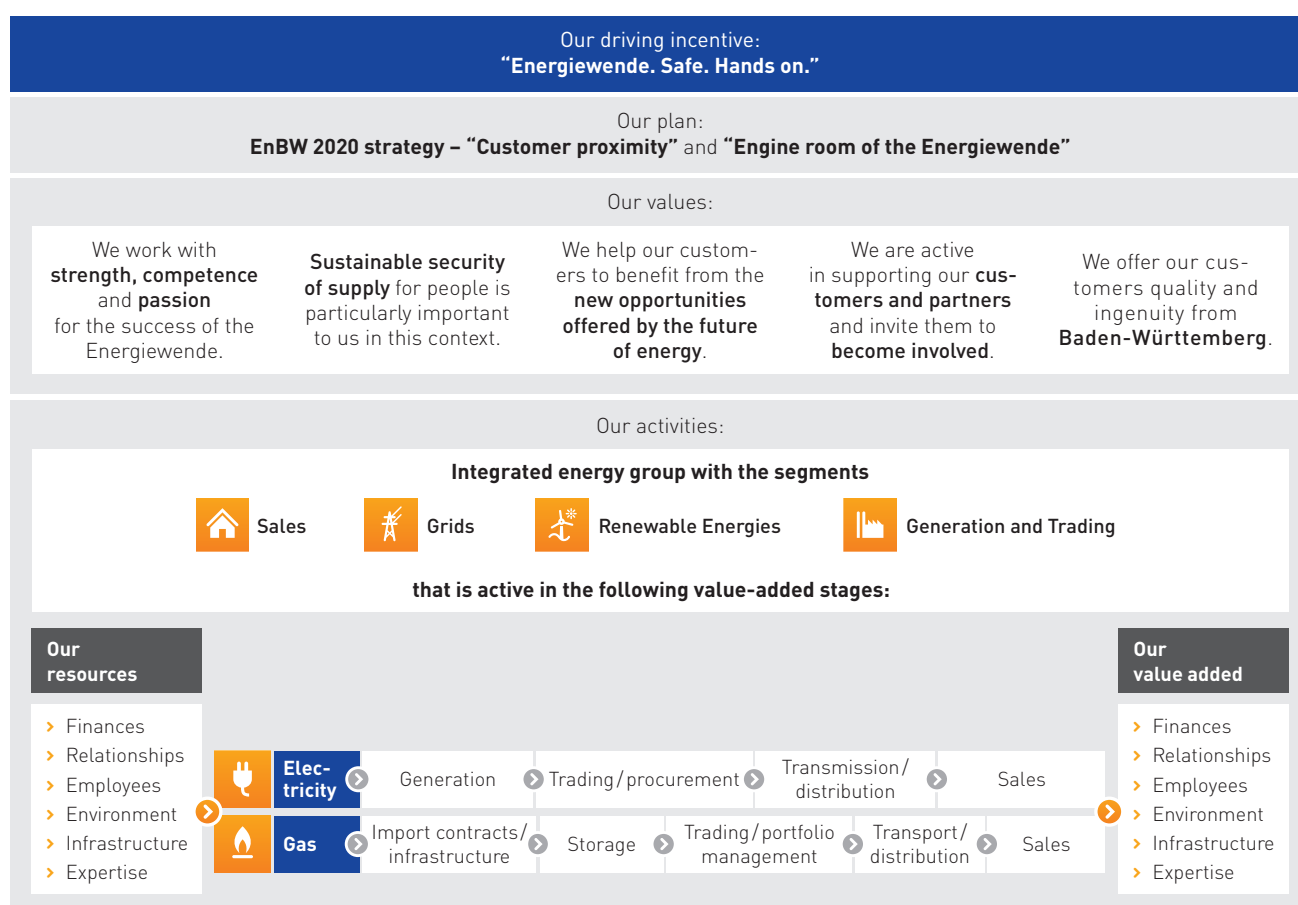


## Fundamentals of the Group

# Business model

## Business principles

### Business model



As an integrated energy company, EnBW operates in Germany along the entire energy industry value chain in four segments: Sales, Grids, Renewable Energies, and Generation and Trading. We draw on a variety of resources – from finances through to expertise – for our corporate activities. At the same time, the efficient use of these resources enables us to create value for ourselves and our stakeholders that also promotes these resources. EnBW has a diversified business portfolio that continues to have a balanced risk-return profile.

We have also closely analysed future revenue sources in the energy industry to further develop our business portfolio. According to our estimations, revenue flows in the energy industry will shift considerably. Renewable energies, grids and the decentralised solution business are growing in importance

(p. 42ff.). On this basis, we have developed the EnBW 2020 strategy guided by the principle “Energiewende. Safe. Hands on.”, which charts the course for the future development of our business model and strengthens the future viability of the company. The two principles of “Customer proximity” and the “Engine room of the Energiewende” lie at the heart of the EnBW 2020 strategy. “Customer proximity” places the customer at the centre of our activities to an even greater degree, through a focused orientation on the core elements of innovation and cooperative partnership models. In the “Engine room of the Energiewende”, we rely above all on operational excellence and strict efficiency and cost orientation for the achievement of defined quality levels, to ensure the efficient and safe operation, construction and dismantling of energy supply plants (p. 22f.).



With strength, competence and passion, EnBW is committed to the success of the Energiewende and guarantees a sustainable and reliable supply of energy at all times. We invite our customers and partners to join us in shaping the future energy landscape and benefit from new opportunities. We convince our customers through quality and creativity, and are acutely aware of our responsibility towards our employees. We are active along the entire electricity and gas value chain. Thanks to our comprehensive and profound system competence, we remain excellently positioned despite the fundamentally changed framework conditions resulting from the Energiewende. We have ensured that customer orientation is firmly anchored in our company, as we anticipate a significant growth in the importance of the decentralised solution business due to the increasing decentralisation of the energy system. Our current activities are governed by the fostering of dialogue, the principle of partnership and a solution-based approach.

## Value added


### Value added for EnBW and its stakeholders

The aim of the corporate activities of EnBW is to add value in the short, medium and long term. This does not only depend on the company itself but also on the business environment, relationships with stakeholders and the application of a variety of different resources. As a result of the efficient use of our resources within the scope of our activities, we create value for ourselves and our stakeholders. We associate the concept of sustainable economic development with our aspiration to conduct all of our business activities in a responsible way. Our reputation – the trust placed in our expertise and responsibility by our stakeholders – is also closely associated with this approach. It reflects our corporate success, our competitiveness and our future viability.

#### Value added for EnBW and its stakeholders

Resources of EnBW	Significant activities in 2015	Value added	
		for EnBW	for stakeholders
<b>Finances</b> A constantly solid financial structure (equity, borrowed capital, positive cash flow levels) for financing our business activities	<ul style="list-style-type: none"> <li>› Repayment of a €750 million bond</li> <li>› Extension of the term of €1.5 billion syndicated credit line</li> <li>› Sale of 49.89% share of EnBW Baltic 2 S.C.S.</li> </ul>	<ul style="list-style-type: none"> <li>› <b>TOP</b> Securing profitability</li> <li>› <b>TOP</b> Safeguarding the good credit rating</li> <li>› <b>TOP</b> Raising the value of the Group</li> <li>› Securing the internal financial capabilities through positive retained cash flow</li> </ul>	<ul style="list-style-type: none"> <li>› Stable dividends for our shareholders</li> <li>› Punctual interest payments to our third party lenders</li> <li>› Wages, salaries and pensions for active and former employees</li> <li>› Tax payments to the state</li> </ul>
 Financial position › page 55 ff.	Targets for the key performance indicators › page 26 f.	Value added statement › page 17	
<b>Relationships (customers/society)</b> Our approx. 5.5 million customers are the central focus of our philosophy and actions. We actively promote dialogue with our stakeholders and thus build trust and social acceptance	<ul style="list-style-type: none"> <li>› Expansion of our range of services</li> <li>› Local authority relationships and equity investments in utilities and grid companies</li> <li>› Responsible procurement</li> <li>› Expansion of the grids</li> </ul>	<ul style="list-style-type: none"> <li>› <b>TOP</b> Increasing share of result from "Customer proximity"/Sales</li> <li>› <b>TOP</b> Increasing customer satisfaction: "Customer proximity"</li> <li>› <b>TOP</b> Increasing brand attractiveness</li> <li>› Efficient, sustainable and responsible procurement</li> </ul>	<ul style="list-style-type: none"> <li>› <b>TOP</b> Increasing customer satisfaction: "Customer proximity"</li> <li>› <b>TOP</b> SAIDI: Maintaining supply reliability</li> <li>› Engagement in social issues with activities for our end customers, business partners and local authority target groups</li> <li>› Numerous awards for our sustainability reporting</li> </ul>
 Overview of the segments › page 20 f.	Targets for the key performance indicators › page 26 f.	In dialogue with our stakeholders › page 34 ff.	

## Value added for EnBW and its stakeholders (continued)

Resources of EnBW	Significant activities in 2015	Value added	
		for EnBW	for stakeholders
<b>Employees</b> The expertise, experience and diversity of our 20,288 employees contribute to the success of the company, supported by an effective and efficient HR policy	<ul style="list-style-type: none"> <li>› Conclusion of collective wage agreement</li> <li>› Promotion of diversity and inclusion</li> <li>› Employee development (PE Campus)</li> </ul>	<ul style="list-style-type: none"> <li>› <b>TOP</b> Increasing employee commitment (ECI)</li> <li>› <b>TOP</b> Improving occupational safety (LTIF)</li> <li>› Always having the right employees with the right skills in the right place</li> </ul>	<ul style="list-style-type: none"> <li>› <b>TOP</b> Employee commitment (strong identification of our employees with the company)</li> <li>› Engagement in the area of diversity: Joining the "Diversity Charter"</li> <li>› Apprenticeships</li> </ul>
 Employees goal dimension › page 64 ff.	Targets for the key performance indicators › page 26 f.	In dialogue with our stakeholders › page 34 ff.	
<b>Environment</b> Use of the natural resources wind, water and sun to generate energy	<ul style="list-style-type: none"> <li>› Expansion of offshore/ onshore wind energy</li> <li>› Signing declaration on the climate agreement in Paris</li> <li>› Amphibian protection programme</li> <li>› Responsible procurement</li> <li>› New products</li> </ul>	<ul style="list-style-type: none"> <li>› <b>TOP</b> Expansion of Renewable Energies (RE)</li> <li>› Carbon footprint</li> <li>› Safe dismantling of nuclear power plants</li> </ul>	<ul style="list-style-type: none"> <li>› Expansion and integration of RE for our customers and society</li> <li>› CO<sub>2</sub> savings for society</li> <li>› Energy efficient products for our customers</li> <li>› Responsible handling of the resource water</li> </ul>
 Environment goal dimension › page 66 ff.	Targets for the key performance indicators › page 26 f.	Overview of the segments › page 20 f.	
<b>Infrastructure</b> We are one of the most important energy companies in Germany and Europe thanks to our generation plants, electricity and gas grids and gas storage systems	<ul style="list-style-type: none"> <li>› Commissioning of EnBW Baltic 2 offshore wind farm</li> <li>› Construction of North Black Forest Pipeline (high pressure gas line)/ expansion of grids</li> <li>› Upgrade of the grids, connection of renewable energy generation plants</li> </ul>	<ul style="list-style-type: none"> <li>› <b>TOP</b> Expansion of Renewable Energies (RE)</li> <li>› <b>TOP</b> Raising the value of the Group</li> <li>› Driver behind the Energiewende</li> </ul>	<ul style="list-style-type: none"> <li>› <b>TOP</b> Supply reliability for our customers (SAIDI) (maintained by capital expenditure on upgrading grids and expanding transmission grids)</li> <li>› Capital expenditure on the expansion of RE for customers and society</li> <li>› Contracting third party companies and suppliers</li> </ul>
 Financial position › page 55 ff.	Targets for the key performance indicators › page 26 f.	Overview of the segments › page 20 f.	
<b>Expertise</b> We develop models for new future business areas through our research and innovation activities	<ul style="list-style-type: none"> <li>› Innovation Campus</li> <li>› Research activities</li> <li>› Development of storage for the smart energy world</li> <li>› Market launch/scaling of series production for SM!GHT</li> </ul>	<ul style="list-style-type: none"> <li>› <b>TOP</b> Securing profitability and increasing share of result from "Customer proximity"/Sales by identifying new sources of revenue</li> <li>› Early identification of medium to long-term market opportunities and trends</li> </ul>	<ul style="list-style-type: none"> <li>› New intelligent products for the benefit of our customers</li> <li>› EnBW as a strategic investor in businesses to develop the product portfolio (New Ventures)</li> </ul>
 Innovation and research › page 37 ff.	Targets for the key performance indicators › page 26 f.	Overview of the segments › page 20 f.	

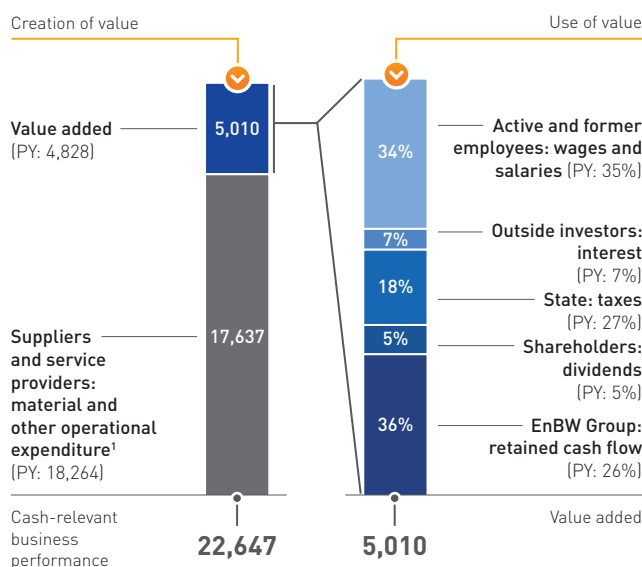
## Value added statement

The value added statement indicates the degree to which EnBW contributes to the prosperity of society and further economic development, particularly in Baden-Württemberg. It clearly demonstrates the value we create for our stakeholders through our business activities. Further information on the dialogue with our stakeholders is summarised in the chapter “In dialogue with our stakeholders” (p. 34 ff.).

We define value added as the cash-relevant business performance of EnBW in the past financial year minus cash-relevant expenses. Value added created in the EnBW Group amounted to 22.1% in the reporting year (previous year: 20.9%). As well as being used in the form of wages, salaries and pension payments for active and former employees, a significant share is dedicated to payments to the state in the form of income taxes, electricity and energy taxes and nuclear fuel rod tax. After consideration of all stakeholder groups, the retained cash flow of the EnBW Group is an expression of the internal financing capabilities available to the company for future investments without the need to obtain additional outside capital (p. 59).

### Value added of the EnBW Group

in € million



<sup>1</sup> Includes interest and dividends received.

## Group structure and business radius

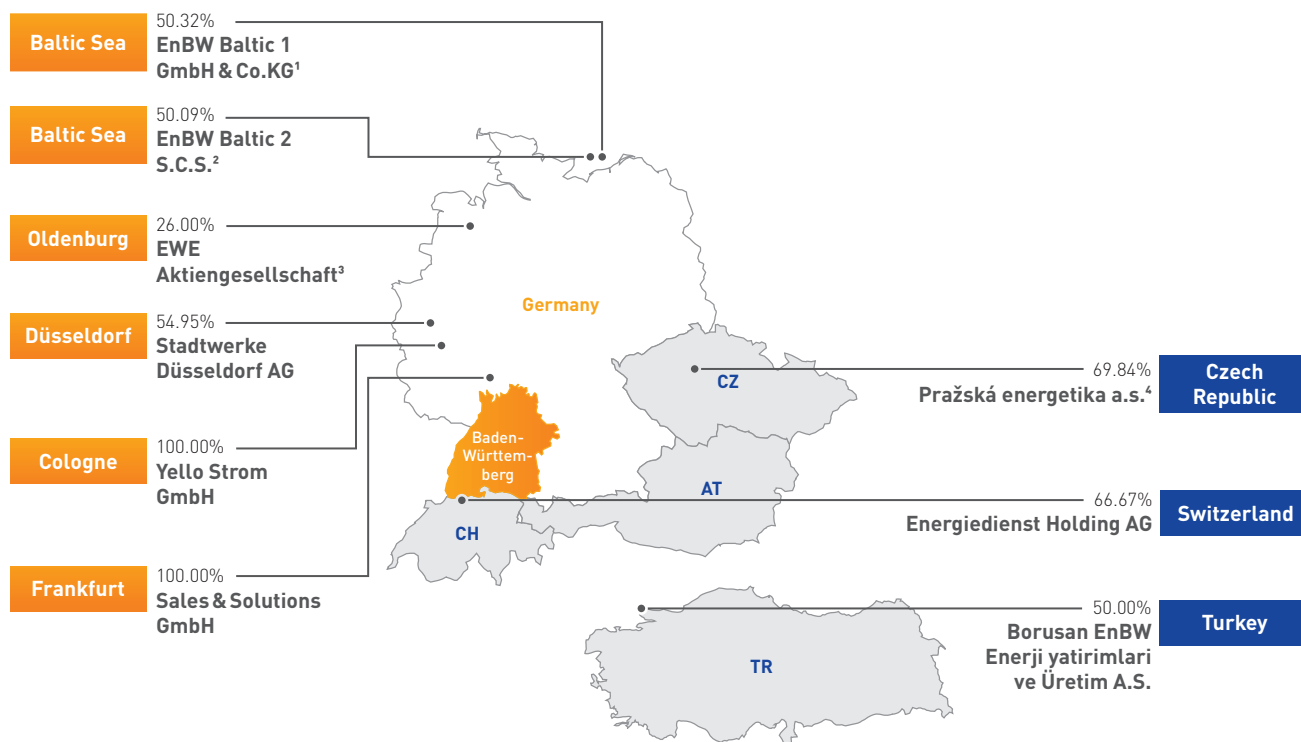
EnBW largely corresponds to the model of an integrated company. The structure of the EnBW Group was substantially streamlined through the merger of important Group companies as part of the management concept ONE EnBW which we implemented in 2014. EnBW AG is now managed

through business units and functional units: Core operating activities along the entire energy industry value chain will be concentrated in the business units. The functional units will assume Group-wide support and governance tasks. The EnBW Group consists of EnBW AG as the parent company and 118 fully consolidated companies, 17 companies accounted for using the equity method and 3 joint operations. Further information on the organisational structure can be found in the chapter “Corporate governance” under “Management and supervision” on page 31 f.

Our core market is Baden-Württemberg. We are active here along the entire energy industry value chain and are positioned as the market leader. In the process, we are supported by a series of important subsidiaries: Netze BW GmbH is responsible for the planning, construction and operation of distribution grids. EnBW Kommunale Beteiligungen GmbH cooperates with more than 40 municipal utilities and regional suppliers in the provision of energy and water. As an independent transmission operator (ITO), TransnetBW GmbH is responsible for transporting electricity and for the sale of feed-ins from renewable energies. ZEAG Energie AG, in which EnBW is the majority shareholder, is primarily active as an energy supplier in the Heilbronn region. EnBW Ostwürttemberg DonauRies AG sells electricity and gas in the Ostwürttemberg region and the Donau-Ries region of Bavaria. terranets bw GmbH, another ITO, operates a transmission grid for natural gas as well as high pressure gas plants in Baden-Württemberg. GasVersorgung Süddeutschland GmbH delivers natural gas to municipal utilities, regional gas suppliers, industrial customers and power plants. EnBW supplies municipal councils in northern Baden, upper Swabia, the Swabian Alb region and the western part of Lake Constance via Erdgas Südwest GmbH. The operation, post-operation, decommissioning and dismantling of our nuclear power plants is handled by our subsidiary EnBW Kernkraft GmbH.

Beyond our core market, we are also active in Germany and Europe: We supply customers all over Germany through our subsidiaries Yello Strom GmbH and Sales & Solutions GmbH. Energiedienst Holding AG, in which EnBW is the majority shareholder, supplies customers in South Baden and Switzerland. Stadtwerke Düsseldorf AG, another company in which EnBW holds a majority stake, supplies customers in Düsseldorf, the capital of North Rhine-Westphalia, while EWE Aktiengesellschaft, in which EnBW is a minority shareholder, supplies Oldenburg in Lower Saxony. EnBW Baltic 1 GmbH & Co. KG and EnBW Baltic 2 S.C.S. contribute to the generation of electricity from renewable energy sources with their wind farms in the Baltic Sea. A shareholding in Pražská energetika a.s., the third-largest electricity supply company in the Czech Republic, means that EnBW is also active on the Czech market. We participate in the growth market of Turkey through our joint venture with the Borusan Group. Furthermore, we are also active in Austria.

## Important locations outside Baden-Württemberg



<sup>1</sup> The registered office of the company is in Stuttgart.

<sup>2</sup> The registered office of the company is in Luxembourg/Luxembourg.

<sup>3</sup> EnBW AG plans to divest itself of its 26% EWE shareholding over a period of time from 2016 and will, in return, acquire 74.2% of VNG-Verbundnetz Gas Aktiengesellschaft (VNG).

<sup>4</sup> Directly and indirectly held shares.

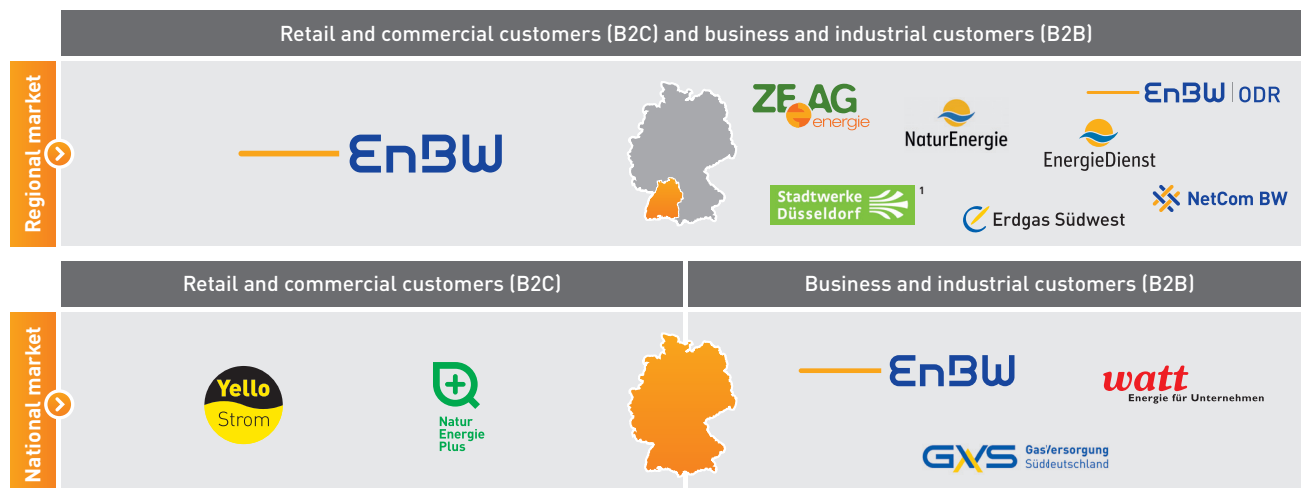
[www.enbw.com/beteiligungen](http://www.enbw.com/beteiligungen)

## Customers, products and services

EnBW supplies in total around 5.5 million customers with energy. We differentiate here between two customer groups: The B2C customer group, which includes retail customers, commercial enterprises, the housing industry and agriculture,

and the B2B customer group which, for example, encompasses major commercial enterprises, industrial customers and redistributors, municipal utilities, local authorities and public entities. With its strong brands, EnBW enjoys a close relationship with customers, orientating itself to their needs through its efficiency and quality.

## Regional and national market development with strong brands



<sup>1</sup> Operations in the Düsseldorf region.

As an active partner for the sustainable future of electricity, gas, district heating and drinking water, EnBW is visible on the market under the EnBW brand (📄 [www.enbw.com](http://www.enbw.com)). The target market for this range of products is Baden-Württemberg. EnBW primarily sells electricity and gas to retail and commercial customers throughout Germany through the Yello brand (📄 [www.yellostrom.de](http://www.yellostrom.de)). The needs of ecologically oriented customers are addressed all over Germany through the NaturEnergiePlus brand (📄 [www.naturenergieplus.de](http://www.naturenergieplus.de)). In addition, the strategic focus of the B2C brands offered by EnBW is placed on future-oriented business fields that go beyond simply supplying electricity and gas. In B2B sales, EnBW is represented throughout Germany by the EnBW, Watt and GVS brands. In addition to commodity supplies, this product range also includes energy, efficiency and 📄 system services (📄 [www.enbw.com/geschaeftskunden](http://www.enbw.com/geschaeftskunden)). EnBW is one of the largest providers of energy and environmental services in Germany. Another focus is placed on the development of our cooperation with municipal utilities and local authorities in Baden-Württemberg.

## Our operative segments

### Sales segment

The Sales segment encompasses sales of electricity and gas, as well as the provision of energy-related services such as billing services or 📄 energy supply and energy-saving contracting. In this area, we exploit our broad energy industry and process-based expertise in particular, as well as our existing relationships with our customers. We have already participated successfully in the growing willingness for companies to outsource billing services to third parties. We will also quickly and flexibly meet the wishes of our customers in future, e.g. through the further development of our existing and new 📄 contracting services.

We will distinguish ourselves from our competitors through innovative products, close proximity and a spirit of partnership. Our innovation management system (📄 p. 37f.), which we established in 2014, will enable us to develop new products and solutions in a quicker and more targeted manner. In this context, we will involve customers in the product development process at an early stage so that we can optimally serve their needs. Proximity will be achieved through, amongst other things, a rigorous orientation of the organisation towards our customer groups. The B2C and B2B customer groups will be served on a one-stop shop basis by sales units targeted to specific customer groups.

### Grids segment

The Grids segment encompasses the transmission and distribution of electricity and gas, the provision of grid-related services (e.g. the operation of grids for third parties) and the supply of water. Value added in the Grids segment is based on

the existing infrastructure and process know-how which enables us to operate and expand said infrastructure efficiently. Furthermore, value added is anchored in existing relationships with local authorities and citizens. We will further expand our grid business at all voltage levels in the course of the Energiewende and thus contribute to supply reliability. For example, our subsidiary TransnetBW GmbH is currently involved together with its partners in planning two high-performance north-south connections based on high-voltage DC transmission technology (📄 HVDC). Partnerships will also play a more important role in the distribution grid in future as we efficiently manage our customers' grid installations and infrastructures and prepare them to meet the new requirements.

### Renewable Energies segment

The company's activities in the area of power generation from renewable energy sources – where we utilise the natural resources of water, wind and sun – are combined under the Renewable Energies segment. We will significantly expand renewable energies as part of our business model and broaden our activities along the value chain. The principle of partnership plays a central role in this context and we will attract potential investors such as local authorities and private citizens in a targeted manner with the aid of appropriate models. The value we add in this segment encompasses project development and the construction and efficient operation of the plants, as well as the 📄 repowering of the plants in the future.

### Generation and Trading segment

The Generation and Trading segment encompasses the generation and trading of electricity, the provision of 📄 system services for the operators of transmission grids, the gas midstream business, district heating, environmental services and the dismantling of power plants. This business is primarily based on the generation of electricity and heat from our coal, gas, pumped storage and nuclear power plants and our operational and optimisation expertise. We organise the procurement of fuels – particularly coal – in a sustainable manner (📄 p. 40f.). Due to falling wholesale prices and 📄 spreads (📄 p. 50), we will reduce our power plant capacities in the area of conventional generation (coal, oil, gas) in the medium term. Some of the power plants, which were earmarked for decommissioning due to economic reasons, will need to remain available in reserve to ensure the stability of the system as part of the new design of the electricity market (📄 p. 44). In combination with the power plants that remain on the market, these power plants will guarantee the security of supply in Baden-Württemberg. Moreover, we intend to exploit the growth opportunities presented by the Energiewende with greater intensity in this segment. As equal partners, we will support our customers in the integration of their power plants into the market using our services and expertise – such as in the area of direct marketing.

## Overview of the segments

## Sales



## Tasks

Sale of electricity, gas and energy-related services; energy efficiency consultancy; cooperation with local authorities, e.g. development of the "Sustainable City" project; collaboration with public utilities

## Significant results in 2015

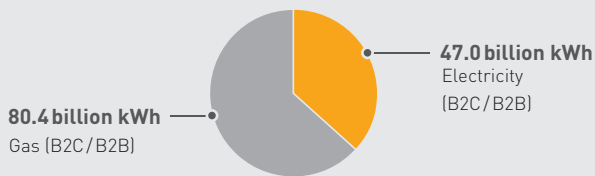
- > The range of services was expanded further, e.g. in the area of energy-related payment and settlement services in the "Operations" business unit.
- > EnBW has gained even stronger regional representation through the "Municipal relationships" unit and has established central contacts with local authorities.
- > The integration of the EnBW and GVS sales units has simplified access to EnBW for the public utility customer group and is leading to more efficient market cultivation.



The EnBW Group  
> page 51 ff.

Forecast  
> page 84 ff.

## Sales in 2015



## Number of B2C and B2B customers

Around **5.5 million**

## Key figures in 2015

**3,300**

employees (as of 31/12/2015)

**€255.3 million**

adjusted EBITDA in 2015

**€71.5 million**

investments in 2015

**12.1%**

share of adjusted EBITDA in 2015

## Development of adjusted EBITDA



## Grids



## Tasks

Transport and distribution of electricity and gas; provision of grid-related services; water supply; guaranteeing the security of supply and system stability

## Significant results in 2015

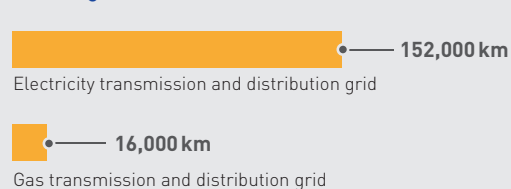
- > SuedLink HVDC project: The law on underground cabling approved by the German government gives priority to underground cables ahead of overhead lines in the expansion of the electricity grid. On the one hand, this offers the opportunity of improving acceptance amongst local citizens but is associated, on the other hand, with a possible delay in the realisation of the SuedLink project.
- > ULTRANET HVDC project: Continuation of preliminary planning, issuing of contracts for the planning and construction of the converter stations.
- > Construction of the new long-distance North Black Forest Pipeline for gas in Baden-Württemberg by terranets bw (due to be commissioned in 2016).



The EnBW Group  
> page 51 ff.

Forecast  
> page 84 ff.

## Grid lengths in 2015



## Transport volume in 2015

**65.3 billion kWh**  
electricity

**27.9 billion kWh**  
gas

## Key figures in 2015

**8,086**

employees (as of 31/12/2015)

**€747.4 million**

adjusted EBITDA in 2015

**€732.8 million**

investments in 2015



**35.4%**

share of adjusted EBITDA in 2015

## Development of adjusted EBITDA





Renewable Energies	
<p><b>Tasks</b></p> <p>Project development and management; construction and operation of renewable energy power plants</p>	
<p><b>Significant results in 2015</b></p> <ul style="list-style-type: none"> <li>&gt; Commissioning of EnBW Baltic 2 in the German Baltic Sea.</li> <li>&gt; Expansion of onshore portfolio: Acquisition of the project rights for six wind farms with a total output of 60 MW from Südwestwind GmbH based in Saarland. ZEAG placed "Harthäuser Wald" into operation – currently the largest wind farm in Baden-Württemberg with 14 wind turbines and an output of 42 MW.</li> <li>&gt; In Germany-wide auctions held by the German Federal Network Agency for the financial funding of open-field photovoltaic plants, EnBW was awarded the funding for six projects with a total output of around 25 MW. The solar power plants will be installed in Baden-Württemberg and Rhineland-Palatinate.</li> </ul>	
<p> The EnBW Group &gt; page 51 ff.</p>	<p>Forecast &gt; page 84 ff.</p>
<p><b>Generation portfolio in 2015<sup>1</sup></b></p> <p><b>6,590 GWh</b> generation</p> <p><b>1,458 MW</b> installed output</p>	
<p><b>Key figures in 2015</b></p> <p><b>815</b> employees (as of 31/12/2015)</p> <p><b>€287.4 million</b> adjusted EBITDA in 2015</p> <p><b>€455.0 million</b> investments in 2015</p> <p><b>13.6%</b> share of adjusted EBITDA in 2015</p>	
<p><b>Development of adjusted EBITDA</b></p>  <p>2012: €0.2 billion</p> <p>2020: €0.7 billion</p>	
Generation and Trading	
<p><b>Tasks</b></p> <p>Advisory services, construction, operation and decommissioning/dismantling of thermal generation plants; electricity trading; risk management of market-related risks; development of gas midstream business, district heating; waste management/environmental services; provision of system services; direct marketing of renewable energy power plants</p>	
<p><b>Significant results in 2015</b></p> <ul style="list-style-type: none"> <li>&gt; Construction of the Lausward Combined Cycle Gas Turbine power plant in Düsseldorf with an efficiency of over 61% (net) and a district heating supply system of up to 300 MWth (due to be commissioned at start of 2016).</li> <li>&gt; Blocks 5 and 6 at the Heilbronn power plant have been contracted as network reserve power plants since April 2015.</li> </ul>	
<p> The EnBW Group &gt; page 51 ff.</p>	<p>Forecast &gt; page 84 ff.</p>
<p><b>Generation portfolio in 2015<sup>1</sup></b></p> <p><b>48,893 GWh</b> generation</p> <p><b>11,413 MW</b> installed output</p>	
<p><b>Key figures in 2015</b></p> <p><b>5,167</b> employees (as of 31/12/2015)</p> <p><b>€777.3 million</b> adjusted EBITDA in 2015</p> <p><b>€174.3 million</b> investments in 2015</p> <p><b>36.8%</b> share of adjusted EBITDA in 2015</p>	
<p><b>Development of adjusted EBITDA</b></p>  <p>2012: €1.2 billion</p> <p>2020: €0.3 billion</p>	

<sup>1</sup> The sums stated for the generation and installed output in the Renewable Energies and Generation and Trading segments are not identical to the totals for the EnBW Group. Some of the generation plants are assigned to other segments. The total generation of the EnBW Group is 55,973 GWh, of which 7,725 GWh or 13.8% is generated from renewable energy sources. The total installed output of the EnBW Group is 12,927 MW, of which 3,055 MW or 23.6% is from renewable energy power plants. The total generation and installed output for the Group are illustrated in detail in the chapter "The EnBW Group" on page 67.