Capital Markets Day

Frankfurt, 29 September 2016

EnBW

Capital Markets Day

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Frank Mastiaux, Chief Executive Officer

Business environment remains difficult – both from an economic and from a regulatory perspective

EnBW

Energy market

Electricity wholesale market prices remain under pressure

Capital markets

Interest rate at continued low levels

Energy policy

Legal framework of funding of nuclear exit (KFK)

German Renewables Energy Act with new framework

EnBW 2020 strategy continues to be our framework for transforming our company

EnBW

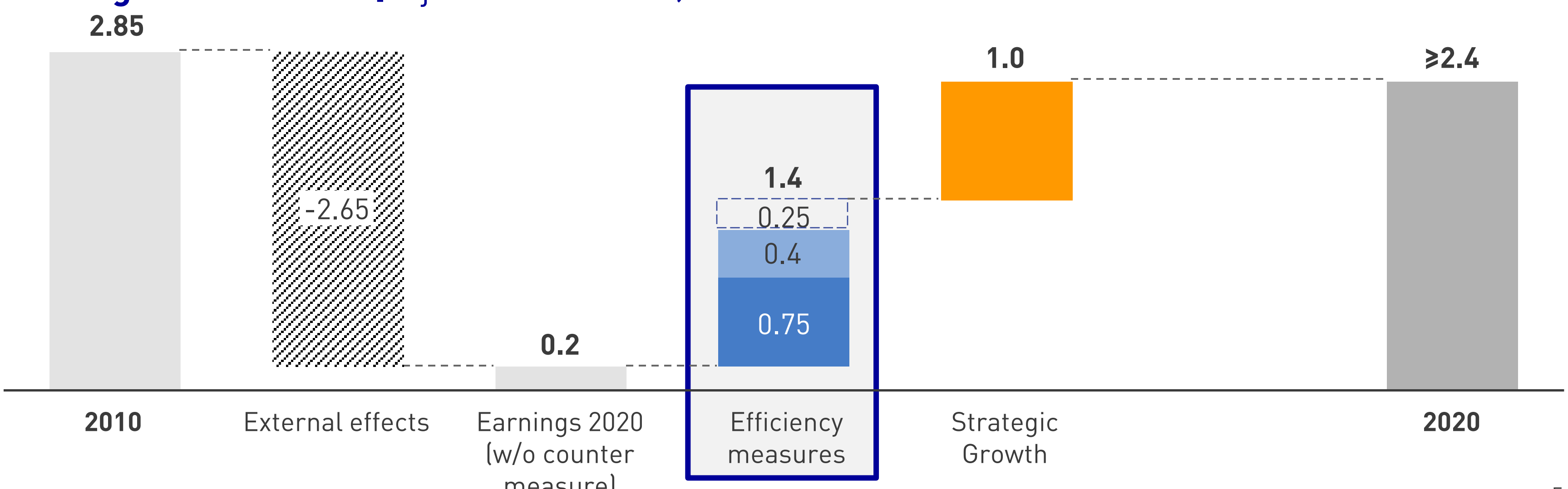
	2012		2020
Generation and Trading	1.2 € bn	-80%	0.3 € bn
Renewable Energies	0.2 € bn	+250%	0.7 € bn
Grids	0.8 € bn	+25%	1.0 € bn
Sales	0.2 € bn	+100%	0.4 € bn
	€2.4 bn		€2.4 bn

in Adjusted EBITTDA

Operational efficiency continues to be a top element of our agenda

- Previous efficiency programms „FOKUS“ and „4 P“ delivered with material progress
- Based on the continued challenging environment additional cost savings of €250 m by 2020 have been added to the equation
  - Withdrawal from B2B Commodity Business, around 400 employees are affected
  - Additional measures focus on the areas of B2C, administrative functions and Generation and Trading

Earnings 2010 to 2020 [adj. EBITDA in € bn]



Strategy execution EnBW 2020 on track (I) - areas of progress

Offshore wind

- Baltic 2 in operation (288 MW)
- Investment decision Hohe See (500 MW) in 2016, Offshore Pipeline: 1600 MW

Onshore wind in Germany

- Onshore pipeline with 1100 MW of secured areas, over 300 MW for approval in 2016
- Acquisition of „Connected Wind Services“

Onshore wind in Turkey

- Expansion of renewable energies, 374 MW* in operation

* EnBW: 50%

Strategy execution EnBW 2020 on track (II) - areas of progress

EnBW

Expansion of the grids

- Highest investment in distribution grid in 2015
- Commissioning of the North Black Forest gas pipeline in 2016
- Transmission grids ULTRANET and SuedLink advancing

Strategy execution EnBW 2020 on track (III) - areas of progress

EnBW gas business substantiated

- EnBW / VNG: Top 3 player in German gas market
- >50% of VNG's business regulated
- 20% contribution of EnBW's future adj. EBITDA from Gas Business

Strategy execution EnBW 2020 on track (IV) - areas of progress

Marketing, sales & innovation

- Consistent innovation strategy in place
- Digitization is an integral part of future sales strategy

Projects & products

- Virtual Power Plant: €6.9 m total order quantity since May 2016
- Sm!ght: one year on the market with €1 m revenue in 2016
- E-Mobility: New cooperation with Hyundai and Tank & Rast with focus on extension and operation of charging infrastructure

Looking ahead: three clear priorities

Clear focus on delivering our EnBW 2020 goals

Intensifying efficiency measures to secure future profitability and competitiveness

Strategic considerations „beyond 2020“

The following aspects drive our strategic thinking beyond 2020

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EnBW strategy „beyond 2020“

- Anticipating technology, consumer demand patterns and regulatory developments
- Matching strategic focus with robust capabilities and its development
- Strong role of innovation and digitization to fuel future growth
- A balanced portfolio with reliable returns
- Leadership and operational effectivness of a modern organization

Capital Markets Day

Frankfurt, 29 September 2016
Thomas Kusterer, Chief Financial Officer

EnBW 2020 strategy will lead to high EBITDA contribution from low-risk business

	2012		2020
Generation and Trading	1.2 € bn	-80%	0.3 € bn
Renewable Energies	0.2 € bn	+250%	0.7 € bn
Grids	0.8 € bn	+25%	1.0 € bn
Sales	0.2 € bn	+100%	0.4 € bn
	€2.4 bn		€2.4 bn

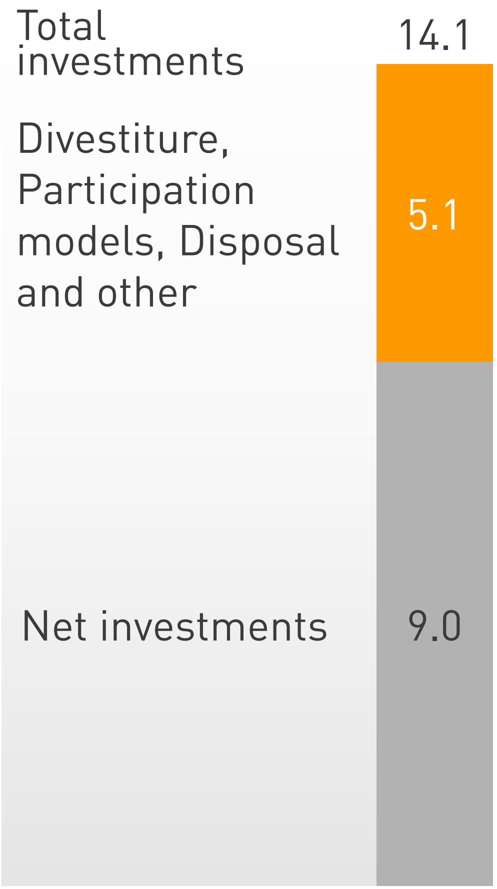
in Adjusted EBITTDA

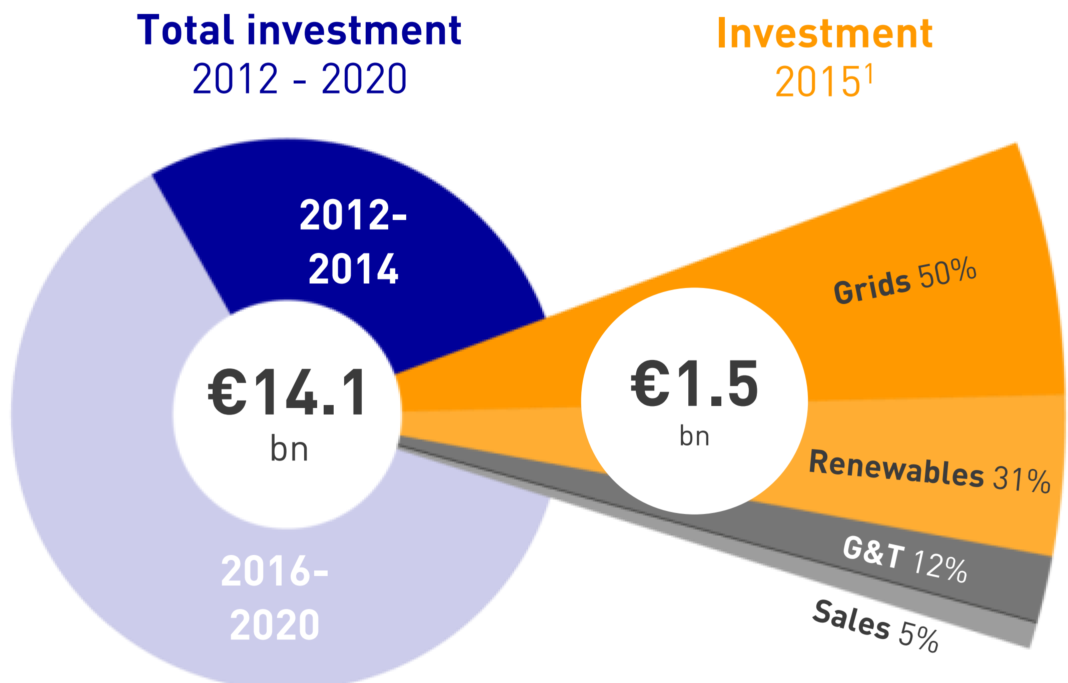
- ✓ Clear investment focus on Grids and Renewable Energies
- ✓ 70% EBITDA contribution from stable businesses
- ✓ Improved business risk profile

Expansion of low risk business guarantees stable CFs

Investments and divestitures 2012 to 2020

in € billion





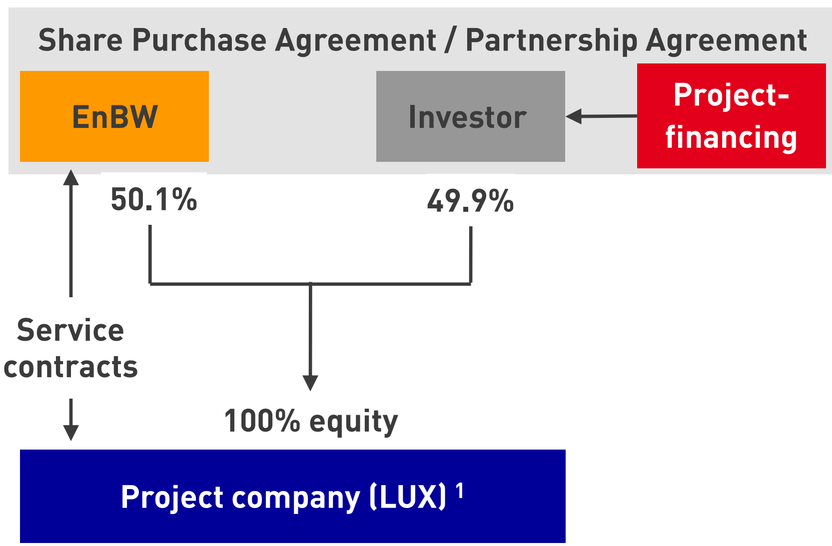
[1] Other investments 2015: 2%

Capex is optimised by participation models meeting EnBW's strategic goals

100% equity financing with majority of EnBW and full consolidation

Joint Venture model "Baltic 2"

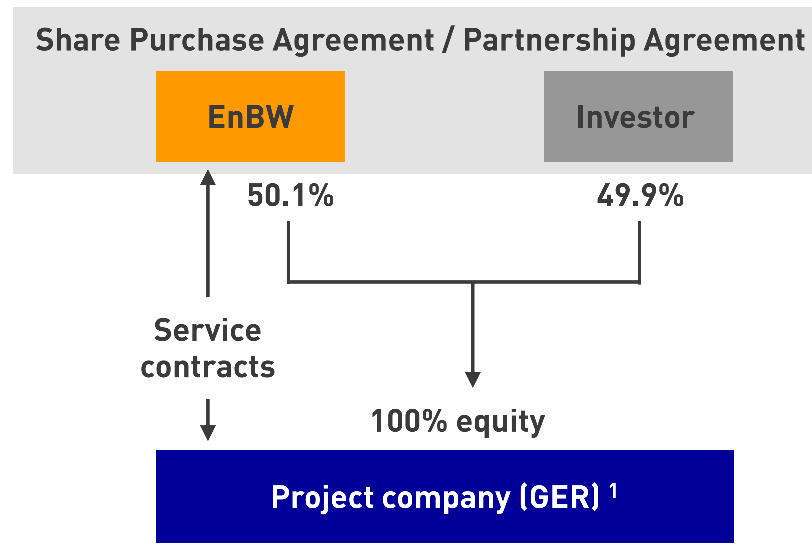
Transaction Closing after full commissioning



- EnBW takes the full cost and delay risks of the construction
- EnBW sells operating CF

Joint Venture model "Hohe See"

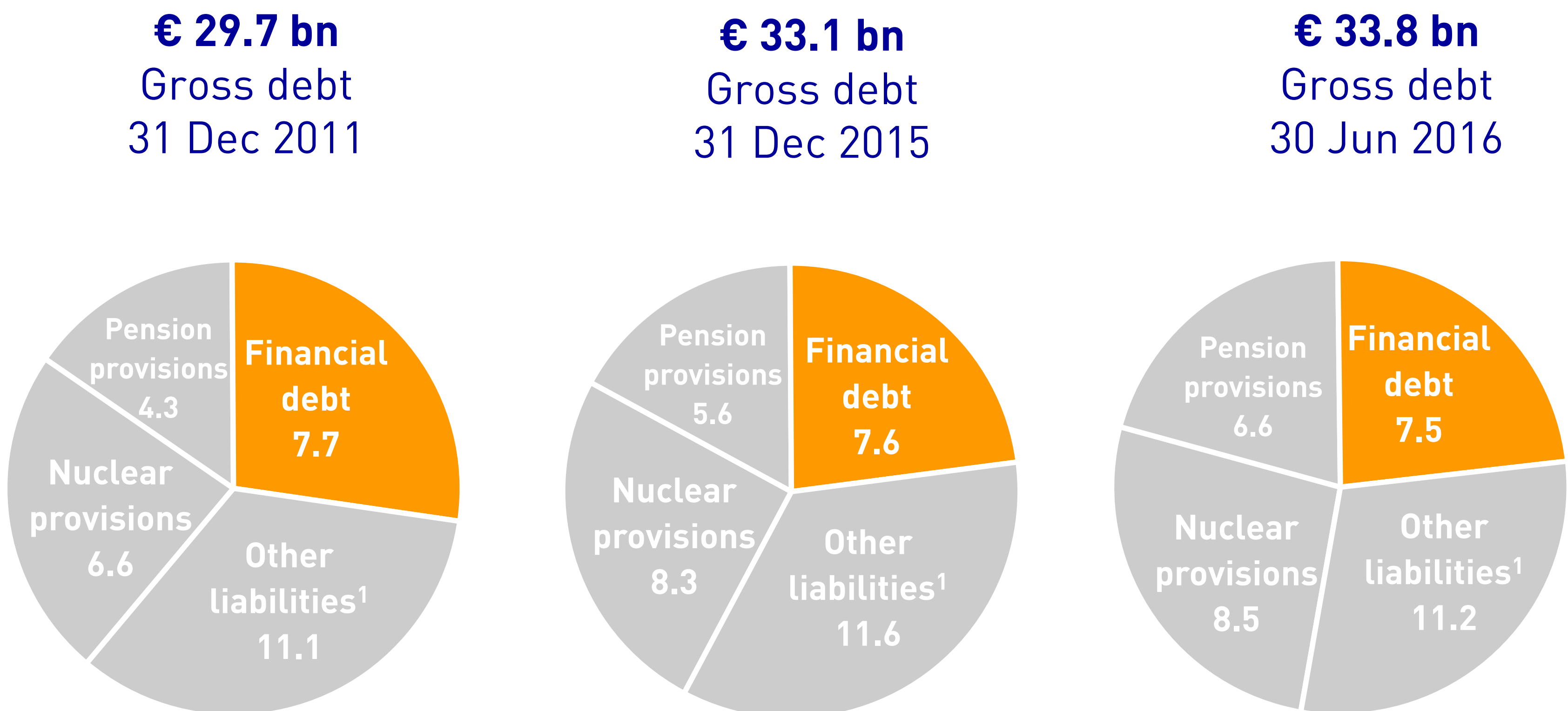
Transaction Closing simultaneously with final investment decision



- Partner[2] takes the full cost and delay risks of the construction pro rata
- EnBW receives a development premium

[1] General Partnership; [2] Name of partner still undisclosed subject to FID

EnBW's financial discipline is reflected in financial debt development



Majority of EnBW's debt with no cash interest expenses

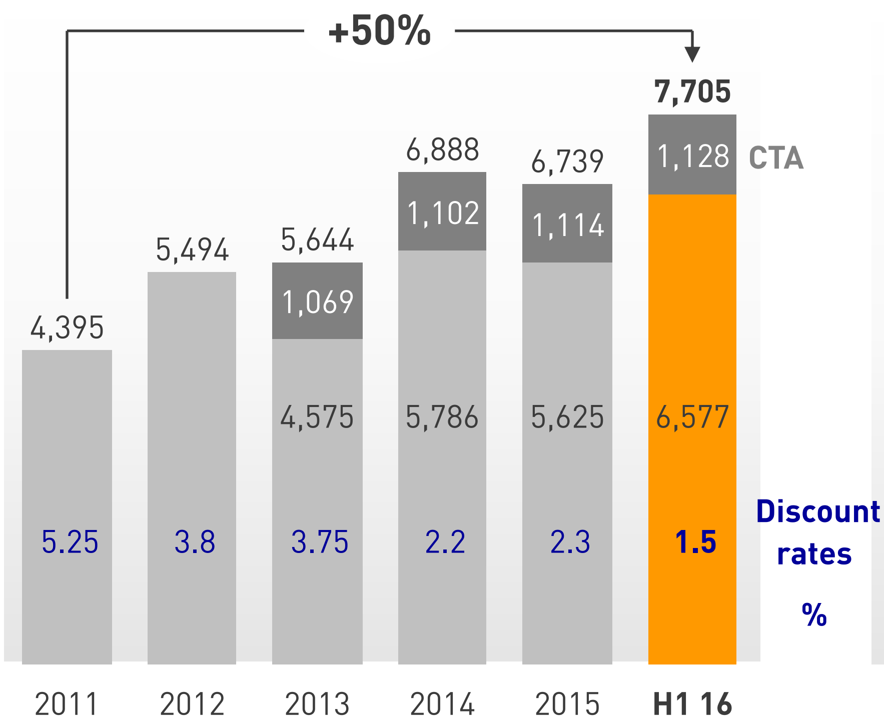
[1] Other liabilities contains a very minor part of €0.1bn cash related interest

€4 bn impact on net debt due to interest rate development since 2011

Gross pension obligations incl. CTA

in € million

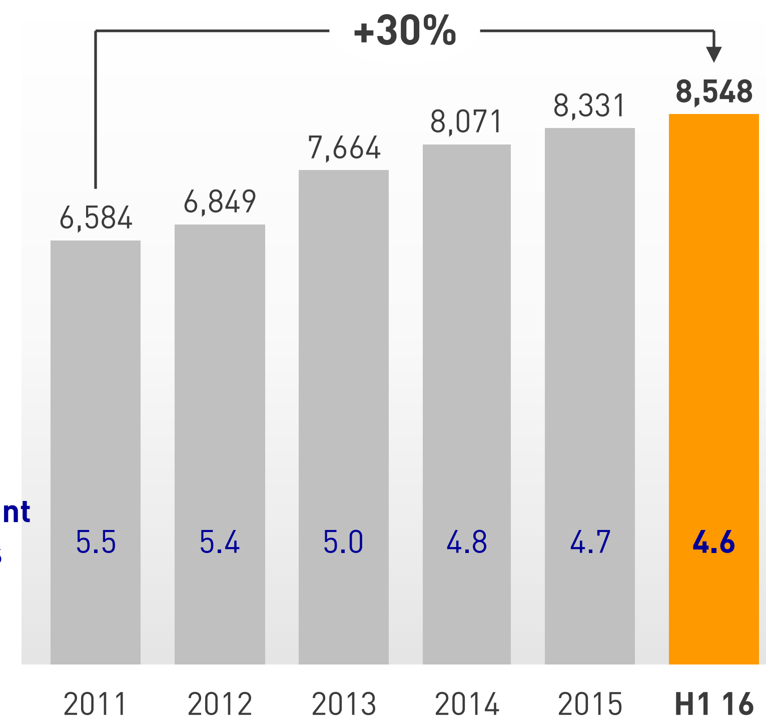
thereof interest effect: 3,188



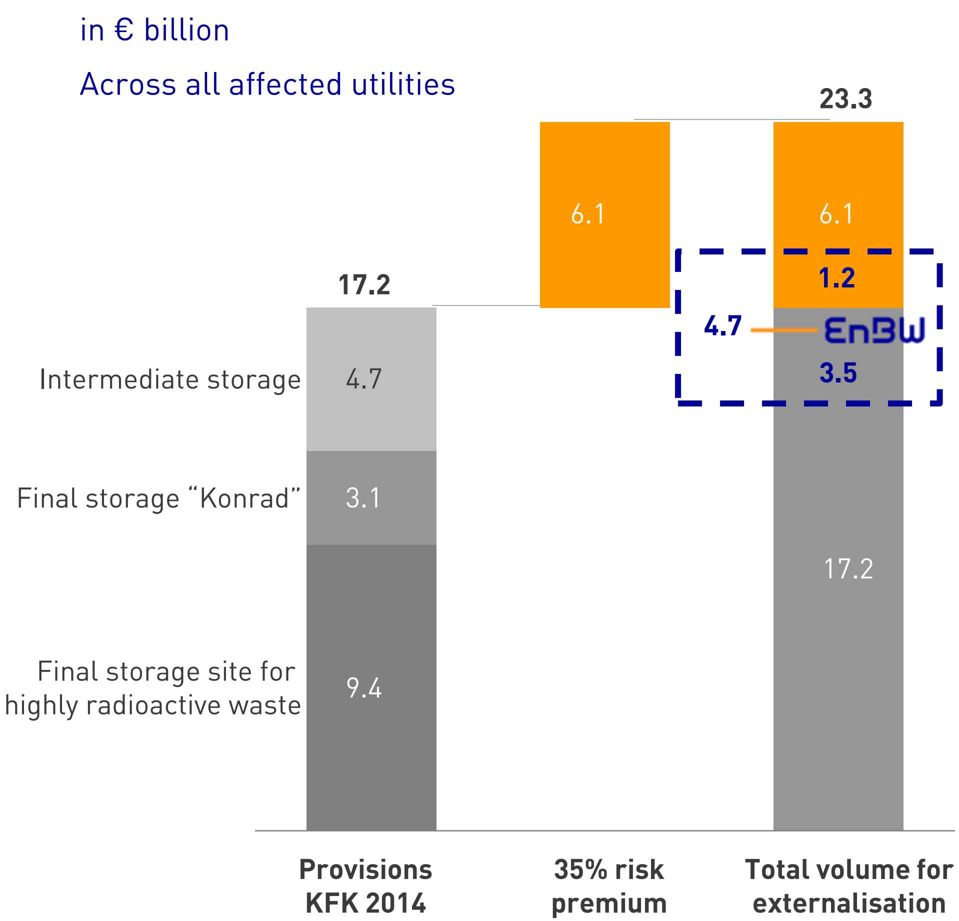
Nuclear provisions

in € million

thereof interest effect: 1,084



KFK[1]: Payment of risk premium will lead to net debt increase, but de-risking



- ✓ German state to become operationally and financially accountable for all nuclear waste storage related issues
- ✓ Nuclear operators to deliver financing; EnBW would be responsible for around 20% of the payments
- ✓ Being operationally responsible for de-commissioning, EnBW can achieve cost reductions compared to provisions

[1] Legislative procedures ongoing

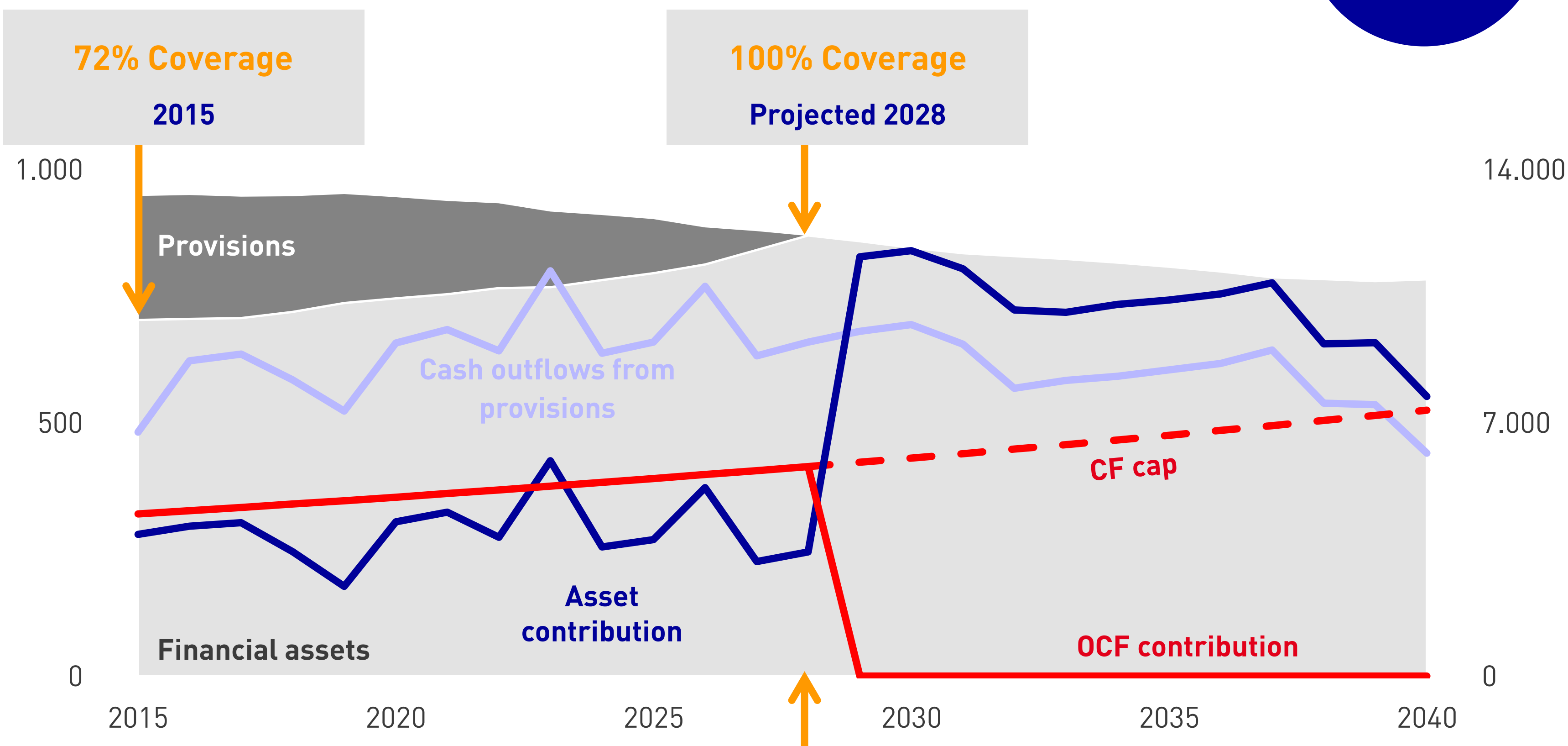
No additional impact of long-term obligations on OCFs

Before

KFK

EnBW's CF-based Asset Liability Management since 2005

in € million

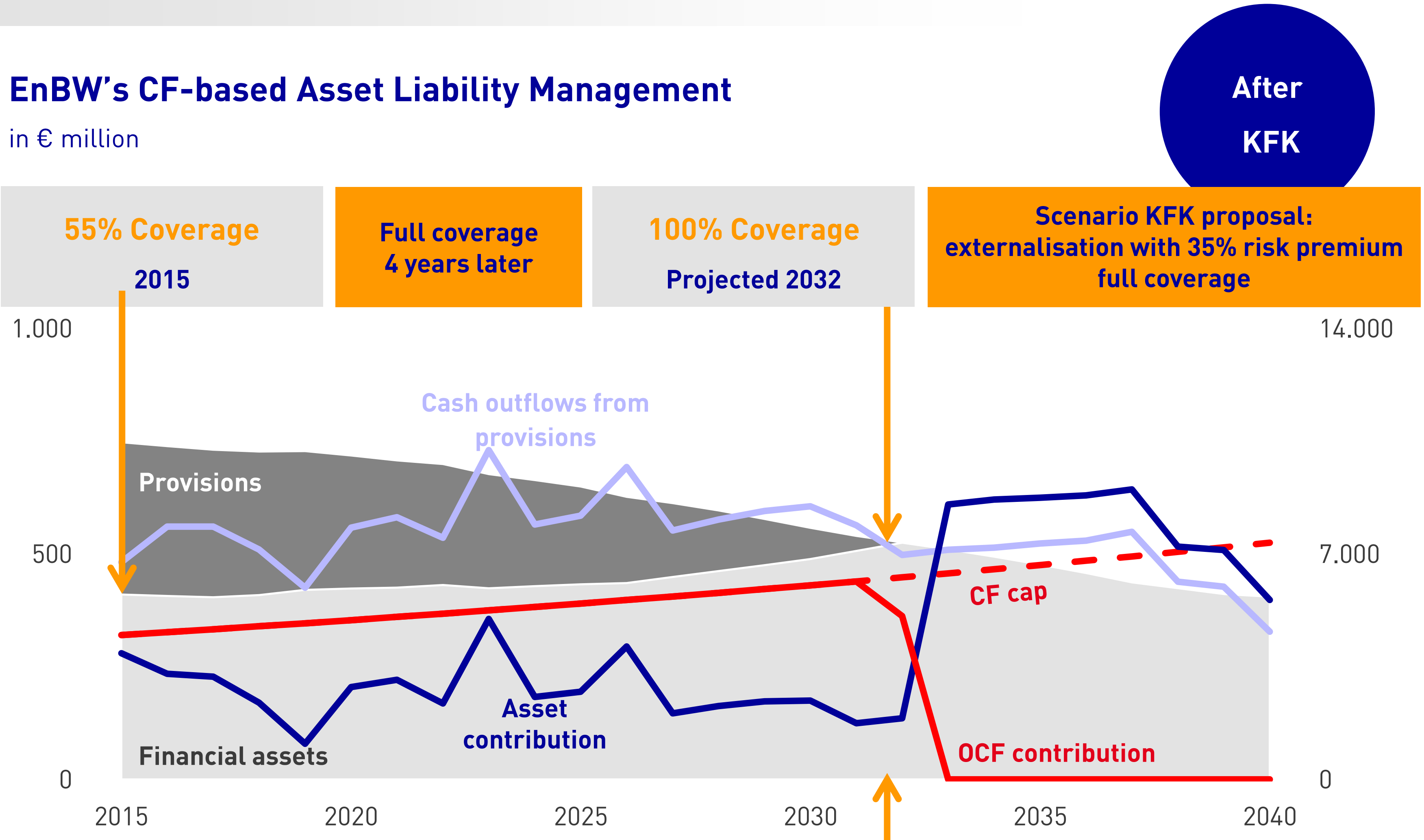


OCF is adjusted for inflation

Limited impact of KFK proposal on OCFs

EnBW's CF-based Asset Liability Management

in € million

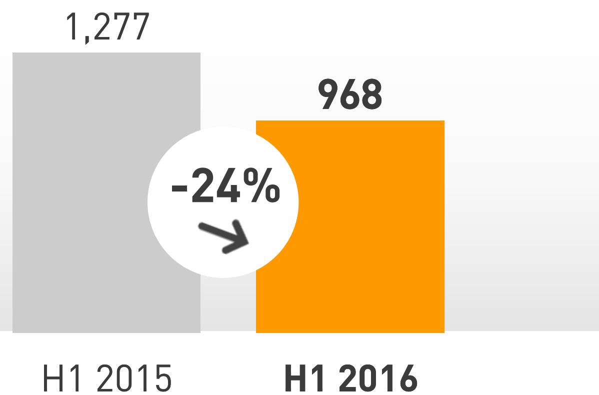


OCF is adjusted for inflation

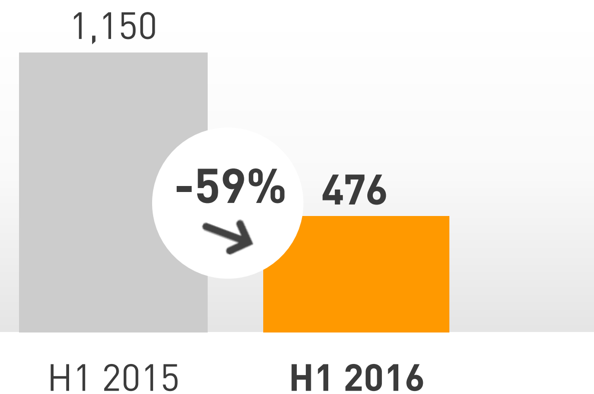
Assumptions: Model data as of end 2015, discount factor: 2.3% pensions, 4.7% nuclear, externalization assumed in 2015 completely from dedicated assets

Year-on-year operating performance affected by one-off effects

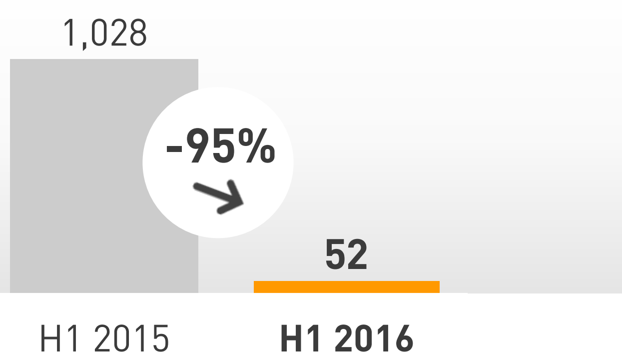
Adjusted EBITDA
in € million



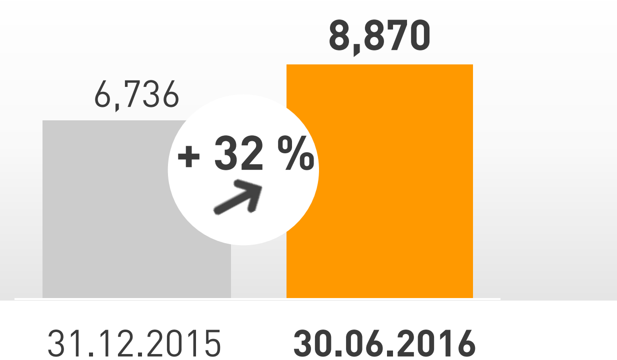
FFO
in € million



Adjusted Group net profit[1]
in € million



Adj. net debt
in € million



[1] Of which profit/loss shares attributable to the shareholders of EnBW AG

Additional efficiency measures of €250m[1] until 2020 are currently implemented

	Sales	Administrative functions	Generation & Trading
Initial measures	**Withdrawal from B2B Commodity Business** (B2B) › Unprofitable & no growth perspective › Ongoing customer contracts will be fulfilled › 400 employees affected	**Considerable savings** › Corresponding structural effects (personal savings) › Productivity improvements › Reduction in scope of services › Outsourcing	
Further measures	(B2C) Focused customer and competition-oriented approach	Concrete measures for each functional unit	Further cost reductions to be implemented

[1] Includes efficiency measures of shareholdings

EnBW successfully closed EUR 725m and USD 300m RegS bearer hybrid capital transactions

EnBW

Hybrid rationale

- Important element of EnBW's capital structure
- Equity credit supports IG rating
- Cost-efficient layer by combining equity- and debt-like features

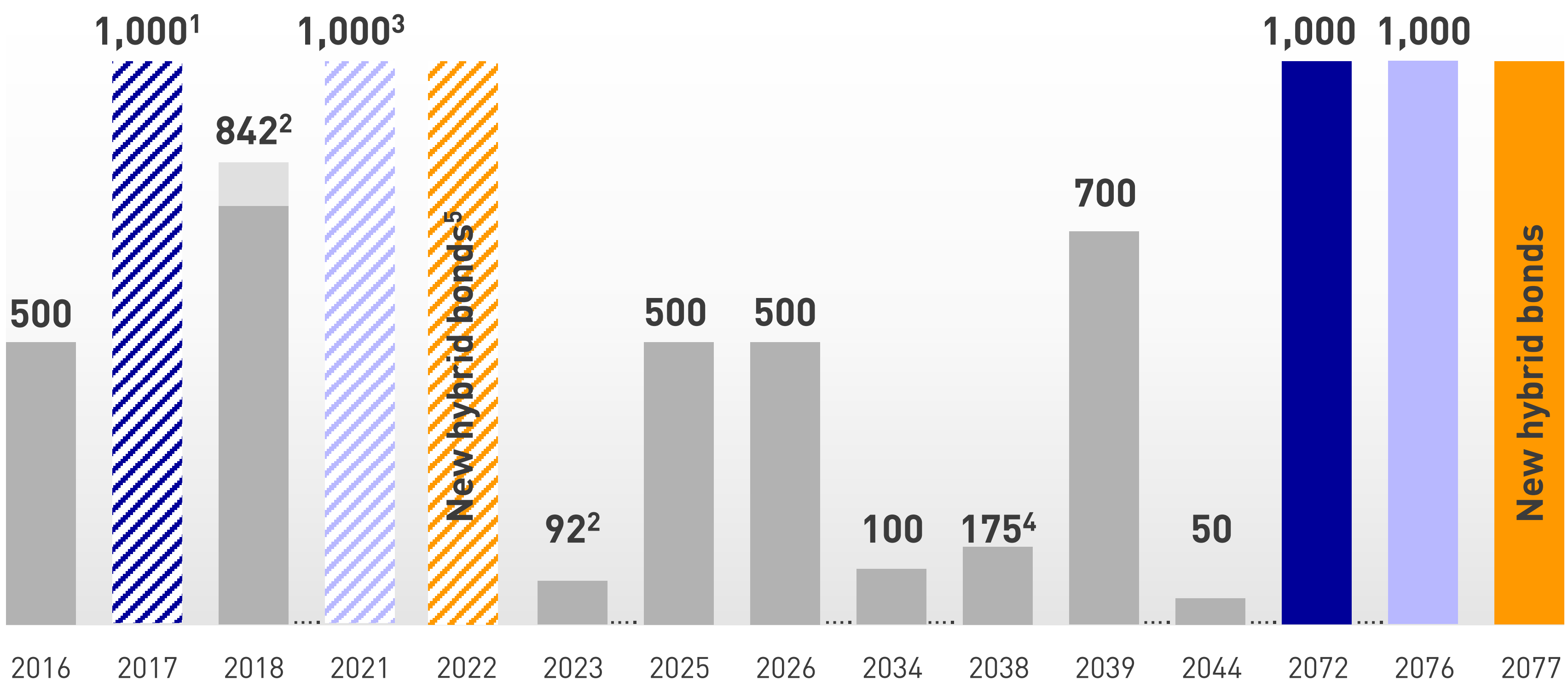
Proactive & prudent financial policy

EUR 725m + USD 300m deal highlights

- Taking advantage of constructive market conditions
- 3.375% EUR coupon
- 5.125% USD coupon translates into EUR yield of 3%
- Investor diversification
- Pre-funding of outstanding 7.375% hybrid

EnBW has a diversified funding policy

Maturities of EnBW's bonds
€ million



[1] First call date of hybrid maturing in 2072
[2] Including CHF 100m converted as of the reporting date 30/6/2016
[3] First call date of hybrid maturing in 2076
[4] Nominal with conversion as of the reporting date 30/6/2016
[5] First call date of hybrid maturing in 2077

EnBW is a strong partner in the capital markets

EnBW

- Commitment to solid IG rating
- Dividend and capex flexibility
- Stable shareholder structure
- Solid funding policy – diversified, well-spread maturities, hybrid capital support

EnBW proves to be resilient

- Limited impact of long-term obligations on OCFs due to ALM model
- Clear investment focus on low-risk Grids and Renewable Energies
- Improved business risk profile with more than 50% EBITDA contribution from low-risk businesses

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Dirk Güsewell, Senior Vice President – Generation Portfoliodevelopment

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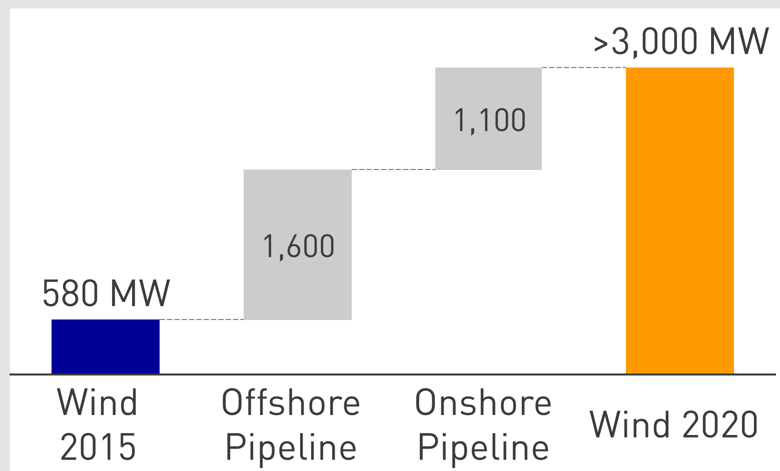
EnBW 2020 Strategy: In the Renewables segment we continue to deliver on growth investments

	2012	Change	2020
Generation and Trading	1.2 € bn	–80%	0.3 € bn
Renewable Energies	0.2 € bn	+250%	0.7 € bn
Grids	0.8 € bn	+25%	1.0 € bn
Sales	0.2 € bn	+100%	0.4 € bn
	€2.4 bn		€2.4 bn

in Adjusted EBITTDA

Renewables

- ✓ Increase of Adj. EBITDA contribution from 8% (2012) to 29% (2020)
- ✓ Material share in offshore wind investments
- ✓ German Renewable Energy Act with new legislation as of 1 January 2017



Stakeholder analysis
Upcoming system change with EEG 2017 determines the current market environment

Political community and regulation

1

- **Switch in RE funding** Wind on- and offshore from fixed feed-in tariffs to invitations to tender from 2017
- Onshore wind: Transitional regulation for projects with concession to the end of 2016 and commissioning to the end of 2018
- **Offshore wind**: Switch in two phases, first compensation auction for projects with concession
- **Cap for the RE expansion and management** via volume of auctions

Market and environment

2

- **Continued growth** of renewable energies in Germany (and in Europe)
- **Repowering** potential will increase considerably until 2025 (funding will expire for 17 existing GW power plants), but only minor cost advantages compared to greenfield projects
- **Electricity production costs** continue to drop; need to fund wind energy gradually declines
- **Intensity of competition** will increase in the short term, but in the medium to long term a **consolidation** of the market is to be expected

Technology

3

- **Constant product improvements** (example onshore wind: rotor diameter and hub height; offshore wind: power class 8+ MW, XXL monopiles rather than jacket foundations)
- **Ability to control and shut off** to optimise efficiency
- Growing non-OEM market for services
- **Innovation drives cost and efficiency improvements**

Suppliers

4

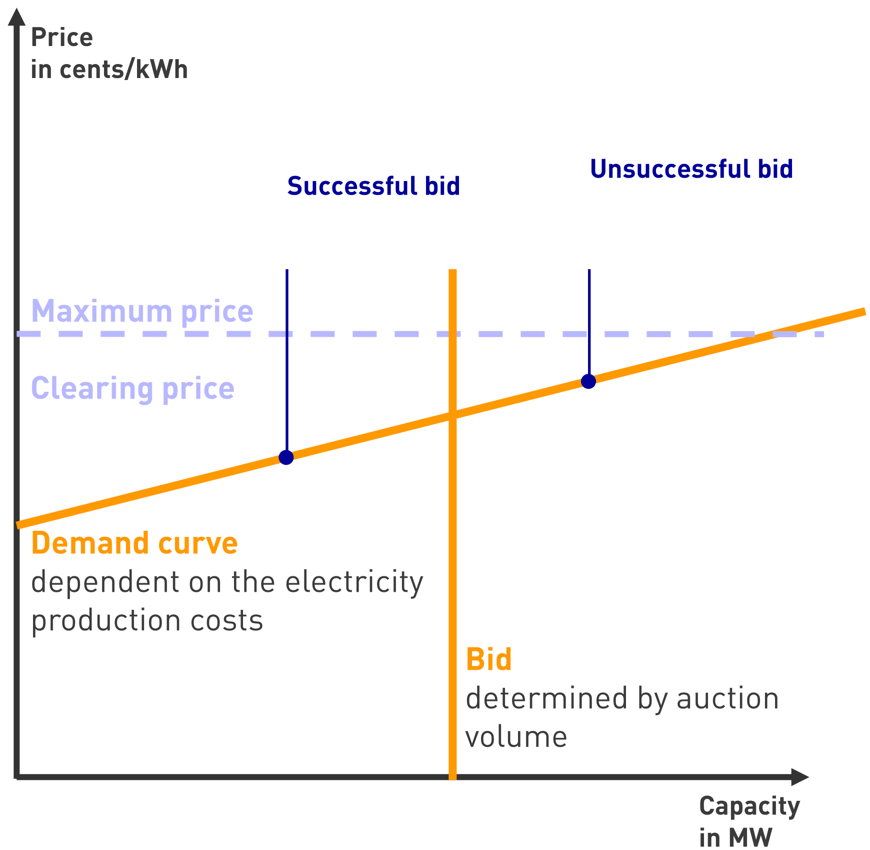
- **Advancing process of concentration** (examples: Siemens/Gamesa, Vestas/Mitsubishi, Nordex/Acciona)
- At the same time **new players from the Far East are about to enter the market**, the market is increasingly globalised
- **Stable supplier environment for bulk buyers and key accounts**

System change EEG 2017: Invitations to tender – a key success factor is competitive cost structures

Principle: cost reduction through competition

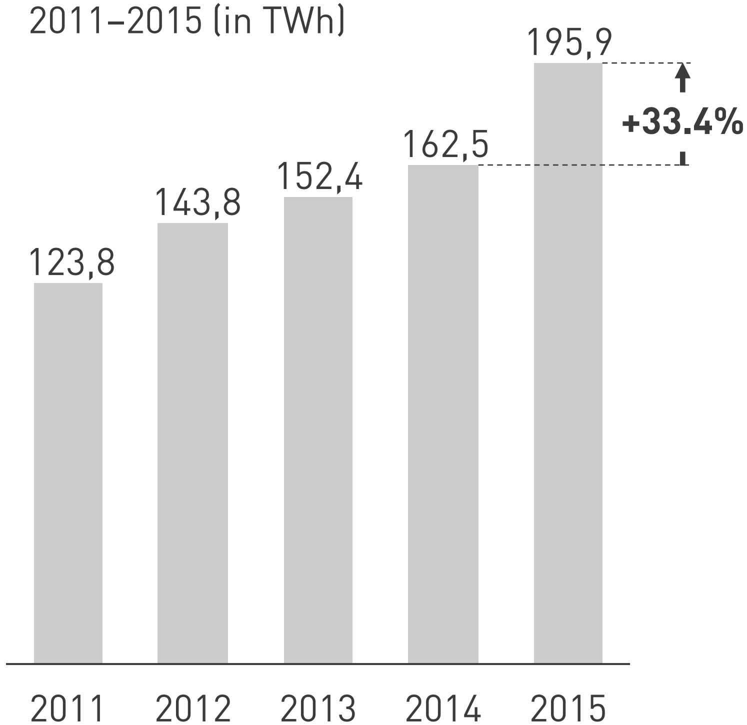
- Tenderers compete about their price (instead of uniform, legally guaranteed compensation) at auctions
- Those who can offer the lowest price are most likely to be awarded the contract.

→ The crucial success factor is therefore the amount of the electricity production costs



System change EEG 2017: Future volume control caps the expansion from 2017

Gross electricity generation from renewable energies 2011–2015 (in TWh)

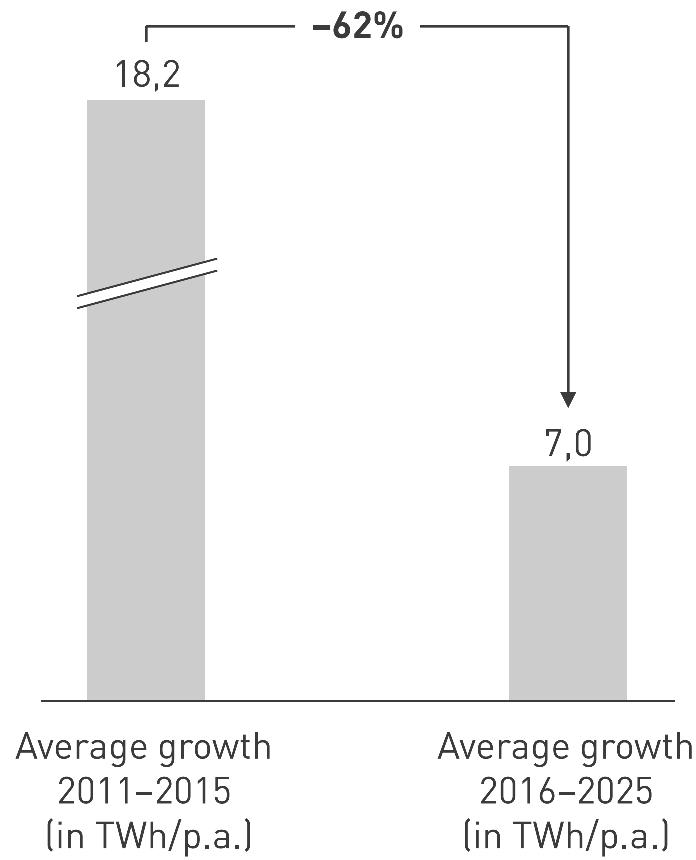


Source: Federal Ministry for Economic Affairs and Energy (BMWi), Feb 2016

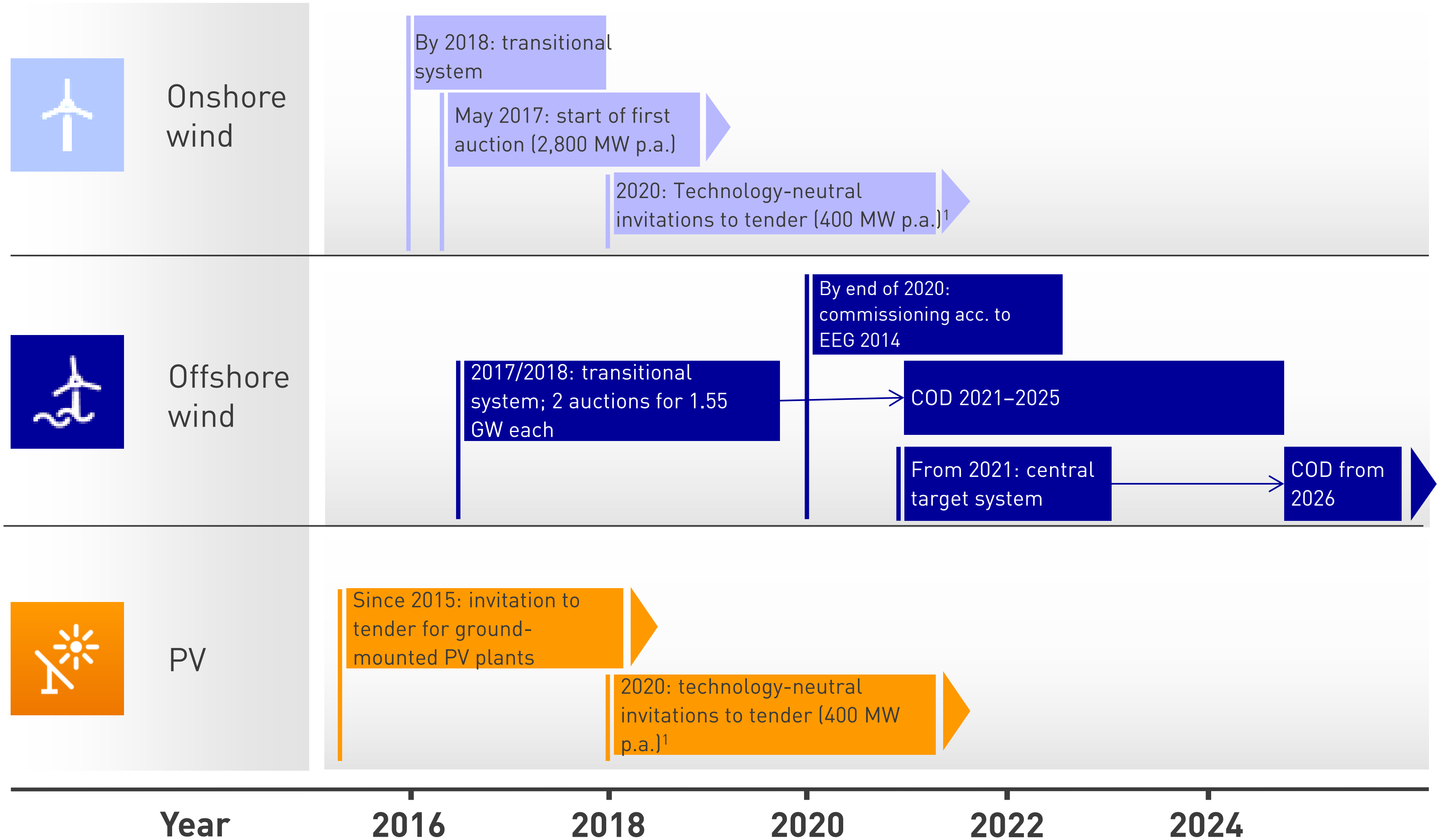
Assumption for forecast: linear and equally distributed growth,
gross electricity consumption –0.2% p.a. equals average 2006–2015

Extrapolation

(Expansion target: 45% of the gross electricity consumption by 2025)

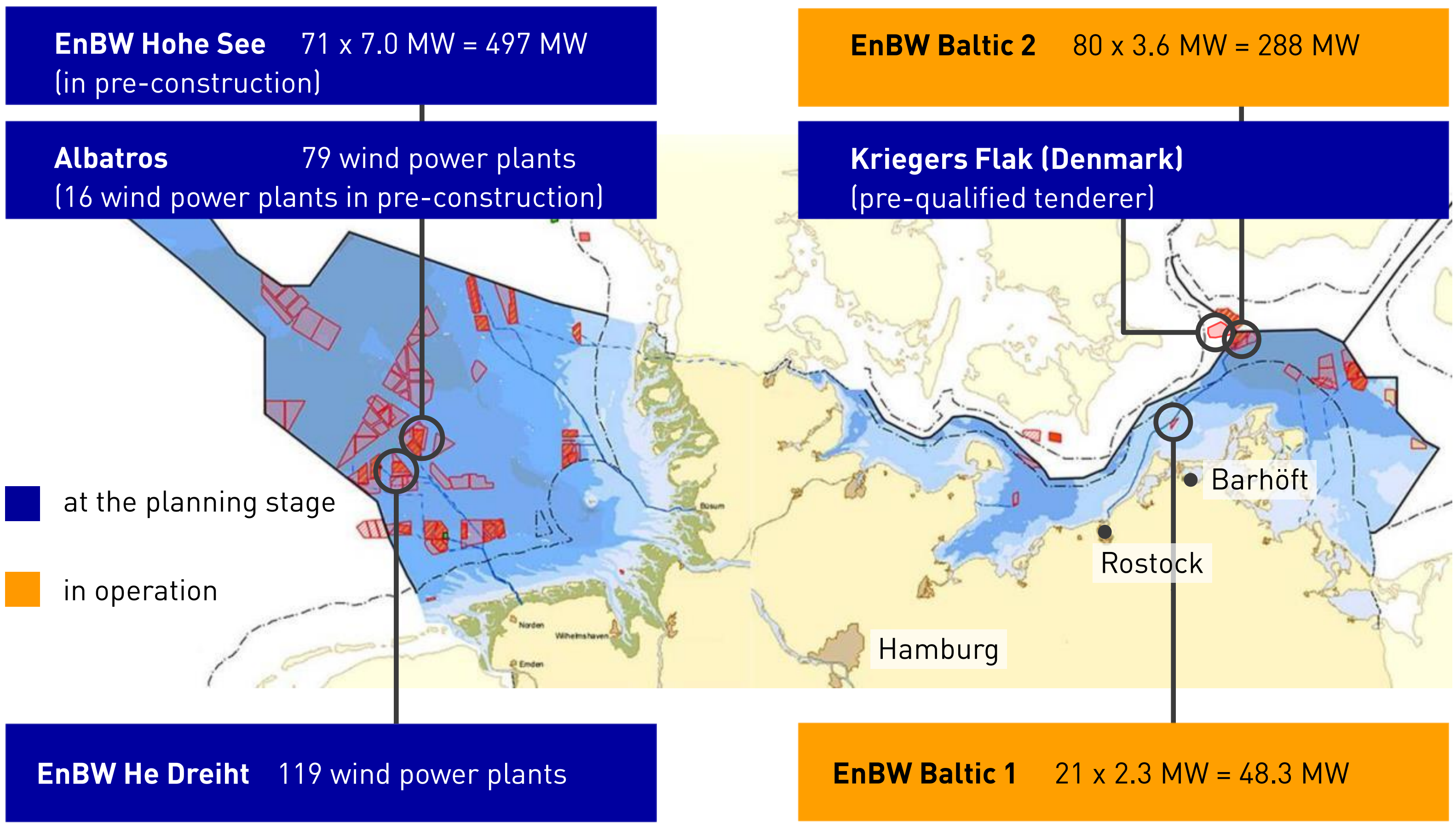


System change EEG 2017:
An overview of the implementation and changes



[1] Onshore wind figure is reduced by volume of awarded contracts

Update of business development RE
Offshore wind: 336 MW in operation, 609 MW in advanced stage of pre-construction



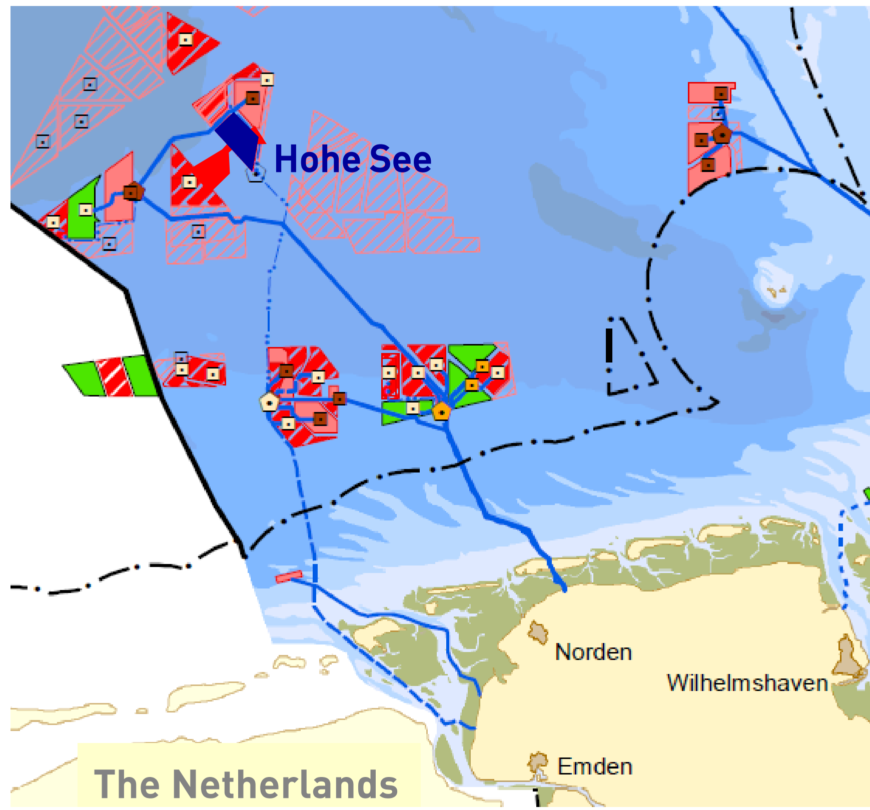
Update of business development RE
OWF EnBW Hohe See: progress of project according to schedule

Key data

› Wind turbines	71 at 7 MW each (Siemens AG)
› Gross output	497 MW
› Annual yield	approx. 2,000 GWh
› Water depth	40 m
› Distance	98 km
› Planned FID	December 2016
› Planned COD	December 2019

Current project status

- Design phase started in Nov 2015
- Capacity for connection to the grid ensured
- Supply contracts awarded
- Process for the sale of a minority share in the project has advanced far



Update of business development RE
EnBW will handle building and management / O&M of OWF EnBW Hohe See as a service

EnBW

EnBW AG — 50.1%

Partners — 49.9%

Hohe See

EnBW AG (operation)
- Commercial & technical management services (including Energy Direct Marketing)
- O&M services[2]

EnBW AG (construction)
- Owner's engineering
- Asset management
- O&M consulting

Siemens	Volker Wessels (VBMS)	FICG[1]
EPCI: WTG/FOU	**EPCI**: IAG	**EPCI**: OSS

[1] Joint venture between Cofely Fabricom NV, Iemants NV and CG Holdings Belgium NV Systems Division
[2] Siemens Service and Availability Agreement for WTG for first 5 years

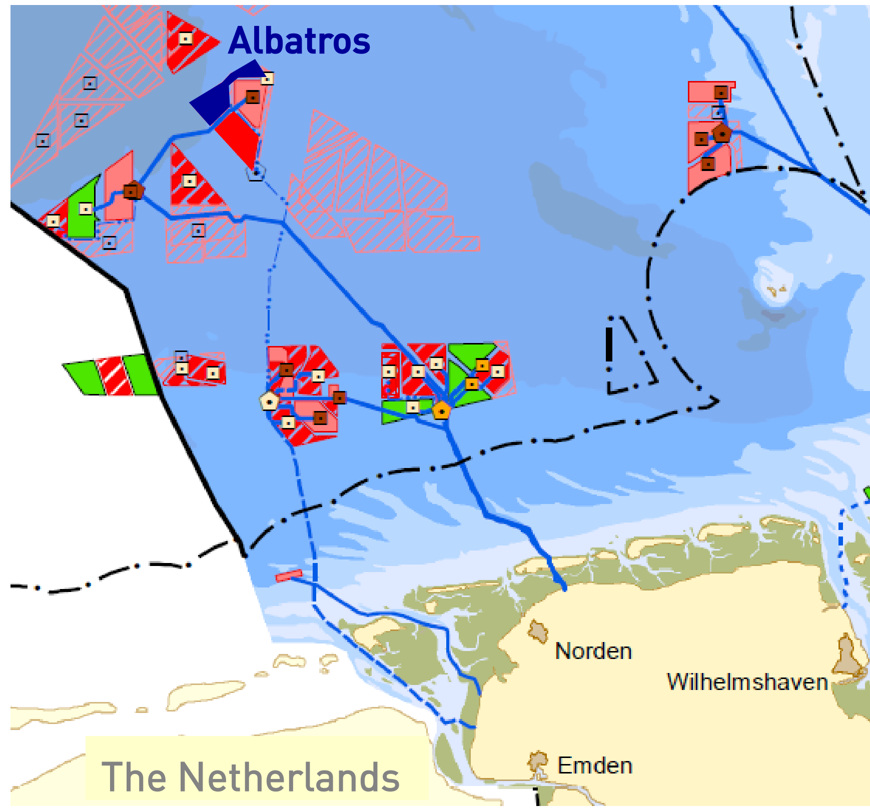
Update of business development RE
For OWF Albatros, implementation in conjunction with OWF EnBW Hohe See in advanced testing stage

Key data

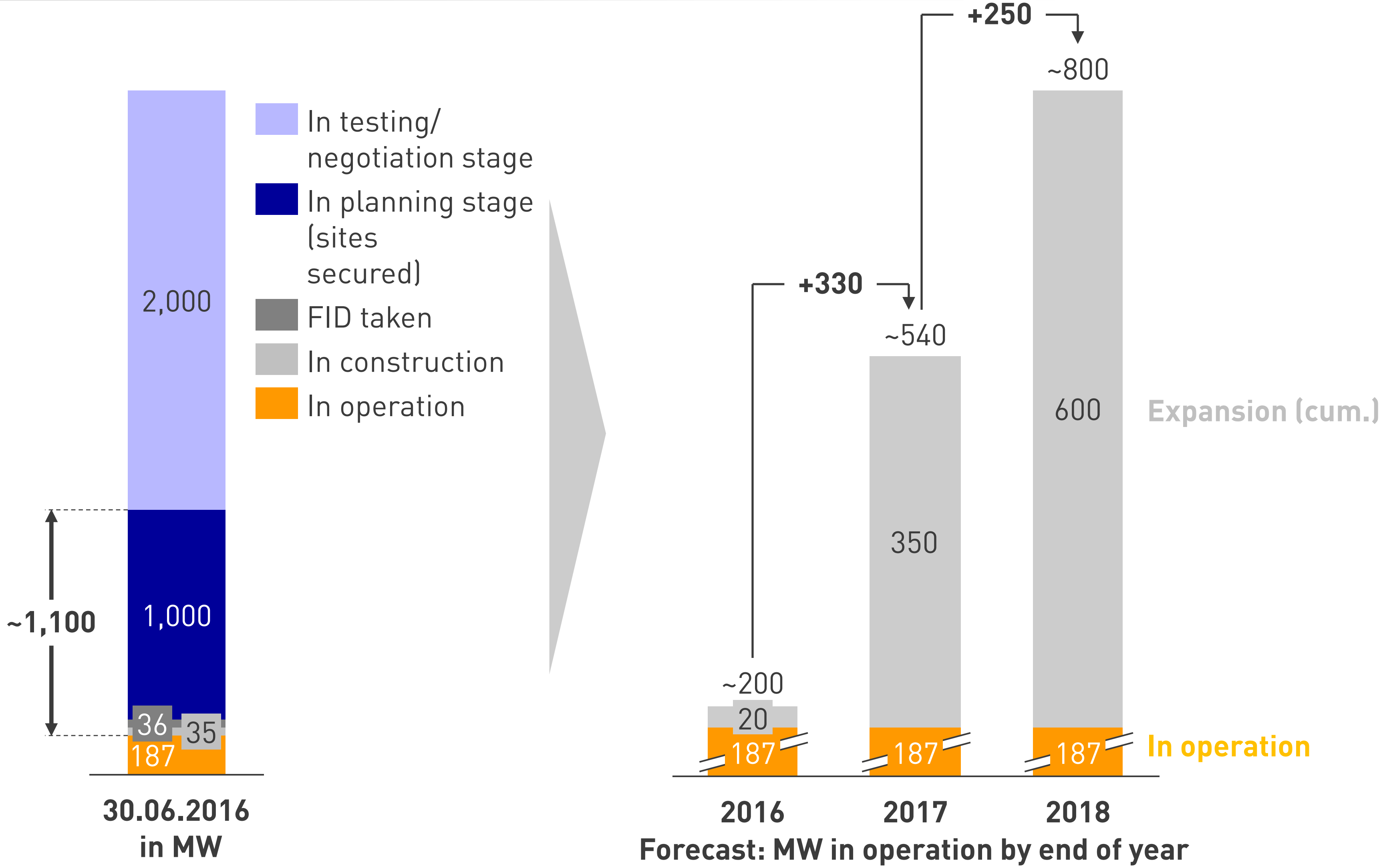
Wind turbines	16 at 7 MW each
Gross output	112 MW
Annual yield	approx. 450 GWh
Water depth	40 m
Distance	105 km
Planned FID	Q1 2017
Planned COD	December 2019

Current project status

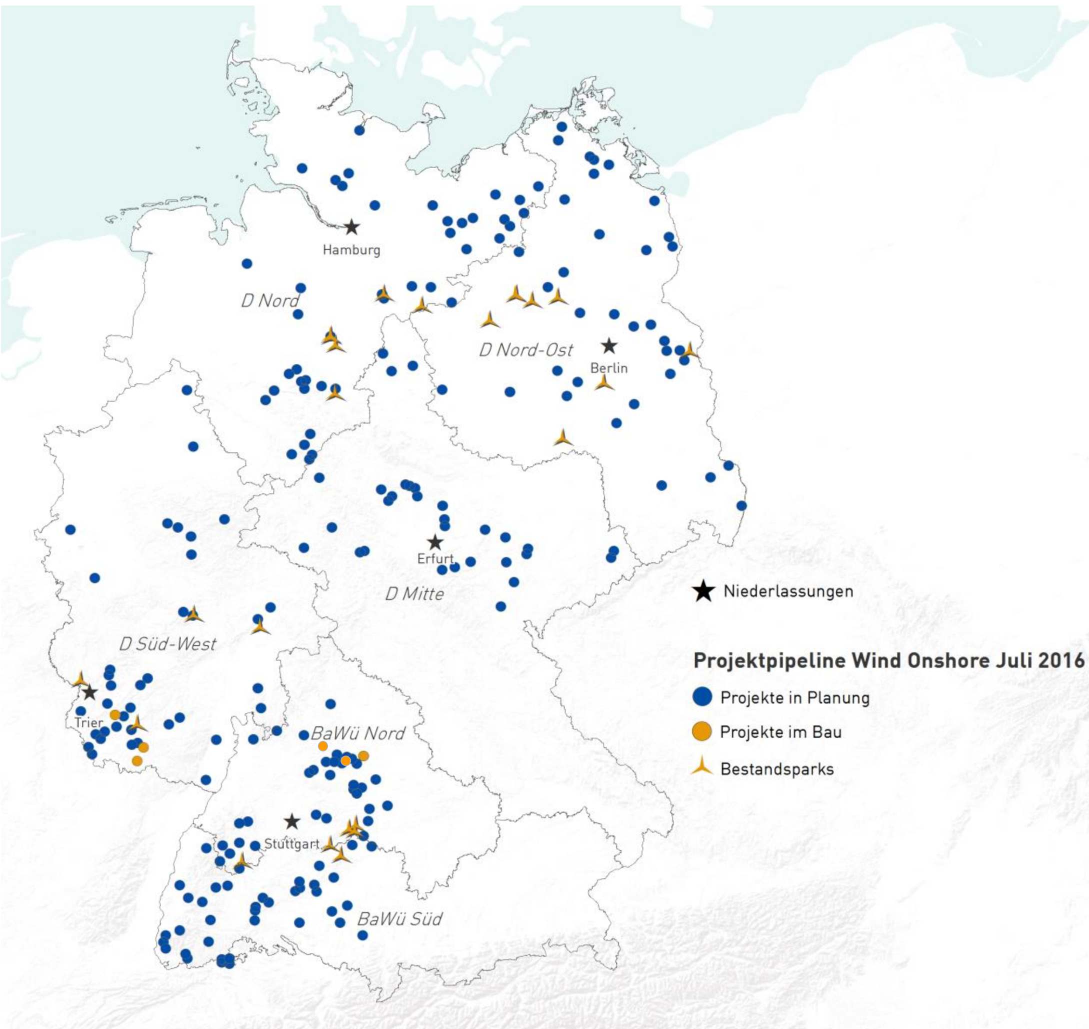
- Project acquired by EnBW in Dec 2014
- Capacity for connection to the grid ensured for 116 MW (maximum to the end of 2020)
- Realisation following OWF Hohe See in conjunction with IBN until the end of 2019 in an advanced testing stage
- Sale of a minority share (49%) planned for realisation



Update of business development RE
Onshore wind 187 MW in operation, pipeline offers solid basis for dynamic expansion from 2017



Update of business development RE
Pipeline expanded and regional presence consolidated for onshore wind



- Since 2015 **nationwide market development** through **5 project development branches** (Hamburg, Berlin, Trier, Erfurt and Stuttgart)
- Currently about **80 employees decentrally** active in project development (main focus: securing sites, wind&site)
- Expert and support functions (procurement, law, communication) provide central support from Stuttgart or Karlsruhe

Update of business development RE
Acquisition of Connected Wind Services boosts competitiveness of EnBW

- Manufacturer-independent service provider (ISP) for wind turbines and large-scale components of wind turbines (gearboxes)
- Company founded: 1987
- Headquarters: Balle (Denmark), national subsidiaries in Sweden and Germany
- ISP service portfolio: approx. 1,640 WTG (of them 270 in Germany); manufacturer: Vestas (with NEG Micon), Siemens (with AN Bonus), Fuhrländer, Senvion (with Repower), Gamesa, Suzlon
- Employees: 190 (of them 45 in Germany)
- Markets, market position: Service business in Denmark, Sweden and Germany
  #1 as ISP in Denmark and Sweden and
  #6 as ISP in Europe

Preparation for EEG2017
For auction systems, focus is on further efficiency increase (example: offshore wind)

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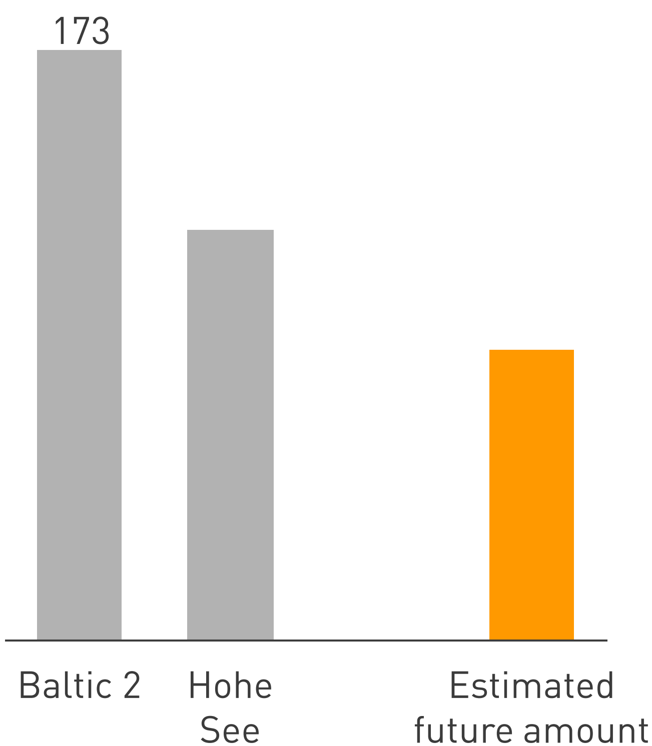
Necessary average earnings from electricity [€/MWh] to achieve the target returns:



Value drivers:

- Regulatory conditions
- Leaps in technology and decreasing costs. Examples:
  - WTG capacity 3.6 MW at Baltic 2 vs 7 MW at Hohe See and 8+ MW in current projects
- Efficiency increases, esp. in the supply chain and in O&M
- With increasing industrial maturity, assessment of project risks is adjusted
- Capital market expectation and financing strategy
- Margins

Preparation for EEG2017
Four work streams in preparation for the start of the auction in 2017 (example: onshore wind)

Onshore wind auction project

1. Target costing	2. Tenderer strategy	3. Auction process	4. Adjustment of operational processes
Defining and generating efficiency requirements for submitting competitive bidding behaviour	Developing a strategy for bidding behaviour (over several rounds of tenders) and defining validation process	Creating operational and process-related requirements for tendering capacity	Identifying repercussions for operational processes and suitable implementation

Preparation for EEG2017
Organisation in production geared towards synergies through process orientation

Generation Portfolio development

- Planning, developing
- Construction

Generation Operations

- Asset management
- Production
- O&M

Governance and support processes

- Direct marketing / trading
- Controlling
- M&A
- tbc

KPI (selection):

- MW ramp-up
- DEVEX, CAPEX targets
- HSSE (construction)

- Availability
- OPEX targets
- HSSE (operation)

Outlook: Main RE targets to the end of 2016

Offshore wind

- OWF Hohe See – sale of minority share (49%) and FID to the end of 2016
- OWP Albatros – completion of project assessment and preparation of FID (planned: Q1 2017)

Onshore wind

- Receiving approvals of at least 300 MW; FID and realisation immediately upon approval; further expansion of the pipeline
- Completing acquisition of Connected Winds Service and starting to expand to become O&M service provider for EnBW projects

PV (ground-mounted): Expansion of the project pipeline by being awarded further contracts, successive project implementation

EEG 2017: Completion of the preparatory work for ensuring our competitiveness in the new auction system

Capital Markets Day

Questions & Answers

Frankfurt, 29 September 2016

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