Forecast

In our forecast we take a look, as far as possible, at the expected future growth and development of EnBW in the years 2019 to 2021.

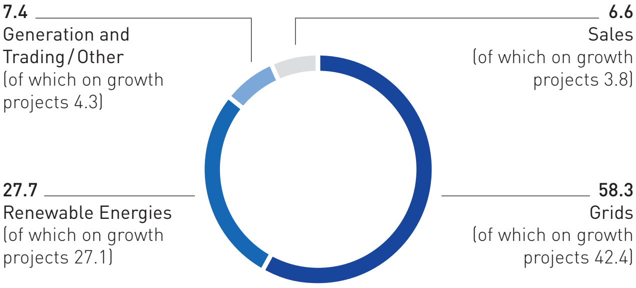
The expected economic, political and regulatory conditions are presented in the chapter "General conditions" (p. 72 ff.). Potential factors influencing the forecast are described in detail in the report on opportunities and risks" (p. 114 ff.).

Expected trends in the finance and strategy goal dimensions

Investment over a three-year period

In order to continue to play an active role in shaping the Energiewende, **total investment** of €6.4 billion is planned for the 2019 to 2021 period. This represents on average €2.1 billion per year. Some €1.4 billion (22%) of this investment will be on existing projects and €5.0 billion (78%) on growth projects. The majority of the total investment will be made in the regulated business (Renewable Energies and Grids).

Total investment 2019–2021
in %



Around 58% of the investment will flow into the **Grids** segment, of which around 42% will be for growth projects and 16% for existing projects. In order to make the transport of renewable energies from the north to the south of Germany possible, funds have been allocated to the transmission grid for the realisation of two HVDC projects ULTRANET and SuedLink that involve our subsidiary TransnetBW and are part of the Network Development Plan (Glossary, p. 154). In addition, extensive investment in the expansion and upgrading of the existing grids is planned.

Around 28% of the total investment will be attributable to the **Renewable Energies** segment – of which 27% will be for growth investment. This includes funds for the realisation of the offshore wind farms EnBW Hohe See and EnBW Albatros with a total output of 609 MW, which should be placed into operation in 2019. In addition, funds have been allocated for the construction of onshore wind farms to achieve the 1,000 MW target by 2020 and for solar parks from our comprehensive project pipeline (p. 50).

Around 7% of the investment will be attributable to the **Sales** segment, split about 50/50 between growth and existing investment. The growth investment is mainly intended for the expansion of electromobility, as well as for the development of energy solutions.

Around 7% of the total investment will be attributable to the **Generation and Trading** segment and **Other**. Growth investment will account for a little more than half of this amount. This mainly comprises investment relating to the invitation to tender for special technical equipment for grids.

This investment programme of the EnBW Group thus reflects our strategy for expanding renewable energies and ensuring security of supply in the regulated areas of the transmission and distribution grids.

It is expected that the target set in the EnBW 2020 strategy of making gross investment of around €14 billion in the period 2012 to 2020 (based on the reference year of 2012) will be exceeded by around €2 billion (p. 49).

In order to finance the entire investment volume of around €6.4 billion, **divestitures** amounting to almost €1 billion are planned in the years 2019 to 2021. This includes divestitures in the onshore sector, which will build on our already realised participation models. The remaining divestitures will involve the receipt of construction cost subsidies and the disposal of the remaining minority share in EWE.

It is expected that the target set in the EnBW 2020 strategy of €5.1 billion in divestitures (based on the reference year of 2012) will be slightly exceeded because divestitures of around €4.4 billion were already realised by the end of 2018 and divestitures of almost €1 billion are still planned (p. 49).

The balance from gross investment and divestitures gives the **net investment**, which is €5.4 billion or €1.8 billion on average per year. The net investment will be fully financed from the company's own funds.

TOP Adjusted EBITDA and the TOP share of adjusted EBITDA accounted for by the segments

Development in 2019 (adjusted EBITDA and the share of adjusted EBITDA accounted for by the segments) compared to the previous year

	Earnings performance (adjusted EBITDA) compared to the previous year		Development of the share of adjusted EBITDA for the EnBW Group accounted for by the segments	
	2019	2018	2019	2018
Sales	€225 to €300 million	€270.6 million	5% to 15%	12.5%
Grids	€1,300 to €1,400 million	€1,176.9 million	50% to 60%	54.5%
Renewable Energies	€425 to €500 million	€297.7 million	15% to 25%	13.8%
Generation and Trading	€350 to €425 million	€428.6 million	10% to 20%	19.9%
Other/Consolidation		€-16.3 million		-0.7%
Adjusted EBITDA, Group	**€2,350 to €2,500 million**	**€2,157.5 million**		**100.0%**

The presentation of the earnings performance (adjusted EBITDA) has been adjusted compared to the previous year to focus on the ongoing transformation of the portfolio at EnBW to a greater extent. The forecasted range for the earnings performance will now be presented in € million instead of as a percentage change.

In the **Sales** segment, we expect earnings in 2019 at the same level as in the previous year. Therefore, we expect a stable share of the adjusted EBITDA for the Group accounted for by this segment.

The adjusted EBITDA for the **Grids** segment will increase further in 2019. It will thus continue to be the segment with the highest earnings. In comparison to the previous year, we expect higher revenue from the use of the grids as we start to see returns on the increased investment activity in projects that are included in the Network Development Plan Electricity and Network Development Plan Gas. The share of the adjusted EBITDA for the Group accounted for by this segment is expected to remain stable.

The adjusted EBITDA for the **Renewable Energies** segment will increase significantly in 2019. In the offshore wind sector, this will be due to the planned commissioning of our offshore wind farms EnBW Hohe See and EnBW Albatros. In addition, the expansion and acquisition of onshore wind farms in 2018 and those planned in 2019, including in Sweden, will make a positive contribution to earnings. The forecast for the volume of electricity generated by the run-of-river power plants is based on the long-term average water levels. The wind-yield forecasts are also based on the long-term average. As 2018 was negatively influenced by poor wind conditions and low water levels, we expect a significantly higher result in 2019 in comparison to the previous year. We expect an increase in the share of the adjusted EBITDA for the Group accounted for by this segment.

The adjusted EBITDA for the **Generation and Trading** segment in 2019 is not expected to exceed the figure achieved in the previous year. In comparison to the previous year, we anticipate lower out-of-period earnings which will mainly be attributable to the clarification of open issues relating to electricity procurement agreements that were recognised through profit or loss in 2018. The loss of the earnings contribution made by VNG Norge AS and its subsidiary VNG Danmark ApS due to their sale in 2018 will also result in a fall in earnings. This will be offset to some extent by the fact that negative effect of the extension to the inspection of Block 2 of the Neckarwestheim nuclear power plant (GKN II) in 2018 has come to an end. We expect a slight decrease in the share of the adjusted EBITDA for the Group accounted for by this segment.

The **adjusted EBITDA** for the EnBW Group in 2019 will increase further and be between €2,350 million and €2,500 million. This will be due primarily to the areas of growth in the Grids and Renewable Energies segments. In addition, we anticipate that our efficiency target will be achieved early in 2019 with an effect to the amount of €650 million. We also expect a further increase in adjusted EBITDA for the Group in 2020, which will be supported above all by the year-round earnings contribution from the EnBW Hohe See and EnBW Albatros offshore wind farms. This means that we will not only achieve the strategic target for adjusted EBITDA in 2020 of €2.4 billion, but we even expect to exceed it.

The **EBITDA** in 2019 and 2020 will develop in line with the adjusted EBITDA. We do not make any forecasts relating to material non-operating effects.

The **EBT** relevant to remuneration will be between €850 to €950 million in 2019 as a result of the rise in adjusted EBITDA and will thus increase substantially in comparison to the previous year. A further increase in EBT is expected in 2020. The accuracy of the forecast for EBT is, however, still dependent on other exogenous factors that cannot be planned for, such as impairment losses, the reversal of impairment losses or impending losses for onerous contracts for electricity procurement agreements.

Assuming an adjusted EBITDA in the range of €2,350 million to €2,500 million, we expect to achieve an adjusted **retained cash flow** (p. 89) of between €1.3 billion and €1.4 billion. This includes an increase of €245 million from the reimbursement of the nuclear fuel rod tax. Adjusted for this effect and the anticipated dividend payment of around €320 million (including payments from investments to third parties), we expect an FFO of between €1.4 billion and €1.5 billion despite high income tax payments. A further increase in the adjusted retained cash flow is expected in 2020, which will be primarily attributable to the expected increase in the adjusted EBITDA.

TOP Internal financing capability

Key performance indicator

	2019	2018
Internal financing capability in %	≥ 85	93.2

The internal financing capability will, as communicated, lie above 100% for the whole period from 2017 to 2020. However, it is possible that the internal financing capability may fall below 100% temporarily in individual years. We expect an internal financing capability in 2019 of ≥ 85% due to the fact that the fast growing investment volume for our EnBW Hohe See and EnBW Albatros offshore wind farms and for projects contained in the network development plans will only be partially covered by the increasing adjusted EBITDA. As things currently stand, we expect an internal financing capability of ≥ 100% once again in 2020.

TOP ROCE

Key performance indicator

	2019	2018
ROCE in %	6.0–7.0	6.5

In the 2019 financial year, ROCE is expected to remain at the same level as in the previous year and thus be between 6.0% and 7.0%. In general, investments tend to lead at first to a fall in ROCE due to a low initial contribution to earnings. In accordance with our strategy, we also expect a high volume of investment with a further increase in earnings in subsequent years. After the commissioning of our offshore wind farms EnBW Hohe See and EnBW Albatros, we expect the ROCE to start increasing again from 2020. An increasing adjusted EBIT due to the growth in the adjusted EBITDA will be offset by a significantly higher capital employed due to planned investment.

The **ROA** will develop in line with the ROCE. In 2019, the ROA is expected to be between 4.5% and 5.5%, while we anticipate that it will increase in 2020 compared to 2019 as things currently stand.

Expected trends in the customers and society goal dimension

Key performance indicators

	2019	2018
Reputation Index	54.1	51.3
Customer Satisfaction Index for EnBW/Yello	114–141 / 148–159	120 / 152
SAIDI (electricity) in min./year	15–20	17

TOP Reputation Index

EnBW will strive to noticeably improve its reputation continuously over the next few years, even if a decrease was recorded in 2018. The Reputation Index is an important non-financial performance indicator because this index value is influenced by a whole series of factors that are important to the future viability of our company. The existing reputation management department and the stakeholder team at EnBW that was newly established in 2017 recommend measures for optimising the reputation of the company.

TOP Customer Satisfaction Index

We continue to expect a high level of competitive pressure in 2019 both from direct competitors within the energy industry and to an increasing extent competitors from other sectors that have already entered the energy market or will do so shortly. In addition, exogenous factors could negatively impact customer satisfaction more and more in the future, such as discussions about the future of coal-fired power generation, the development of state levies, increasing costs or delays to the expansion of the grids. To improve the satisfaction of our customers, we are thus also expanding our range of sustainable energy industry services and energy solutions and targeting our sales activities in this direction in 2019. We will combine traditional energy products (electricity and gas) with more household and energy-related products in future, to offer our customers a range of "ecosystem solutions". Using our new digital skills, we will continue to create up-to-date, convincing and tailor-made customer experiences of the highest quality. On this basis, we are striving to achieve an index value of between 114 and 141 points in the 2019 financial year.

We also want to maintain the satisfaction of Yello customers at a high level in 2019. Following the successfully completed system migration in 2018, Yello has further expanded its range of digital services and will be able to align the product portfolio even better to the requirements of its customers in future. In addition, Yello has had a new marketing campaign both on TV and online since January 2019. On this basis, we are striving to achieve an index value of between 148 and 159 points in the 2019 financial year.

TOP SAIDI

The grid subsidiaries of EnBW have always ensured a highly reliable supply throughout their grid area and for their customers. The corresponding key performance indicator SAIDI, which states the average duration of supply interruptions per connected customer per year, stood at 17 minutes in 2018. We are striving to achieve a value of between 15 and 20 minutes in the 2019 financial year and subsequent years.

Expected trends in the employees goal dimension

Key performance indicators

	2019	2018
Employee Commitment Index (ECI) [1]	63	62
LTIF [2]	< 3.7 [3]	2.3

1 Variations in the group of consolidated companies (consideration of companies controlled by the Group [without ITOs]).
2 Variations in the group of consolidated companies (consideration of all employees at those companies controlled by the Group, except external agency workers and contractors).
3 Three-year target for 2017, 2018 and 2019.

TOP Employee Commitment Index

The Employee Commitment Index (ECI) increased from 60 to 62 points in 2018. The implementation of the 2020 strategy is well on track and the perception of the competitiveness and future viability of the Group has significantly improved once again. Overall, employee commitment is at a very satisfactory level. Therefore, EnBW has set itself the target of maintaining this level in 2019 and further increasing the ECI to 63 points.

TOP LTIF

Our goal is to continuously improve occupational safety within the company for both our own and third-party employees. Therefore, EnBW has implemented numerous accident prevention measures. In 2019, we are striving to once again keep the value for this key performance indicator for occupational safety below the three-year target. The main focus will be placed on the roll-out of the new Quentic software and a heightened awareness for unsafe situations and conditions. Consistent reporting of these types of occurrences and communication amongst employees about hazardous situations will help EnBW to increase the awareness of employees. EnBW intends to lower the LTIF in small steps in the long term.

Further significant developments

In view of the difficult conditions, it will be important over the coming years to realise further improvements in efficiency across the entire company. There will be a moderate increase in the number of employees in the Renewable Energies and Grids segments as part of the repositioning of our business portfolio. This will be offset by further measures to optimise processes across the entire company with a focus on the functional units, sales and operations of EnBW AG and in the area of thermal power plants.

Expected trends in the environment goal dimension

Key performance indicators

	2019	2018
Installed output of RE in GW and the share of the generation capacity accounted for by RE in %	4.4–4.5/31–32	3.7/27.9
CO_2 intensity in g/kWh	-10% to 0%	553

TOP Installed output of renewable energies (RE) and the share of the generation capacity accounted for by RE

The installed output of renewable energies in 2019 is expected to increase by between 700 and 800 MW, primarily as a result of the commissioning of the EnBW Hohe See (497 MW) and EnBW Albatros (112 MW) offshore wind farms in the North Sea. As a result, the share of the generation capacity of the Group accounted for by renewable energies will increase appreciably. In subsequent years, we also expect a continuous increase in the installed output of renewable energies. This will also increase the share of the generation capacity accounted for by RE further.

TOP CO_2 intensity

In 2019, we expect an increase in own electricity generation from renewable energy sources due to the further expansion of renewable energies. We also expect the continued good availability of our highly efficient hard coal power plants this year. Important factors for uncertainty in the 2019 forecast include the volatility of the wind and water supplies, the further development of the clean dark spread (Glossary, p. 152) and the utilisation of the power plants for redispatch. We anticipate a positive development overall and expect a reduction in the CO_2 intensity (Glossary, p. 152) of between -10% and 0% in 2019 in comparison to the 2018 reporting year. In the next few years, we expect that the CO_2 intensity will continue to reduce gradually.

Overall assessment of anticipated developments by the management

We expect an increase in adjusted EBITDA for the Group in 2019 compared to 2018. The shift in earnings between the segments laid out in our strategy will continue in 2019. We are well on the way to achieving our 2020 targets at a Group and segment level. We are adhering to the implementation of our divestiture programme and are able to continue to make sufficient investment funds available to enable us to play an active role in shaping the Energiewende. This also supports our aim to maintain a solid investment-grade rating (Glossary, p. 154). With respect to our non-financial key performance indicators, we expect a stable to positive development in 2019 towards our 2020 targets.