Forecast

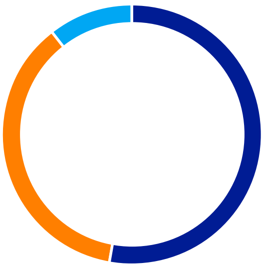
In our forecast we take a look at the expected growth and development of EnBW in the years 2022 to 2024. It should be noted that the present conditions – such as the high volatility on the markets (p. 74 f.↗) – increase the level of uncertainty with which predictions about the future development of the company can be made. The expected economic, political and regulatory conditions are presented in the chapter "General conditions" (p. 67 ff.↗). Potential factors influencing the forecast are described in detail in the "Report on opportunities and risks" (p. 127 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, gross investment of €10.6 billion is planned for the 2022 to 2024 period. This represents on average €3.5 billion per year. €2.4 billion (23%) of this investment will be on existing projects and €8.2 billion (77%) on growth projects. The majority of the gross investment (76%) will be in the System Critical Infrastructure segment and the expansion of renewable energies.

Total investment 2022 – 2024
in %



- 53.0 System Critical Infrastructure (growth: 34.8, existing: 18.2)
- 36.7 Sustainable Generation Infrastructure / Other (growth: 33.8, existing: 2.9)
- 10.3 Smart Infrastructure for Customers (growth: 8.8, existing: 1.5)

Around 10% of the investment is planned for the **Smart Infrastructure for Customers** segment, of which approximately 9% will be for growth investment. This investment is mainly intended for the expansion of electromobility, as well as for the expansion of the telecommunications infrastructure.

Around 53% of the investment will flow into the **System Critical Infrastructure segment.** Growth investment will account for 35% of the overall gross investment and 18% will be for upgrading the existing grids. In order to make the transmission of renewable energies from the north to the south of Germany possible, funds have been allocated to the transmission grid for the realization of two HVDC projects ULTRANET and SuedLink that involve our subsidiary TransnetBW and are part of the Network Development Plan. In addition, extensive investment in the expansion and upgrading of the existing grids is planned by our grid subsidiaries.

Around €3.9 billion or 37% of the investment is planned for the **Sustainable Generation Infrastructure** segment and for other investment (other investment: 2%). 34% of the investment will be on growth themes. Investment of around €2.4 billion for the expansion of renewable energies is planned for the period 2022 to 2024, which corresponds to 23% of the gross investment. The planned investment in renewable energies includes funds for the realization of further offshore wind farms, such as our EnBW He Dreiht wind farm in the German North Sea. After acquiring offshore wind rights in Great Britain in 2021 and at the beginning of 2022, we are planning the construction of further offshore projects in Great Britain, for which additional investment has been allocated within the three-year period. In addition, we also plan to invest in the construction of onshore wind farms and photovoltaic parks (including the two solar parks Gottesgabe and Alttrebbin, each with an output of around 150 MWp, which we will start to commission in the first quarter of 2022) from our comprehensive project pipeline (p. 40 f.↗). Furthermore, planned investment for the Sustainable Generation Infrastructure segment also includes fuel switch projects for converting three of our thermal power plants in Baden-Württemberg from coal to gas in order to secure, in particular, the supply of district heating at these sites in the future. Other investment mainly involves investment in the central IT system.

The investment program of the EnBW Group supports our strategy of expanding renewable energies and ensuring security of supply in the regulated areas of the transmission and distribution grids (electricity and gas), as well as the expansion of charging infrastructure for the benefit of electromobility.

The total investment volume of around €10.6 billion between 2022 and 2024 will be accompanied by **divestitures** of around €3.6 billion. These include divestitures in the Renewable Energies area, which will build on our already realized participation models. In order to finance our investments for the Energiewende, we plan to continue opening up specific areas of the company for investment by third parties as minority shareholders. In this context, EnBW is also examining the option of opening up the transmission system operator TransnetBW to long-term minority shareholders. Other divestitures will mainly comprise the receipt of building cost subsidies.

The balance of gross investment and divestitures gives the net investment, which is €7.0 billion or €2.3 billion on average per year.

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

TOP Development in 2022 (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	
	2022	2021	2022	2021
Smart Infrastructure for Customers	€350 to €425 million	€323.1 million	10% to 15%	10.9%
System Critical Infrastructure	€1,225 to €1,325 million	€1,288.5 million	35% to 45%	43.5%
Sustainable Generation Infrastructure	€1,650 to €1,750 million	€1,535.1 million	50% to 60%	51.9%
Other/Consolidation		€-187.4 million		-6.3%
Total	**€3,025 to €3,175 million**	**€2,959.3 million**		**100.0%**

The adjusted EBITDA of the **Smart Infrastructure for Customers** segment in 2022 will be higher than the level in the previous year. We expect higher earnings due to growth in our new business fields and at our subsidiary SENEC. However, it is still uncertain whether the negative impacts of increasing numbers of customers being provided with a basic supply of energy at high additional procurement costs and of impairments on receivables will continue in the future. The share of the adjusted EBITDA for the Group accounted for by this segment should reach at least the level in the previous year.

The adjusted EBITDA of the **System Critical Infrastructure** segment will reach about the same level in 2022 as in the 2021 financial year. Revenue from the use of the grids is expected to increase slightly in comparison to the previous year, as a result of returns on increased investment activity in projects that are included in the Network Development Plan Electricity and Network Development Plan Gas. In contrast, there is a risk that higher expenses for the grid reserve and balancing energy since the end of 2021 will continue in 2022 and negatively impact the operating result. We expect a stable or decreasing share of the adjusted EBITDA for the Group accounted for by this segment.

The adjusted EBITDA of the **Sustainable Generation Infrastructure** segment will increase further in 2022. Renewable energies will contribute around €900 million to earnings. The forecasts for wind yields and thus for the volume of electricity generated are based on the long-term average. As the wind yields in the 2021 financial year were below this level due to poorer weather conditions, we expect higher earnings in 2022 in comparison to the previous year. The further expansion in power plants for the utilization of renewable energies will have a slightly positive impact on the earnings performance. We also expect earnings from our thermal power plants to improve in 2022 due to higher wholesale market prices and spreads. The share of the adjusted EBITDA for the Group accounted for by this segment should reach at least the level in the previous year.

The **adjusted EBITDA** for the EnBW Group will increase further in the 2022 and be between €3.025 billion and €3.175 billion. We expect the adjusted EBITDA for the Group to be at the same level in 2023 as in 2022.

The **EBITDA** in 2022 and 2023 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 €1.1 billion and €1.2 billion in 2022. This is an increase in comparison to the previous year, which will be due to the elimination of negative non-operating effects on earnings. A further slight increase in EBT is expected in 2023. The accuracy of the forecast for EBT is, however, dependent on other exogenous factors relevant to the non-operating result that cannot be planned for, such as impairment losses, the reversal of impairment losses or impending losses on onerous contracts for electricity procurement agreements.

Assuming an adjusted EBITDA in the range of €3.025 billion to €3.175 billion, we expect to achieve a **retained cash flow** in 2022 of between €1.75 billion and €1.85 billion. Adjusted for dividend payments (including payments from investments to third parties) and income tax payments, we expect an FFO relevant to remuneration of between €2.5 billion and €2.6 billion. We expect that the retained cash flow in 2023 will be at the same level as in 2022.

Debt repayment potential

TOP

Key performance indicator

	2022	2021
Debt repayment potential in %	13.5 – 14.5	20.3

We expect a debt repayment potential of around 13.5% to 14.5% in 2022. The development of the debt repayment potential is dependent on factors within net debt that are outside of the company's influence, such as political discussions about the abolition of the EEG cost allocations and thus the future development of the EEG account, the development of interest rates for non-current provisions or the performance of the dedicated financial assets.

Value spread

TOP

Key performance indicator

	2022	2021
Value spread in %	1.5 – 2.5	2.1

We will manage the increase in the value of the company using value spread from 2022. This will improve the comparability of the data as we will be able to present the increase in value of the company independent of the weighted average cost of capital (WACC), which fluctuates over time. ROCE will thus be replaced by the new key performance indicator value spread. In the 2022 financial year, it is anticipated that the value spread will be between 1.5% and 2.5%. In general, investments tend to lead at first to a fall in value spread as a result of low initial contributions to earnings. This will be the case due to the cost of capital for the planned investment in the grids and offshore wind farms in 2022, which will not yet have a positive effect on earnings. The value spread is expected to fall in 2023.

In 2022, the ROA relevant to remuneration will be between 5.0% and 5.6%. It is thus expected to be higher than the level in the previous year due to the elimination of the negative non-operating effects on earnings in 2021. As things currently stand, we expect that the ROA will stabilize in 2023 in comparison to 2022.

Expected trends in the customers and society goal dimension

TOP

Key performance indicators

	2022	2021
Reputation Index	56 – 59	55
Customer Satisfaction Index for EnBW/Yello	127–139/ 150–161	127/159
SAIDI (electricity) in min./year [1]	15–20	16

1 SAIDI (electricity) includes all unscheduled interruptions to supply that last more than three minutes for the end consumer.

Reputation Index

EnBW will strive to improve its reputation continuously and noticeably over the next few years. The Reputation Index is an important non-financial performance indicator because it is influenced by a whole series of factors that are important to the future viability of our company. The existing reputation management department and stakeholder team at EnBW can recommend measures for optimizing the reputation of the company.

Customer Satisfaction Index

We continue to expect a high level of competitive pressure in 2022 both from direct competitors within the energy industry and, to an increasing extent, competitors from other sectors that have already entered or will enter the energy market. In addition, it is anticipated that other factors will increasingly influence the satisfaction of customers in 2022. There may be negative effects, for example, due to the ongoing coronavirus pandemic or a higher rate of inflation, especially if prices for electricity and gas rise in the long term and this is combined with higher demand for energy in Germany and Europe. Increasingly volatile developments on the market and, for example, further unexpected market exits or insolvencies of market participants could also have negative effects. It is likely that these effects would also impact the satisfaction with EnBW.

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. We aim to become climate neutral with respect to our own emissions (Scope 1 and 2 ?) by 2035 and in this context are also making the product portfolio sustainable. We are combining traditional energy products (electricity and gas) with household and energy-related products and services for our customers. This includes, for example, continuing with the swift and comprehensive expansion of the quick-charging infrastructure in Germany and enabling the convenient charging of e-cars with the AutoCharge functionality at quick-charging stations in the EnBW HyperNetwork. This allows drivers to conveniently charge their vehicles as required, not only at shopping centers but also on major highways and in urban centers across Germany. Using our advanced digital skills, we will offer our customers customized products and services, and are striving to achieve a Customer Satisfaction Index of between 127 and 139 points in the 2022 financial year. Through continuous optimization of these digital skills, personalized offers and a clear focus on sustainability, Yello is once again striving to achieve a Customer Satisfaction Index of between 150 and 161 points in the 2022 financial year.

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 (Electricity), which states the average duration of supply interruptions per end consumer per year, stood at 16 minutes in 2021. We are striving to achieve a value of between 15 and 20 minutes in the 2022 financial year and subsequent years.

Expected trends in the environment goal dimension

TOP

Key performance indicators

	2022	2021
Installed output of RE in GW and the share of the generation capacity accounted for by RE in %	5.4–5.6/ 41.5–42.5	5.1/40.1
CO_2 intensity in g/kWh[1]	0%–15%	478

1 The calculation method for the key performance indicator CO_2 intensity will be restricted in future to include only factors that can be controlled by the company. In contrast to previous years, the share related to redispatch that cannot be controlled by EnBW is no longer included. This performance indicator still excludes nuclear generation.

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

The installed output of renewable energies and the share of the generation capacity of the Group accounted for by renewable energies will continue to rise in 2022. This will be mainly attributable to photovoltaics and the commissioning of the Gottesgabe and Alttrebbin solar parks that are currently under construction. In addition, we are planning to further expand onshore wind power. In subsequent years, we also expect a continuous increase in the installed output of renewable energies. This will thus increase the share of the generation capacity accounted for by RE further. The expansion in renewable output will be taken into account in the remuneration of the Board of Management in future and will become a component of the Long Term Incentive (LTI).

CO_2 intensity
Despite the increase in CO_2 intensity due to the below-average generation from wind power and market-driven developments especially in the fourth quarter, we were still within our target corridor for the 2021 reporting year of between –15% and –30% in comparison to the reference year of 2018. In 2022, we anticipate higher generation from our thermal power plants in the first quarter of 2022 due to rising wholesale market prices and spreads – driven especially by the high price of gas. In combination with wind yields, which are measured according to the long-term average, we anticipate that CO_2 intensity in 2022 will remain around the same level as in 2021, based on the assumption that gas prices will normalize from the second quarter onwards, or it will be 15% higher if gas prices remain high.

Expected trends in the employees goal dimension

TOP

Key performance indicators

	2022	2021
People Engagement Index (PEI)[1]	≥ 77	82
LTIF for companies controlled by the Group[2, 3, 4]	2.0 – 2.2	2.3
LTIF overall[2, 3]	3.2 – 3.5	3.3

1 Variations in the group of consolidated companies (all companies with more than 100 employees are considered (except ITOs)). Companies that were fully consolidated for the first time in the fourth quarter of 2021 were not included in the employee surveys for the PEI.
2 LTIF indicates how many LTI occurred per one million working hours performed. Further information on the calculation of this performance indicator can be found on p. 47↗.
3 Variations in the group of consolidated companies (all companies with more than 100 employees, excluding external agency workers and contractors, are considered). Companies that were fully consolidated for the first time during the 2021 financial year were not included in the calculations for the LTIF performance indicators.
4 Except for companies in the area of waste management.

People Engagement Index
The People Engagement Index (PEI) stood at 82 points in the reporting year. However, it is probable that this very good result reflects the fact that employees have attached too much importance to the company's handling of the impact of the coronavirus pandemic in their positive assessment. An international benchmark index compiled using similar questions at numerous companies from various different sectors stood at 74 points in 2021. Taking into account this global benchmark score and the ongoing extraordinary effect of the coronavirus pandemic on this index in 2021, we are striving to achieve a target value for the PEI of at least 77 points in 2022.

LTIF
We are committed to our goal of continuously improving occupational safety within the company for both our own employees and those of our partner companies who carry out work on behalf of EnBW. Therefore, we have implemented numerous accident prevention measures. Our activities in 2021 were once again highly influenced by the coronavirus pandemic. As a critical infrastructure company, we have a responsibility to ensure a reliable supply of energy. The coronavirus pandemic will also have a big impact on safe and healthy working practices in 2022. Irrespective of this challenge, we are still striving to continuously reduce both the LTIF for companies controlled by the Group and LTIF overall. The LTIF for companies controlled by the Group and the number of fatal accidents will be taken into account in the remuneration of the Board of Management in future and will become a component of the Long Term Incentive (LTI).

Overall assessment of anticipated developments by the management
We anticipate a further increase in the adjusted EBITDA for the Group in 2022 in comparison to the previous year. The shares of earnings accounted for by the different segments will not change significantly. We always strive to maintain a balanced financing structure, solid financial profile and thus solid investment-grade ratings. With respect to our non-financial key performance indicators, we expect a largely stable to positive development in 2022. The only exceptions may be the People Engagement Index (PEI), which is impacted by extraordinary effects, and CO_2 intensity, which, depending on the price of gas, could be higher than the level in the previous year. The possible impact of the war between Russia and the Ukraine has not been taken into account in the forecast. Due to the dynamic situation, we expect the results to be subject to increased volatility. Based on our preliminary updates to the anticipated risks and opportunities, however, we currently do not expect any significant deviations from the forecast.