PRESS RELEASE

EWE defies industry trend

Half-year results reflective of challenging business environment

- **Consolidated net income for the period falls again adjusted for non-recurring items in the previous year**
- **Operating EBIT slightly below that of previous year**
- **Capital expenditure higher in regional fibre-optic network expansion and renewable energies**

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Oldenburg, Germany, 29 August 2017. EWE fared well given the industry circumstances with sales growth of EUR 190 million to EUR 4,209.1 million for the first half of the year. Following non-recurring items in the previous year, the net income performance indicators in the interim report published today are reflective of the challenging conditions facing the domestic and overseas energy and telecommunications markets. EWE has been addressing these challenges since the start of the year with its 2026 strategy.

Consolidated net income for the period, which was boosted significantly to EUR 385.9 million in the same period of the previous year by the sale of the shares in the Leipzig-based gas company VNG AG, fell to EUR 113.9 million. The sale of the shares enabled bonds to be bought back early on the capital market, allowing the net interest expense to be clearly improved in the first half of 2017 from EUR -132.4 million to EUR -63.3 million. “We aim to utilise financial scope for ventures such as targeted investments in smaller enterprises whose expertise enables us to more quickly and more directly implement digitalised business models,” said CFO Wolfgang Mücher.

As previously announced upon the publication of the Integrated Report 2016, EWE expects operating EBIT to fall by between 10 and 20 per cent for the current 2017 financial year due to non-recurring items no longer being applicable. Accordingly and as expected, the operating EBIT of EUR 333.4 million for the first half of the year was below the value of the same period in the previous year (EUR 378.3 million).

The increase in Group capital expenditure of just under EUR 24 million in the first half of the year was partly due to the investment in Trianel Windpark Borkum II – to date the third offshore wind farm that EWE has established with various partners – as well as the expansion of fibre-optic networks to residential buildings and houses (FTTB/FTTH). “Our decision to conduct a large-scale expansion of the fibre-optic networks over the coming years with capital expenditure of over EUR 1.2 billion is the right step at the right time,” said Michael Heidkamp, CSO of EWE AG. “This allows us to establish our own sustainable infrastructure and lay the foundations for digitalisation in northwest Germany.”

The operating EBIT of the foreign operations in Turkey and Poland remained at the previous year’s level of EUR 23.6 million in the first half of the year. Even though customer numbers and natural gas sales continued to rise, sales fell due to the decline of the Turkish lira. The share of foreign operations in the EWE Group’s total sales as at the mid-year point therefore came to 8.5 per cent as against 9.7 per cent in the first half of the previous year. “Over the past ten years, EWE has developed economically viable enterprises in Turkey, which are staffed with a

highly-motivated workforce and are capable of developing investments on their own strength," said Wolfgang Mücher, CFO of EWE AG. "That being said, we have observed and noticed the elevated risks of our investment, which is why we are actively monitoring the latest developments and coordinating closely with our local authority shareholders."

By comparison with the first six months of the previous year, the EWE Group's average number of employees increased by 40 to 9,106 employees. The growth is primarily the result of the investment in renewable energies and of the expansion of electricity sales operations in Turkey.

"We are reshaping our business to make it fit for the future"
The energy landscape will be extensively decentralised, and access to the customer is a key factor that will decide the success of this. Digitalisation has already caused a fundamental shift in customer behaviour, and also in the culture and organisation of businesses, the form of services and the value structures and business models. "We are convinced that there will be a fusion of different markets and products over time in the future – especially electricity, heat, telecommunications, IT and mobility," explained Michael Heidkamp. "We will therefore continue to future-proof our business and operations in line with our 2026 strategy. These are challenges that will keep us very busy in the coming years," he continued. "Moreover, we are focusing on developing our compliance activities further so as to ensure that the existing rules and regulations are being strictly followed. We have implemented Group-wide measures for this, such as mandatory training, and we will launch new measures, as well. This guarantees that we continually live up to the high trust that our customers, partners and the public put in us." "EWE is very aware of its responsibility to the region," added Wolfgang Mücher. "This is why we are making every effort to strengthen EWE's good reputation as an important and forward-looking enterprise in the long run."

Selected key figures for the EWE Group see below.
The 2017 Interim Report is available to download from ewe.com.

Publication date: The Integrated Report on the full 2017 financial year will be published on 27 April 2018.

EWE is an innovative service provider active in the business areas of energy, telecommunications and information technology. The Group is pooling its expertise in these areas in order to build the best energy supply system for the future by 2026 and to offer its customers optimum solutions. EWE focuses on profitable partnerships and seizes opportunities that arise in new markets and as a result of digitisation. With around 9,000 employees and sales of EUR 7.6 billion in 2016, 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 natural gas to almost 1.8 million customers. It also provides over 780,000 customers with telecommunications services. To achieve this, the various companies in the EWE Group operate around 205,000 kilometres of energy and telecommunications networks. The accelerated expansion of fibre optics as resolved in 2016 is a key success factor for the Group's development into the leading utility company in northern Germany. More information on EWE can be found at www.ewe.com.

Selected key figures for the EWE Group

	1 January – 30 June 2017	1 January – 30 June 2016	Change in %
Group			
Sales	EUR 4,209.1 million	EUR 4,019.1 million	4.7 %
Operating EBIT	EUR 333.4 million	EUR 378.3 million	-11.9 %
Result for the period	EUR 113.9 million	EUR 385.9 million	-70.5 %
Capital expenditure (cash outflows)	EUR 219.7 million	EUR 196.1 million	12.0 %
Average number of employees	9,106	9,066	0.5 %
Renewables, Network and Gas Storage			
Sales (external)	EUR 1,094.7 million	EUR 1,061.2 million	3.2 %
Operating EBIT	EUR 224.5 million	EUR 228.5 million	-1.8 %
Capital expenditure (cash outflows)	EUR 135.6 million	EUR 96.8 million	40.1 %
Average number of employees	2,099	2,082	0.8 %
Sales, Services and Trading			
Sales (external)	EUR 2,210.7 million	EUR 2,015.4 million	9.7 %
Operating EBIT	EUR 58.3 million	EUR 84.7 million	-31.2 %
Capital expenditure (cash outflows)	EUR 27.6 million	EUR 29.9 million	-7.7 %
Average number of employees	3,230	3,218	0.4 %
Overseas			
Sales (external)	EUR 358.6 million	EUR 389.6 million	-8.0 %
Operating EBIT	EUR 23.6 million	EUR 24.0 million	-1.7 %
Capital expenditure (cash outflows)	EUR 8.1 million	EUR 26.2 million	-69.1 %
Average number of employees	1,007	965	4.3 %
swb			
Sales (external)	EUR 544.6 million	EUR 551.8 million	-1.3 %
Operating EBIT	EUR 53.5 million	EUR 69.6 million	-23.1 %
Capital expenditure (cash outflows)	EUR 32.0 million	EUR 31.0 million	3.2 %
Average number of employees	2,170	2,186	-0.7 %

Note: *Please note that the consolidated performance figures listed in the table 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.*