PRESS RELEASE

EWE: Operating result improved in the first six months of the year

New Group strategy announced for transformation and growth

- **Operating EBIT increases by approximately 12 per cent to EUR 378.3 million**
- **At EUR 385.9 million, result for the period clearly positive**
- **Financial liabilities reduced by EUR 618.2 million**

Oldenburg, Germany, 29 August 2016. EWE has got off to a successful start in the 2016 financial year. The north German energy and telecommunications service provider further stabilised its operating business in the first six months of the year and achieved improved operating earnings before interest and taxes (OEBIT) of EUR 378.3 million (previous year: EUR 338.7 million). The Group's result for the period increased significantly on the previous year and amounted to EUR 385.9 million (EUR 208.4 million). In particular, this reflected a one-off effect on its equity investments. At EUR 4.02 billion, sales declined slightly (EUR 4.21 billion). For the current financial year, EWE continues to envisage an operating EBIT figure at least at the same level as in the previous year – despite a German energy and telecommunications market which remains highly challenging.

"Despite various challenges, we have been able to improve our operating EBIT – and we remain strongly committed to this strategy," says Matthias Brückmann, Chief Executive Officer of EWE AG. "I am confident because all of the Group's operating business areas have contributed to this growth – the positive trend is intact throughout our value chain." The improvement in the OEBIT figure over the first six months of the year is primarily attributable to optimisation of energy procurement as well as higher revenue from network use charges for wheeling of electricity and natural gas. The net income realised from the sale of the Group's controlling interest in Verbundnetz Gas AG (VNG) ensured significantly higher consolidated net income for the first six months of 2016 than in the same period in the previous year. A high interest expense due to a bond buyback ahead of schedule prevented an even better result for the period.

The approximately five per cent decline in sales by comparison with the previous six months particularly reflects price cuts implemented for electricity and natural gas products, a decline in gas sales and reduced revenue from gas trading.

In relation to the Group's assets and financial position, CFO Wolfgang Mücher comments: "Through the sale of our VNG shareholding and the resulting cash inflow, we have reduced our financial liabilities ahead of time by around EUR 618 million and lowered our future interest expenses."

By comparison with the first six months of the previous year, the Group's average number of employees increased by 203 to 9,066 employees (8,863). This rise is mainly attributable to the Group's acquisition of the Turkish telecommunications company Millenicom.

EWE AG
Tirpitzstrasse 39
26122 Oldenburg

Contact:

Christian Bartsch

T: +49 441 4805 - 1811
Email: christian.bartsch@ewe.de

Outlook
EWE will continue its process of transformation on the basis of an efficient and sustainable infrastructure in the fields of electricity, natural gas, broadband and electric mobility as well as a broad range of new and traditional products and services for its customers. It should be noted that the market environment for conventional generation in particular will remain difficult, regulatory pressure will continue to increase for network business and competition for customers and market shares in energy and telecommunications sales operations will remain as intense as before.

“In this respect, we await with concern the pending decision by the German Federal Network Agency on vectoring in the immediate area,” says Brückmann, adding that “EWE submitted a binding, large-scale vectoring expansion application, intended to provide significantly more people with a fast internet connection, when the non-binding notification by Telekom was still in place. Instead of continuing to support this, with its decision the German Federal Network Agency ought to send out a clear signal that it supports sustainable supply and fair competition.”

In relation to its important overseas business in Turkey, EWE will continue to monitor political and economic developments in this country very closely. It aims to prudently maintain the involvement in Turkey which it embarked upon in 2007 and the successful growth path of its Turkish subsidiaries.

“In order to successfully respond to the various challenges in the energy and telecommunications industries, we are currently working on a new Group strategy which we will announce in the autumn of 2016,” says Brückmann. “We will thus deliver additional momentum for the process of transformation, value creation and growth.”

Group key figures

	1.1.–30.6. 2016	1.1.–30.6. 2015	Change
Group			
Sales	EUR 4,019.1 million	EUR 4,212.0 million	-4.6%
Operating EBIT	EUR 378.3 million	EUR 338.7 million	11.7%
Result for the period	EUR 385.9 million	EUR 208.4 million	85.2%
Capital expenditure (cash outflows)	EUR 196.1 million	EUR 153.2 million	28.0%
Average number of employees	9,066	8,863	2.2%
Business areas			
Renewables, Network and Gas Storage			
Sales (external)	EUR 1,061.1 million	EUR 1,048.5 million	1.2%
Operating EBIT	EUR 228.5 million	EUR 209.6 million	9.0%
Capital expenditure (cash outflows)	EUR 96.8 million	EUR 85.0 million	13.9%
Average number of employees	2,082	2,037	2.2%
Sales, Services and Trading			
Sales (external)	EUR 2,015.4 million	EUR 2,165.8 million	-6.9%
Operating EBIT	EUR 84.7 million	EUR 58.8 million	44.0%
Capital expenditure (cash outflows)	EUR 29.9 million	EUR 36.5 million	-18.1%
Average number of employees	3,218	3,198	0.6%
Overseas			
Sales (external)	EUR 389.6 million	EUR 459.0 million	-15.1%
Operating EBIT	EUR 24.0 million	EUR 22.2 million	8.1%
Capital expenditure (cash outflows)	EUR 26.2 million	EUR 9.8 million	167.3%
Average number of employees	965	828	16.5%
swb			
Sales (external)	EUR 551.8 million	EUR 537.6 million	2.6%
Operating EBIT	EUR 69.6 million	EUR 56.2 million	23.8%
Capital expenditure (cash outflows)	EUR 31.0 million	EUR 27.8 million	11.5%
Average number of employees	2,186	2,172	0.6%

Note: *Please note that the performance figures at Group level listed in the table above are not derived directly from the performance figures of the operating business areas, but also incorporate effects from the Group's corporate centre and consolidation.*

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As an innovative service provider with a regional focus, EWE is active in the business areas of energy, telecommunications and information technology. By bringing these three areas together under one roof, the company is well placed to develop and operate intelligent energy supply systems. Thanks to its range of innovative products for private and corporate customers, EWE is shaping the energy supply of tomorrow with the greatest possible sustainability, efficiency and reliability. With around 9,000 employees and sales of €8 billion in 2015, EWE is one of the largest utility companies in Germany. The company, based in Oldenburg, Lower Saxony, is primarily owned by the local government. It provides electricity to over 1.3 million customers in northwest Germany, Brandenburg and Rügen, as well as parts of Poland and Turkey and supplies gas to more than 1.7 million customers. It also provides over 600,000 customers with telecommunication services. To achieve this, the various companies in the EWE Group operate around 200,000 kilometres of energy and telecommunications networks.