Forecast

In our forecast we take a look, insofar as is possible, at the expected future growth and development of EnBW in the years 2020 to 2022.

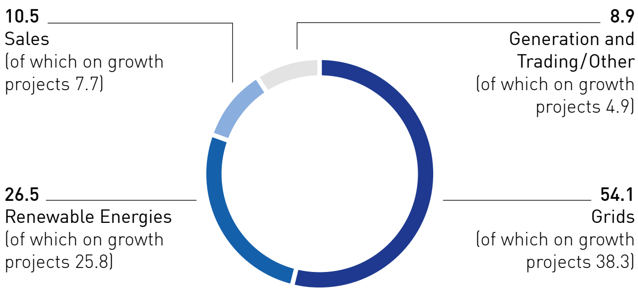
The expected economic, political and regulatory conditions are presented in the chapter "General conditions" (p. 62 ff.). Potential factors influencing the forecast are described in detail in the "Report on opportunities and risks" (p. 100 ff.).

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 €7.0 billion is planned for the 2020 to 2022 period. This represents on average €2.3 billion per year. €1.6 billion (23%) of this investment will be on existing projects and €5.4 billion (77%) on growth projects. The majority of the total investment will be made in the regulated business (Renewable Energies and Grids).

Total investment 2020–2022
in %



Around 54% of the investment will flow into the **Grids** segment, of which around 38% 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 the two HVDC projects (Glossary, from p. 139) ULTRANET and SuedLink that involve our subsidiary TransnetBW and are part of the Network Development Plan (Glossary, from p. 139). In addition, extensive investment in the expansion and upgrading of the existing grids is planned.

Around 27% of the total investment will be attributable to the **Renewable Energies** segment – of which 26% will be for growth investment. This includes funds for the realisation of further offshore wind farms after 2019. In addition, funds have been allocated for the construction of onshore wind farms both at home and abroad to achieve the 1,000 MW target by 2020 and for solar parks (including three large photovoltaic parks with a total output of around 460 MW) from our comprehensive project pipeline (p. 42).

Around 11% of the investment will be attributable to the **Sales** segment, of which approximately 8% will be for growth investment. This growth investment is mainly intended for the expansion of electromobility, as well as for the development of energy solutions.

Around 9% 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 accepted bid for the construction of a gas turbine power plant in Marbach am Neckar as special technical equipment for grids.

The 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.

In order to finance the entire investment volume of around €7.0 billion, **divestitures** amounting to almost €0.7 billion are planned in the years 2020 to 2022. This includes divestitures in the onshore and photovoltaic sectors, which will build on our already realised participation models. The remaining divestitures will involve the receipt of construction cost subsidies and the participation model "EnBW connects". This local authority participation model is currently attracting a great deal of interest from local authorities (p. 82).

The balance of gross investment and divestitures gives the net investment, which is €6.3 billion or €2.1 billion on average per year.

It is expected that the target set in the EnBW 2020 strategy of making a gross investment of €14.1 billion in the period 2012 to 2020 (based on the reference year of 2012) (p. 41) will be exceeded by around €3 billion.

In view of the around €5.1 billion in already realised divestitures by the end of 2019 and the divestitures planned for 2020, we expect that the target set in the EnBW 2020 strategy of €5.1 billion in divestitures (based on the reference year of 2012) (p. 41) will be slightly exceeded.

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

Development in 2020 (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	
	2020	2019	2020	2019
Sales	€325 to €400 million	€294.3 million	10% to 15%	12.1%
Grids	€1,300 to €1,400 million	€1,311.2 million	40% to 55%	53.9%
Renewable Energies	€825 to €925 million	€482.8 million	25% to 35%	19.8%
Generation and Trading	€425 to €500 million	€383.8 million	10% to 20%	15.8%
Other/Consolidation		€-39.6 million		-1.6%
Total	**€2,750 to €2,900 million**	**€2,432.5 million**		**100.0%**

In the **Sales** segment, we expect an adjusted EBITDA in 2020 above the level in the previous year. This development will be due to increased earnings from the area of telecommunications as a result of the acquisition of Plusnet in the 2019 financial year, as well as to efficiencies related to the introduction of a new billing system. 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 in 2020 is set to reach the same level as the 2019 financial year and it will thus continue to be the segment with the highest earnings. Revenue from the use of the grids which will come from returns on the increased investment activity in projects that are included in the Network Development Plan Electricity and Network Development Plan Gas (Glossary, from p. 139) is expected to remain stable in comparison to the previous year. We expect a stable or decreasing share of the adjusted EBITDA for the Group accounted for by this segment.

The adjusted EBITDA for the **Renewable Energies** segment will increase significantly in 2020. Our offshore wind farms EnBW Hohe See and EnBW Albatros – which were commissioned in autumn 2019 and at the beginning of 2020, respectively – will make full-year earnings contributions. In addition, the expansion and acquisition of onshore wind farms and photovoltaic power plants realised during the course of 2019 and planned in 2020 will make a positive contribution to earnings. Our forecasts are generally based on wind yields that correspond to the long-term average. As the wind conditions were slightly below the long-term average in 2019, this will result in slightly higher earnings in 2020 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.

In the **Generation and Trading** segment, we expect an adjusted EBITDA in 2020 above the level in the previous year. We sold our electricity deliveries for 2020 on the forward market at higher wholesale market prices than in the previous year (Glossary, from p. 139). This will be offset to some extent by the decommissioning of Block 2 of our Philippsburg nuclear power plant. The share of the adjusted EBITDA for the Group accounted for by this segment should remain stable.

In Other/Consolidation, an adjustment to the management concept in connection with the reorganisation of the SAP system will have an effect in the 2020 financial year in comparison to the previous year. The expenses for the Group functions will no longer be split between the operating segments. This will have a positive effect on the adjusted EBITDA in all segments.

The **adjusted EBITDA** for the EnBW Group in 2020 will increase further and be between €2.75 billion and €2.9 billion. Earnings will thus lie between €350 million and €500 million above the strategic target value. We expect a slight increase in adjusted EBITDA for the Group in 2021 in comparison to 2020. This will be due to a constant increase in earnings in all segments.

The **EBITDA** in 2020 and 2021 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 is expected to be between €1.05 billion and €1.15 billion in 2020 as a result of the rise in adjusted EBITDA and will thus increase in comparison to the previous year. A further slight increase in EBT is expected in 2021. 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 €2.75 billion to €2.9 billion, we expect to achieve an **adjusted retained cash flow** (p. 78) of between €1.9 billion and €2.0 billion. This includes an increase of €245 million from the reimbursement of the nuclear fuel rod tax (Glossary, from p. 139). Adjusted for this effect, the anticipated dividend payment of around €340 million (including payments from investments to third parties) and the income tax payments, we expect an FFO of between €2.2 billion and €2.3 billion. The adjusted retained cash flow is expected to fall in 2021 in comparison to 2020, which will be primarily due to the elimination of the adjustment for the repayment of the nuclear fuel rod tax.

TOP Internal financing capability

Key performance indicator

	2020	2019
Internal financing capability in %	around 100	82.6

We expect an internal financing capability in 2020 of around 100% because planned net investment and the adjusted retained cash flow will be at a comparable level. We continue to strive to maintain an internal financing capability of around 100% for the period from 2017 to 2020. However, it is possible that the internal financing capability may fall below 100% in individual years. Following the transition to the growth strategy, the key performance indicator internal financing capability will be replaced by the new key performance indicator debt repayment potential from 2021 on.

TOP ROCE

Key performance indicator

	2020	2019
ROCE in %	5.5–6.0	5.2

In the 2020 financial year, ROCE is expected to be above the level in the previous year and at between 5.5% and 6.0%. In general, investments tend to lead at first to a fall in ROCE due to a low initial contribution to earnings. Investment in our offshore wind farm EnBW Hohe See and the acquisition of Valeco and Plusnet had a strong negative impact on ROCE in 2019. The ROCE is expected to recover in 2021. The forecast for the ROCE in 2020 is below the stated strategic target for 2020 due to higher capital employed – in comparison to the strategy – but without a corresponding increase in EBIT. The capital employed is significantly higher due to an increase in the cumulative investment volume (€3.0 billion) and the revaluation of EnBW Hohe See. Alongside a lower weighted average cost of capital (WACC) compared to 2012, increased impairment losses on additional investments, a significant fall in the discount rate for the nuclear provisions and the revaluation of EnBW Hohe See have a negative impact on EBIT.

The ROA will develop in line with the ROCE. In 2020, the ROA is expected to be between 5.2% and 6.2%, while we anticipate that it will increase slightly in 2021 compared to 2020 as things currently stand.

Expected trends in the customers and society goal dimension

Key performance indicators

	2020	2019
Reputation Index	55.4	52.8
Customer Satisfaction Index for EnBW/Yello	114–136/ 148–159	116/157
SAIDI (electricity) in min./year	15–20	15

TOP Reputation Index

EnBW will strive to noticeably improve its reputation continuously over the next few years. 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 can recommend measures for optimising the reputation of the company.

TOP Customer Satisfaction Index

We also continue to expect a high level of competitive pressure in 2020 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, the proposed gradual increase in CO_2 prices up to 2023 included in the German government's climate action package, increasing costs or delays to the expansion of the grids. To improve the satisfaction of our customers, we are also expanding our range of sustainable energy industry services and energy solutions and targeting our sales activities in this direction in 2020. We will combine traditional energy products (electricity and gas) with household and energy-related products to offer our customers a range of "ecosystem solutions". One example is an EnBW mobility+ offer that bundles an electric car with a green electricity tariff, a charging box for the home and other e-mobility services. On the basis of the goals described above, we are striving to achieve a Customer Satisfaction Index for EnBW of between 114 and 136 points in the 2020 financial year.

The aim is to continue to keep the index value for the satisfaction of Yello customers within our forecast. Therefore, there will be a greater focus on the expansion of personalised customer contact and customised offers in 2020. In addition, new electricity and gas products, more content in the Yello Magazine and the further development of digital services should increase the attractiveness of the Yello portfolio even more. On this basis, we are striving to achieve an index value for Yello of between 148 and 159 points in the 2020 financial year – as in the previous year.

It is anticipated that we will not fully achieve the target values in 2020 that were defined in our EnBW 2020 strategy for a Customer Satisfaction Index of >136 for EnBW and >159 for Yello. We believe that the main reason for this is that climate protection measures have made the consumption of energy increasingly expensive for customers. Despite the fact that we have developed new skills, offers and services in this area, this has negatively impacted the perception of the energy sector overall.

TOP SAIDI

The grid subsidiaries of EnBW have always achieved 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 15 minutes in 2019. We are striving to achieve a value of between 15 and 20 minutes in the 2020 financial year and subsequent years.

Expected trends in the employees goal dimension

Key performance indicators

	2020	2019
Employee Commitment Index (ECI)[1]	≥66	66
LTIF for companies controlled by the Group[2]	≤2.1	2.1
LTIF overall[3]	≤3.8	3.8

1 Variations in the group of consolidated companies (all companies with more than 100 employees are generally considered (except ITOs)).
2 Variations in the group of consolidated companies (all companies with more than 100 employees are generally considered except for companies in the area of waste management as well as external agency workers and contractors).
3 Variations in the group of consolidated companies (all companies with more than 100 employees are generally considered except for external agency workers and contractors).

TOP Employee Commitment Index

The Employee Commitment Index (ECI) reached 66 points and thus clearly exceeded the target we set for 2019 of 63 points. In 2020, we have set ourselves the goal of maintaining this high level and matching at least the level achieved in 2019. We anticipate that we will achieve or even exceed the target value defined in the EnBW 2020 strategy for 2020 of 65 points.

TOP LTIF

We are committed to our goal of continuously improving occupational safety within the company for both our own employees and third-party employees who carry out work on behalf of EnBW. Therefore, we have implemented numerous accident prevention measures. The main focus of our measures will be placed on the roll-out of the new Quentic software as well as a heightened awareness for unsafe situations and conditions. Consistent reporting of these types of occurrences and communication amongst employees about hazardous situations will help us to increase the awareness of employees. We intend to continuously reduce the LTIF for companies controlled by the Group and LTIF overall.

Expected trends in the environment goal dimension

Key performance indicators

	2020	2019
Installed output of RE in GW and the share of the generation capacity accounted for by RE in %	5.0/>40	4.4/31.8
CO_2 intensity in g/kWh	16%–23%	419

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

The installed output of renewable energies will increase to 5 GW in 2020, which will primarily be due to the EnBW Albatros offshore wind farm that was placed into operation at the beginning of 2020 and the Weesow-Willmersdorf solar park that is currently being realised. In addition, there are plans to further expand onshore wind and photovoltaic power plants. As a result, and also because of the shutdown of Block 2 of the Philippsburg nuclear power plant, the share of the generation capacity of the Group accounted for by renewable energies will increase. 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 2020, we expect an increase in own electricity generation from renewable energy sources due to the further expansion of renewable energies. At the same time, we expect an increase in the use of our thermal power plants in comparison to the previous year as they were utilised far less than expected in 2019 due to the prevailing market prices. Important factors for uncertainty in the 2020 forecast include the volatility of the wind and water supplies, the further development of the clean dark spread (Glossary, from p. 139) and the utilisation of the power plants for redispatch. As a result of the low CO_2 intensity (Glossary, from p. 139) in 2019, an increase of between 16% and 23% in comparison to the previous year is expected in the 2020 financial year. This forecast nevertheless corresponds to our defined target for 2020 of a reduction in CO_2 intensity of between 15% and 20% compared to the reference year 2015.

Overall assessment of anticipated developments by the management

We expect an increase in adjusted EBITDA for the Group in 2020 compared to 2019. The shift in earnings between the segments laid out in our strategy will continue in 2020. We will exceed our target values for 2020 at a Group level and at least achieve the targets at a segment level. This means that we will be able to continue to make sufficient investment funds available internally to enable us to play an active role in shaping the Energiewende. We continue to strive to maintain a balanced financing structure, solid financial profile and thus solid investment-grade ratings (Glossary, from p. 139). With respect to our non-financial key performance indicators, we expect a stable to positive development in 2020.