	6,376	6,127	7,603	6,408
Equity ratio	%	16.8	17.3	17.2	21.2	18.5
Adjusted net debt ³	€ million	7,275	8,419	8,554	8,694	8,615
Dynamic leverage ratio		3.28	3.60	3.49	3.04	3.29
Cash flow						
Cash flow from operating activities	€ million	1,909	856	1,747	2,561	2,443
Capital expenditures	€ million	1,101	877	1,315	2,328	4,374
Free cash flow	€ million	1,171	206	827	1,087	1,313
Profitability						
Return on Capital Employed (ROCE)	%	9.7	11.1	11.6	14.2	15.5
Weighted average cost of capital (WACC) before tax	%	8.5	8.7	8.7	9.0	9.3
Average capital employed	€ million	14,977	15,148	15,434	15,404	13,560
Value added	€ million	180	364	448	801	841
Energy sales (total)						
Electricity	kWh billion	128	136	155	147	120
Gas	kWh billion	100	73	57	54	66
Sales						
Electricity	kWh billion	52	59	- ⁴	- ⁴	- ⁴
Gas	kWh billion	69	58	- ⁴	- ⁴	- ⁴
Revenue	€ million	9,569	9,278	- ⁴	- ⁴	- ⁴
Adjusted EBITDA	€ million	227	241	- ⁴	- ⁴	- ⁴
Grids						
Electricity sales	kWh billion	13	17	- ⁴	- ⁴	- ⁴
Revenue	€ million	5,708	5,340	- ⁴	- ⁴	- ⁴
Adjusted EBITDA	€ million	962	773	- ⁴	- ⁴	- ⁴
Renewable Energies						
Electricity sales	kWh billion	4	3	- ⁴	- ⁴	- ⁴
Revenue	€ million	369	353	- ⁴	- ⁴	- ⁴
Adjusted EBITDA	€ million	216	239	- ⁴	- ⁴	- ⁴
Generation and Trading						
Electricity sales	kWh billion	60	57	- ⁴	- ⁴	- ⁴
Gas sales	kWh billion	31	15	- ⁴	- ⁴	- ⁴
Revenue	€ million	4,886	4,346	- ⁴	- ⁴	- ⁴
Adjusted EBITDA	€ million	835	1,125	- ⁴	- ⁴	- ⁴

¹ Figures for 2012 have been restated.

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

³ Without cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions.

⁴ No figures for the comparative period 2009 to 2011 available for the new segment structure.

Non-financial key performance indicators

EnBW Group	2013	2012
Goal dimension customers		
Avoided CO ₂ emissions in million of tonnes ¹	5.4	5.2
EnBW/Yello Brand Attractiveness Index	42/38	40/36
EnBW/Yello Customer Satisfaction Index	111/148	100/152
SAIDI ² (electricity) in min/year	15	20
Goal dimension employees		
Employee Commitment Index (MCI)	58	65 ³
LTIF	5.9	7.4 ⁴
Sickness absence rate in %	4.5	4.3
Goal dimension compliance		
Employees trained in corruption prevention and antitrust law in %	86.9	- ⁵
Goal dimension ecology		
CO ₂ intensity of own electricity generation in g/kWh	403	369
RE installed capacity in GW and RE share in generation capacity in %	2.6/19.1	2.5/18.9

¹ Owing to changes in the calculation methodology the figures are not comparable with the data so far reported.

² Figure valid only for Germany.

³ Figure from employees survey 2010.

⁴ Compared to last year the figure has changed due to a new calculation method.

⁵ Data could not be surveyed until 2013.

