

Overall assessment of the economic situation of the Group

The energy sector is experiencing a period of great upheaval. There is particular pressure for change due to the Energiewende. However, digitalization, sector coupling and the desire of local authorities to become self-sufficient are also having a strong influence on the sector. The coronavirus pandemic underscores the huge importance of supply reliability and has focused greater attention once again on the task of the energy companies to supply power. The Coal Phase-out Act passed in 2020 requires that coal-fired power generation is completely phased out in Germany by 2038 at the latest, while the last nuclear power plant will be disconnected from the grid in Germany in 2022. Against this background, energy supply companies are being forced to examine their business models so that they are able to exploit the potential of the changing market environment and realign their strategies for the future.

We developed our EnBW 2020 strategy eight years ago as a consequence of the Energiewende and have worked to implement it in a resolute and disciplined manner, with huge commitment from all involved. We have now fully achieved almost all of the targets in our EnBW 2020 strategy and reached many of them earlier than planned, which we view as a huge success. The new strategy period up to 2025 will place the focus on the infrastructure aspects of our business activities. Organized in three new strategic business fields, we want to further strengthen our profitability and continuously improve our sustainability performance at the same time. In autumn 2020, we launched a comprehensive sustainability program whose central aim is to make the company climate neutral with respect to our own emissions by 2035.

The operating business developed overall in 2020 as expected and forecast at the start of the year: The adjusted EBITDA increased by 14.3% in comparison to the previous year. The result in the Sales segment exceeded the forecast that had been adjusted during the year. All other segments achieved a result within their forecasted range. The result in the Grids segment remained at the high level achieved in the previous year. A volume-related drop in earnings from the distribution grids was offset by higher revenue from the use of the electricity and gas transmission grids. In the Renewable Energies segment, the result improved significantly. The EnBW Hohe See and EnBW Albatros wind farms have been contributing to earnings since they were commissioned in the fourth quarter of 2019 and since the first quarter of 2020, respectively, while Valeco has been contributing to earnings since the third quarter of 2019. In addition, better wind conditions had a positive effect and the electricity delivered from our hydropower plants was sold on the forward market at higher wholesale market prices. In comparison to the previous year, the result in the Generation and Trading segment improved. The reasons for this development were higher wholesale market prices for our electricity deliveries and earnings contributions from trading activities. Overall, the Grids and Renewable Energies segments accounted for more than three quarters of our adjusted EBITDA.

The loss reported for the non-operating EBITDA decreased in 2020 in comparison to the previous year by 37.0% from €187.3 million to €117.9 million. This was mainly due to an adjustment to the nuclear provisions.

In total, the Group net profit attributable to the shareholders of EnBW AG decreased from €734.2 million in 2019 to €596.1 million in the reporting year. Earnings per share amounted to €2.20, compared to €2.71 in the previous year.

The financial position of the company remains sound. Solvency was ensured at all times throughout the 2020 financial year thanks to the company's available liquidity and its internal financing capability, as well as external sources available for financing. We issued two corporate bonds, one at the beginning of April and one in the middle of October 2020, each with a volume of €500 million. At the end of June 2020, we issued a green subordinate bond that also had a volume of €500 million, the proceeds of which were used in their entirety to refinance the French wind and solar company Valeco. In addition, we agreed a sustainability-linked syndicated credit line with a consortium of 18 banks in June 2020 that has a volume of €1.5 billion. The financing costs are tied to the sustainability performance of EnBW for the first time. The adjusted retained cash flow reached the forecasted range of €1.9 billion to €2.0 billion in the reporting year, while the internal financing capability exceeded the target value of $\geq 100\%$ in 2020. ROCE stood at 6.3% and thus exceeded expectations for the 2020 financial year.

In the customers and society goal dimension, our Reputation Index improved significantly in 2020 in comparison to the previous year, not only within the target group of investors but also among opinion leaders and the wider public. The satisfaction of EnBW and Yello customers was once again high in 2020. As in the previous year, supply reliability remained at a very good level in 2020. In the environment goal dimension, the expansion of renewable energies continued according to plan. The CO₂ intensity of our own electricity generation reduced significantly in comparison to the previous year, which was due to, among other things, the EnBW Hohe See and EnBW Albatros offshore wind farms and the reduction in electricity generation from our fossil fuel-fired power plants caused by market-driven developments. In the employees goal dimension, the newly introduced People Engagement Index (PEI) achieved a high level in comparison with other companies. In the area of occupational safety, the LTIF for companies controlled by the Group in 2020 remained at a low level as in the previous year, while the LTIF overall fell slightly in comparison to the previous year.

In the estimation of the Board of Management, the operating business of our company developed positively in 2020. The operating result increased as expected. EnBW is also on the right track in the non-financial goal dimensions.