

Overall assessment of the economic situation of the Group

The energy sector is currently experiencing a period of great upheaval. There is particular pressure for change due to the Energiewende, digitalisation, sector coupling (Glossary, from p. 139) and the desire of local authorities to become self-sufficient. In addition, the issue of climate protection is receiving greater public attention. The European Commission announced its target of climate neutrality by 2050 in a comprehensive Green Deal in 2019. In 2020, it will investigate the effects of increasing the 2030 climate targets to at least 50% or 55%. With regards to the framework conditions facing EnBW and other players in the energy industry, other measures can be expected as part of the Green Deal in future.

Following the successful implementation of the EnBW 2020 strategy, there will be a smooth transition between the strategy periods: We already strengthened our business activities in the area of renewable energies in 2019 with the acquisition of the French project developer and operator of wind farms and solar parks Valeco. We also took a significant step in building a strong position for ourselves on the nationwide telecommunications market in Germany in 2019 with the acquisition of Plusnet. Both transactions will already contribute to the EnBW 2025 growth strategy.

The operating business developed overall in 2019 as expected and forecast at the start of the year: The adjusted EBITDA of the EnBW Group increased by 12.7% in comparison to the previous year. Adjusted for the effects of the changes in the consolidated companies, the adjusted EBITDA would have increased by 8.1%. The result in the Sales segment developed positively in the reporting year and was at the higher end of our forecast. The acquisition of Plusnet made a significant contribution in this area. The result in the Grids segment increased in line with our forecast. The main factor influencing this positive earnings performance was the higher revenue from the use of the grids, above all due to the increased investment that was necessary for ensuring the security and reliability of supply of the grids. In the Renewable Energies segment, the result improved significantly and was within the forecasted range. In particular, the commissioning of our EnBW Hohe See offshore wind farm and the earnings contributions from the acquired wind farms in France had a positive effect. The result in the Generation and Trading segment fell as forecast due to the loss of the earnings contribution made by VNG Norge and its subsidiary VNG Danmark which were sold in 2018 and lower out-of-period earnings. In total, the Grids and Renewable Energies segments contributed around three quarters of the adjusted EBITDA of EnBW. The adjusted EBITDA for the Group in 2020 will increase further and be between €2.75 billion and €2.9 billion. It will lie above the strategic target as a result.

The non-operating EBITDA decreased further in 2019 compared to the previous year. This decrease is mainly attributable to allocations to provisions for onerous contracts for long-term electricity procurement agreements and risk provisions for a possible obligation to pay EEG cost allocations for the company's own energy deliveries within the EnBW Group.

In total, the Group net profit attributable to the shareholders of EnBW for the 2019 financial year improved by €400.0 million to €734.2 million. Earnings per share amounted to €2.71 in the 2019 financial year, compared to €1.23 in the previous year.

The financial position of the company remains sound. Solvency was ensured at all times throughout the 2019 financial year thanks to the company's available liquidity and its internal financing capability, as well as external sources available for financing. On 29 July 2019, we issued our first two green hybrid bonds with a total volume of €1 billion. EnBW was thus the first German company to issue a green hybrid bond. The adjusted retained cash flow exceeded the forecasted range of €1.3 billion to €1.4 billion in the reporting period, while we just missed the target value for internal financing capability of $\geq 85\%$ due to the sharp increase in net investment adjusted for growth investment. The fall in ROCE was mainly due to the increase in the average capital employed.

In the customers and society goal dimension, the Reputation Index of EnBW improved in 2019 compared to the previous year; the most positive changes here were amongst customers and the wider public. The satisfaction of the customers of EnBW fell in 2019 as a result of the general trend in the sector, as well as individual measures such as a price adjustment and a system migration. The satisfaction of Yello customers remained at a high level in 2019. Supply reliability improved in 2019. In the employees goal dimension, the Employee Commitment Index rose due to the improved perception of the current competitiveness of our company and employees having greater trust in the future viability of the Group. In the area of occupational safety, the LTIF for companies controlled by the Group fell further. However, the LTIF overall increased slightly. In the environment goal dimension, the expansion of renewable energies is continuing according to plan. The CO₂ intensity (Glossary, from p. 139) of our own generation of electricity fell significantly in comparison to the previous year and was thus well below the forecasted range.

In the estimation of the Board of Management, the operating business of our company developed positively in 2019. Overall, the operating result increased as expected. EnBW is also generally on course in the non-financial goal dimensions.