

Combined management report

of the EnBW Group and EnBW AG

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The declaration of compliance including the corporate governance report 2015 is not included in this Integrated Report 2015, although it is available for download on our website www.enbw.com/report2015.

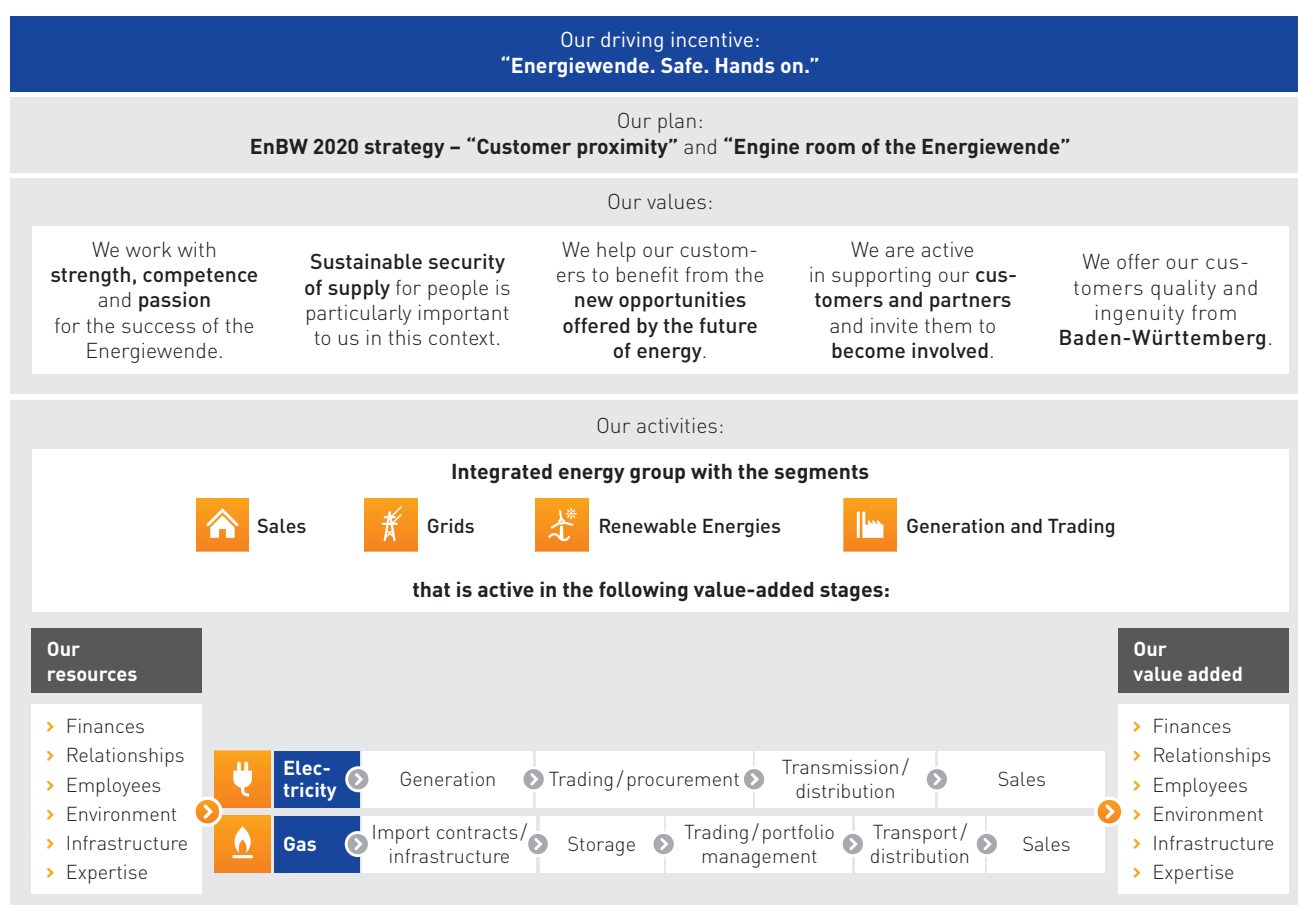
The cross-references marked with orange icons do not form part of the audited management report.

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
Finances A constantly solid financial structure (equity, borrowed capital, positive cash flow levels) for financing our business activities	<ul style="list-style-type: none"> Repayment of a €750 million bond Extension of the term of €1.5 billion syndicated credit line Sale of 49.89% share of EnBW Baltic 2 S.C.S. 	<ul style="list-style-type: none"> TOP Securing profitability TOP Safeguarding the good credit rating TOP Raising the value of the Group Securing the internal financial capabilities through positive retained cash flow 	<ul style="list-style-type: none"> Stable dividends for our shareholders Punctual interest payments to our third party lenders Wages, salaries and pensions for active and former employees Tax payments to the state
 Financial position > page 55 ff.	Targets for the key performance indicators > page 26 f.	Value added statement > page 17	
Relationships (customers/society) 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"> Expansion of our range of services Local authority relationships and equity investments in utilities and grid companies Responsible procurement Expansion of the grids 	<ul style="list-style-type: none"> TOP Increasing share of result from "Customer proximity"/Sales TOP Increasing customer satisfaction: "Customer proximity" TOP Increasing brand attractiveness Efficient, sustainable and responsible procurement 	<ul style="list-style-type: none"> TOP Increasing customer satisfaction: "Customer proximity" TOP SAIDI: Maintaining supply reliability Engagement in social issues with activities for our end customers, business partners and local authority target groups Numerous awards for our sustainability reporting
 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
Employees 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"> › Conclusion of collective wage agreement › Promotion of diversity and inclusion › Employee development (PE Campus) 	<ul style="list-style-type: none"> › TOP Increasing employee commitment (ECI) › TOP Improving occupational safety (LTIF) › Always having the right employees with the right skills in the right place 	<ul style="list-style-type: none"> › TOP Employee commitment (strong identification of our employees with the company) › Engagement in the area of diversity: Joining the "Diversity Charter" › Apprenticeships
 Employees goal dimension › page 64 ff.	Targets for the key performance indicators › page 26 f.	In dialogue with our stakeholders › page 34 ff.	
Environment Use of the natural resources wind, water and sun to generate energy	<ul style="list-style-type: none"> › Expansion of offshore/ onshore wind energy › Signing declaration on the climate agreement in Paris › Amphibian protection programme › Responsible procurement › New products 	<ul style="list-style-type: none"> › TOP Expansion of Renewable Energies (RE) › Carbon footprint › Safe dismantling of nuclear power plants 	<ul style="list-style-type: none"> › Expansion and integration of RE for our customers and society › CO₂ savings for society › Energy efficient products for our customers › Responsible handling of the resource water
 Environment goal dimension › page 66 ff.	Targets for the key performance indicators › page 26 f.	Overview of the segments › page 20 f.	
Infrastructure 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"> › Commissioning of EnBW Baltic 2 offshore wind farm › Construction of North Black Forest Pipeline (high pressure gas line)/ expansion of grids › Upgrade of the grids, connection of renewable energy generation plants 	<ul style="list-style-type: none"> › TOP Expansion of Renewable Energies (RE) › TOP Raising the value of the Group › Driver behind the Energiewende 	<ul style="list-style-type: none"> › TOP Supply reliability for our customers (SAIDI) (maintained by capital expenditure on upgrading grids and expanding transmission grids) › Capital expenditure on the expansion of RE for customers and society › Contracting third party companies and suppliers
 Financial position › page 55 ff.	Targets for the key performance indicators › page 26 f.	Overview of the segments › page 20 f.	
Expertise We develop models for new future business areas through our research and innovation activities	<ul style="list-style-type: none"> › Innovation Campus › Research activities › Development of storage for the smart energy world › Market launch/scaling of series production for SM!GHT 	<ul style="list-style-type: none"> › TOP Securing profitability and increasing share of result from "Customer proximity"/Sales by identifying new sources of revenue › Early identification of medium to long-term market opportunities and trends 	<ul style="list-style-type: none"> › New intelligent products for the benefit of our customers › EnBW as a strategic investor in businesses to develop the product portfolio (New Ventures)
 Innovation and research › page 37 ff.	Targets for the key performance indicators › page 26 f.	Overview of the segments › page 20 f.	

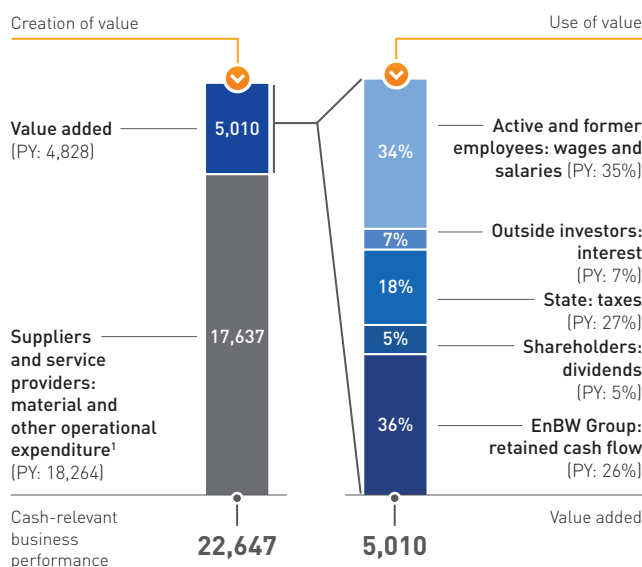
Value added statement

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



¹ Includes interest and dividends received.

Group structure and business radius

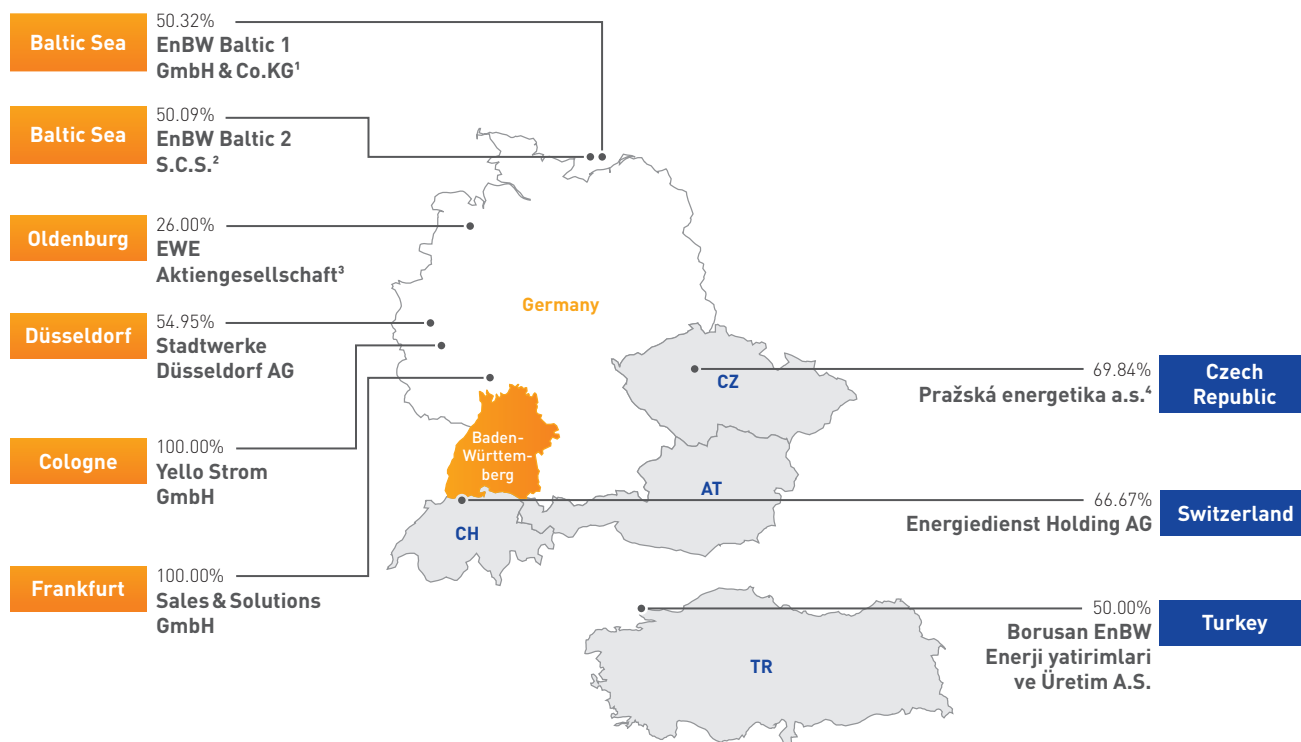
EnBW largely corresponds to the model of an integrated company. The structure of the EnBW Group was substantially streamlined through the merger of important Group companies as part of the management concept ONE EnBW which we implemented in 2014. EnBW AG is now managed

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



¹ The registered office of the company is in Stuttgart.

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

³ 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).

⁴ Directly and indirectly held shares.

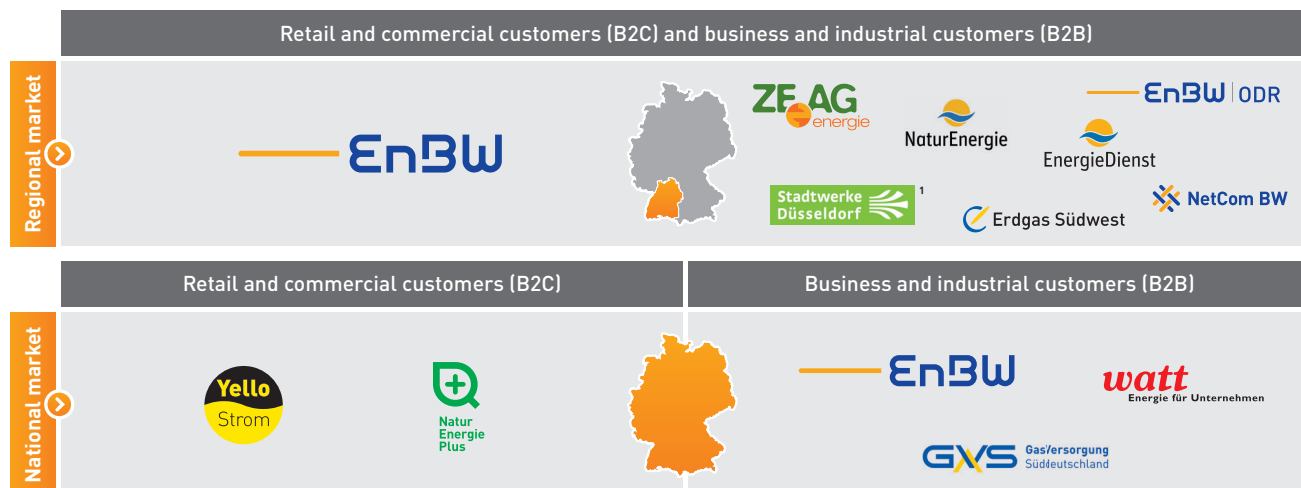
www.enbw.com/beteiligungen

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



¹ 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). 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). The needs of ecologically oriented customers are addressed all over Germany through the NaturEnergiePlus brand (📄 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). 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

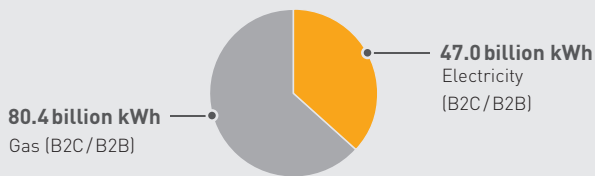
- > The range of services was expanded further, e.g. in the area of energy-related payment and settlement services in the "Operations" business unit.
- > EnBW has gained even stronger regional representation through the "Municipal relationships" unit and has established central contacts with local authorities.
- > 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

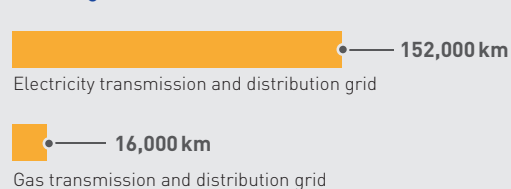
- > SuedLink HVDC project: The law on underground cabling approved by the German government gives priority to underground cables ahead of overhead lines in the expansion of the electricity grid. On the one hand, this offers the opportunity of improving acceptance amongst local citizens but is associated, 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

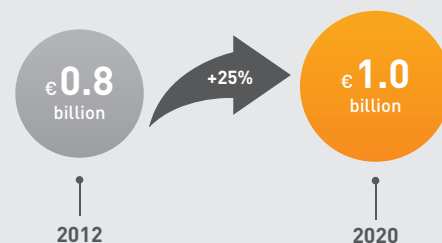
€732.8 million

investments in 2015

35.4%

share of adjusted EBITDA in 2015

Development of adjusted EBITDA



Renewable Energies	
<p>Tasks</p> <p>Project development and management; construction and operation of renewable energy power plants</p>	
<p>Significant results in 2015</p> <ul style="list-style-type: none"> > Commissioning of EnBW Baltic 2 in the German Baltic Sea. > 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. > 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. 	
<p> The EnBW Group > page 51 ff.</p>	<p>Forecast > page 84 ff.</p>
<p>Generation portfolio in 2015¹</p> <p>6,590 GWh generation</p> <p>1,458 MW installed output</p>	
<p>Key figures in 2015</p> <p>815 employees (as of 31/12/2015)</p> <p>€287.4 million adjusted EBITDA in 2015</p> <p>€455.0 million investments in 2015</p> <p>13.6% share of adjusted EBITDA in 2015</p>	
<p>Development of adjusted EBITDA</p> 	
Generation and Trading	
<p>Tasks</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>Significant results in 2015</p> <ul style="list-style-type: none"> > 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). > Blocks 5 and 6 at the Heilbronn power plant have been contracted as network reserve power plants since April 2015. 	
<p> The EnBW Group > page 51 ff.</p>	<p>Forecast > page 84 ff.</p>
<p>Generation portfolio in 2015¹</p> <p>48,893 GWh generation</p> <p>11,413 MW installed output</p>	
<p>Key figures in 2015</p> <p>5,167 employees (as of 31/12/2015)</p> <p>€777.3 million adjusted EBITDA in 2015</p> <p>€174.3 million investments in 2015</p> <p>36.8% share of adjusted EBITDA in 2015</p>	
<p>Development of adjusted EBITDA</p> 	

¹ 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.

Strategy, goals and performance management system

Strategy

Market conditions and structures

Market conditions in the energy sector are currently undergoing profound change. The desire to achieve autonomy and generate energy in a decentralised manner, as well as falling energy consumption due to improved energy efficiency, are leading to a change in demand and consumption patterns amongst customers. An increase in price and cost awareness and a continued strong focus on sustainability support this development. Cities and communities are also playing a role in this change.

Alongside regulatory funding mechanisms, the trend towards decentralisation is benefiting from technological advances as they have led to a sharp decline in the costs associated with decentralised energy generation, particularly with regard to photovoltaic power plants, but also in the area of wind power plants and combined heat and power plants. The role of centralised electricity generation will be fundamentally transformed as a result, leading to considerably fewer operating hours in power plants. Nuclear power generation will be phased out by 2022, with plants being successively and safely decommissioned and dismantled.

As a consequence, energy supply companies require new business models and the revitalisation of their corporate cultures (p. 14f.). In the provision of services, dialogue-oriented communication, digitalisation and increased cooperation with partners are, for example, becoming key areas of focus for energy supply companies.

According to our long-term assessment of the individual market sectors, the total comprehensive income of the energy industry in Germany will increase slightly in nominal terms up to 2020. However, the aforementioned trends will result in significant shifts in earnings between the individual stages of the value chain. The contribution to earnings of all thermal generation in Germany will fall considerably up to 2020. The growth in earnings from renewable energies (especially onshore/offshore wind and photovoltaic) and grids – particularly as a result of the major expansion of the transmission grids – will offset this development. The sales business for standard products is under pressure, which is particularly due to the continued increase in own energy generation and energy efficiency. However, the overall sales market is anticipated to grow slightly up to 2020 due to a clear rise in demand in the decentralised solution business.

Strategy process

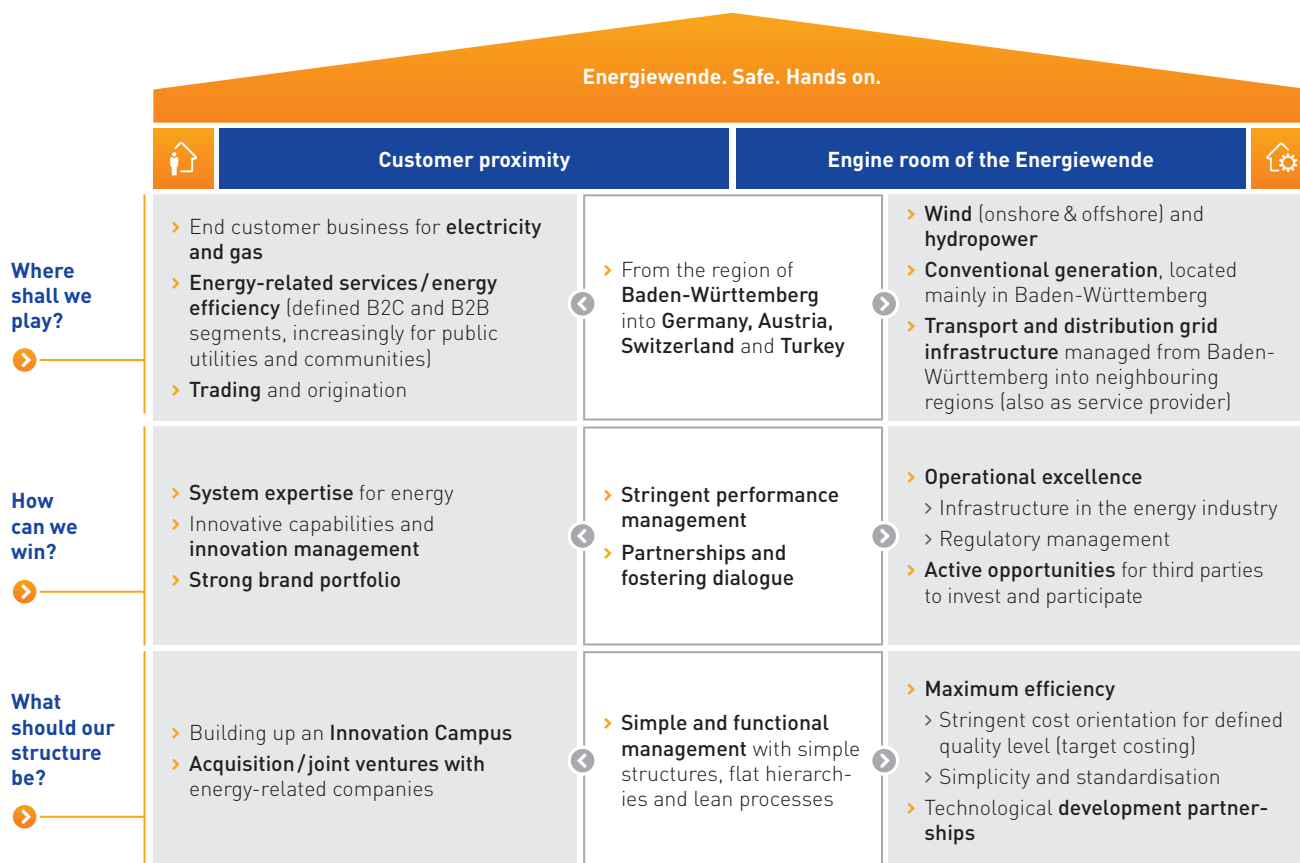
The development of strategy at EnBW is governed by a uniform and structured process. This begins with our vision which is guided by the principle “Energiewende. Safe. Hands on.” to describe our long-term objective. The Group strategy describes our strategic positioning and how we differentiate ourselves from our competitors. Sustainability is also an integral component of our Group strategy so that we can guarantee the creation of economic, ecological and social value for our stakeholders. We shape the composition and strategic development of our business portfolio through our portfolio strategy. Our strategic goals are then defined and operationalised in a final step through the design of our business, investment and functional strategies.

Strategy process



Guiding principle and Group strategy

EnBW 2020 strategy



The EnBW Group strategy developed in accordance with our guiding principle encompasses two operative and complementary models encapsulated in the EnBW Strategy House:

Customer proximity: The EnBW 2020 strategy places the focus on customers to an even greater degree. Targeted innovation management and short development times for new products and services will become key components. Cooperation with municipal utilities and local authorities should be expanded, primarily on the basis of partnership cooperation models. EnBW aims to gain an advantage over its competitors through the development of system and complete solutions for specific customer segments and a strong brand portfolio. An Innovation Campus supports the rapid development of forward-looking products. It is characterised by its focus on market proximity, bringing together the necessary expertise from the areas of research and development right through to sales and also by its entrepreneurial thinking. In the area of energy-related services, in particular, selective company acquisitions will complement existing expertise and round off the range of products and services offered (p. 37 f.).

Engine room of the Energiewende: Safety, simplicity and flexibility are crucial when it comes to operating system-relevant infrastructure. EnBW relies on operational excellence and a strict focus on efficiency and cost-orientation to achieve defined standards and levels of quality. Partnerships formed in

the area of technological development serve to minimise costs and risks. In addition, EnBW actively offers the opportunity to invest in grids and power plants, especially to local authorities. In the “Engine room of the Energiewende”, EnBW uses its expertise to guarantee a reliable supply of energy – which also needs to be ensured during the transformation of the energy environment.

Portfolio strategy

Restructuring the business portfolio

EnBW aims to more than double the share of its generation capacity accounted for by renewable energies from 19% (based on the reference year of 2012) to more than 40% in 2020. The capacities of our onshore wind farms will be increased significantly in the target markets of Germany and Turkey. Offshore wind power represents a further opportunity for growth. By investing extensively in grid expansion, we will be making a substantial contribution to the infrastructure required by the energy system and thus to the security of supply.

Innovative products and services will form another important pillar of the company's business. By 2020, a significant share of our earnings – the target value for adjusted EBITDA is between €2.3 and €2.5 billion – is to be generated through strategic initiatives. At the same time, the overall share of

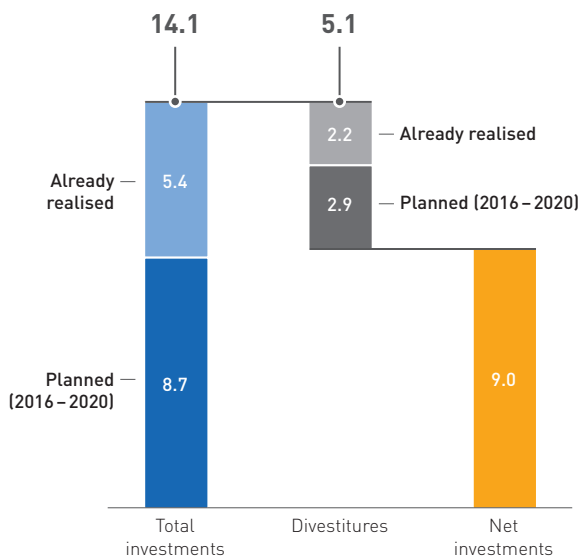
adjusted EBITDA accounted for by the regulated grid business and renewable energies will increase from around 40% (based on the reference year of 2012) to around 70% in 2020. This will improve the risk-return profile of EnBW.


Extensive investments and divestitures

EnBW intends to invest €14.1 billion in total by 2020 (based on the reference year of 2012). In this context, the focus will be placed on expanding renewable energies on an industrial scale. Moreover, we will also concentrate on the expansion and upgrading of our transmission and distribution grids right through to so-called  smart grids. Beyond our core market of Baden-Württemberg, we will be focusing our investment activities on Germany, Switzerland, the Czech Republic and Turkey. In order to obtain the financial headroom required for such extensive investments, we have significantly extended our divestiture programme – involving conventional divestitures, cash inflow from participation models, the disposal of assets and subsidies – with our EnBW 2020 strategy to around €5.1 billion (based on the reference year of 2012).

Investments and divestitures as part of the expansion of the portfolio

in € billion



You can find further information on this subject in the "Forecast" on  p. 84.

Corporate strategy outlook

As an integrated energy supply company, EnBW is rigorously and confidently implementing its 2020 strategy. That which we have already achieved confirms the robustness and correctness of our strategic orientation. The derivation of strategies for business and functional units from our Group strategy enables us to create the foundations for achieving our clearly formulated and ambitious goals for 2020. We will strive to check the progress of the implementation of our clearly defined initiatives and measures at regular intervals over the coming years in order to identify any need for action due to the changing framework conditions. This goes hand in hand

with the necessary further development of our processes, organisation and performance orientation – which represent key topics for the next few years. This transformation is not confined to structural changes, but also encompasses a new, agile corporate culture and new management logic. We will significantly reduce our decision-making paths, thereby ensuring we can respond as quickly as required within a constantly changing market environment.

As part of the restructuring of shareholdings with EWE Aktiengesellschaft, Oldenburg, EnBW will 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, Leipzig. This deal will double our gas business and make EnBW the third-largest gas supplier on the German market. The acquisition of VNG represents an important step in the restructuring and further development of EnBW, both strategically and also economically.


Goals and performance management system



We will safeguard the implementation of our 2020 strategy by means of a holistic goal and performance management system. This system reflects the overall performance of the company and strengthens integrated thinking within EnBW. At the same time, it underpins the comprehensive and transparent focus on performance and stakeholders within our company.




Performance management system

Since 2013, corporate management has been continually expanded through the addition of non-financial and strategic goals to now also encompass the strategy, customers, employees and environment dimensions. The centrepiece of this integrated corporate management is the performance management system (PMS). As of 2015, the PMS incorporates all tools used in strategic and operational management. The financial and non-financial Group goals were broken down into consistent target agreements at all management levels in 2015. The quarterly performance reviews conducted at a Board of Management level introduced in 2013 were revised in 2015 and will in future include operative performance indicators that will promote the achievement of targets for the financial and non-financial key performance indicators. In July 2016, this concept will be fully implemented. In terms of external communication, the PMS feeds into the integrated reporting of the financial and non-financial performance of EnBW based on the reporting framework of the International Integrated Reporting Council (IIRC). This integrated EnBW Report 2015 incorporates the financial and non-financial aspects of our business activities.


Definition of key performance indicators

The financial and strategic key performance indicators within the PMS are the  adjusted EBITDA, the shares of the adjusted


EBITDA accounted for by the segments, the  dynamic leverage ratio and the  ROCE.


The **adjusted EBITDA** is the earnings before interest, tax, depreciation and amortisation and adjusted for extraordinary items ( p. 53f. and 85). Adjusted EBITDA is a key performance indicator for the finance goal dimension and the key performance indicators for the strategy goal dimension, which describe the shares of adjusted EBITDA accounted for by the segments, are derived directly from it. The **dynamic leverage ratio** is the ratio of adjusted net debt to adjusted EBITDA and is the most significant performance indicator for the company's ratings and external financing capabilities ( p. 62 and 86). The **ROCE** (Return On Capital Employed) is the ratio of achieved operational results (considerably influenced by the adjusted EBITDA) to the capital employed and is the basis for determining value added, which reflects the development of the company's value from a financial point of view ( p. 62f. and 86).

In addition to the financial key performance indicators, the PMS also includes non-financial key performance indicators.


The customers goal dimension comprises the Brand Attractiveness Index, the Customer Satisfaction Index and the SAIDI (System Average Interruption Duration Index) ( p. 64 and 86). The key performance indicator **Brand Attractiveness Index**, which is compiled by an external provider, measures the annual average figure for the attractiveness of our brands as perceived by consumers. It incorporates ten different facets. This key indicator reflects consumer appreciation in terms of their emotional attraction to and understanding of the brands, as well as their behavioural patterns with regards to the brands, and thereby incorporates all aspects relevant to attitude-oriented brand strength. This key indicator is compiled for the Group's two core brands of EnBW and Yello. The key performance indicator **Customer Satisfaction Index** comprises an integrated analysis of the average satisfaction of private end customers for electricity over the year, which is directly linked to customer loyalty. It is compiled and derived from customer surveys carried out by an external provider. This key indicator is compiled for the Group's two core brands of EnBW and Yello. **SAIDI** serves as the key performance indicator of supply reliability. It expresses the average length of supply interruption in the electricity distribution grid experienced annually by each connected customer. SAIDI includes all unscheduled downtimes with interruptions to supply lasting more than three minutes for end consumers. The calculation methodology is based on regulations issued by

the VDE (German Association for Electrical, Electronic & Information Technologies) for reporting supply interruptions in electricity grids.

The Employee Commitment Index (ECI) and LTIF (Lost Time Injury Frequency) are utilised as performance indicators in the employees goal dimension ( p. 64f. and 86). The **ECI** expresses the degree to which employees identify with EnBW. The ECI is compiled using employee surveys and is based on standardised questions that address the degree to which employees identify with their company, including: satisfaction with their employment contract, attractiveness of the employer, identification with the company, motivational climate, competitiveness and future viability. The ECI is compiled every two to three years for those companies controlled by the Group as part of a full employee survey. Representative random sample surveys are completed in the periods between the full surveys. The **LTIF** is calculated on the basis of LTI (Lost Time Injuries) which denotes the number of accidents during working hours which have occurred exclusively as a result of a work assignment from the company and result in at least one day of absence. LTIF indicates how many LTIs have occurred per one million working hours performed. This key indicator takes all employees at those companies controlled by the Group into account, except external agency workers and contractors.

The key performance indicator **installed output of renewable energies (RE) in GW and the share of the generation capacity accounted for by RE in %** is determined in the environment goal dimension ( p. 66 and 87). This is a measure of the expansion of renewable energies. It describes the installed output of plants using renewable energy sources rather than the how much electricity is produced by these plants.




Target values for the key performance indicators

The key performance indicators enable us to measure the degree to which goals are achieved and to manage our company. Through the realignment of EnBW ( p. 14f.) towards increased renewable energies, the grid business and business focussing on "Customer proximity" – with clearly defined and quantitative targets for 2020 (based on the reference year of 2012) – we will become the first point of contact for energy issues and ensure the continued competitiveness of EnBW through convincing products, an improved risk-return profile and even stronger regional anchoring.

TOP Financial and non-financial key performance indicators and targets

Goal	Key performance indicator	2015 ¹	Target in 2020	
Finance goal dimension				
Secure profitability	Adjusted EBITDA in € billion	2.1	2.3–2.5	The operating result is to return to the average level achieved before the Energiewende. The total regulated business (Grids and Renewable Energies segments) together contributes around 70% to this result.
Safeguard the good credit rating	Dynamic leverage ratio in years	3.19	<3.3	In proportion to the operating result, leverage remains within narrow boundaries. The unchanged goal is to ensure good creditworthiness controlled via the dynamic leverage ratio, which at <3.3 currently corresponds to an A rating.
Raise the value of the Group	ROCE in %	9.5	8.5–11	Return on capital employed (ROCE) is higher than the cost of capital. EnBW is creating value for its stakeholders.
<div><div> Financial key performance indicators ➤ pages 53 and 62 f.</div><div>Report on opportunities and risks ➤ page 74 ff.</div><div>Expected trends in financial key performance indicators ➤ page 85 f.</div></div>				
Strategy goal dimension				
Share of result from “customer proximity”/Sales	Share of overall adjusted EBITDA in € billion/in %	0.3/12	0.4/15	The operating result for the Sales segment doubles from €0.2 billion (reference year: 2012) to €0.4 billion in 2020 and represents around 15% of the Group operating result. Innovations make this possible.
Share of result from Grids	Share of overall adjusted EBITDA in € billion/in %	0.7/35	1.0/40	The operating result for the Grids segment increases by 25% from €0.8 billion (reference year: 2012) to €1.0 billion in 2020 and represents around 40% of the Group operating result. The share accounted for by the stable and regulated business is expanding.
Share of result from Renewable Energies	Share of overall adjusted EBITDA in € billion/in %	0.3/14	0.7/30	The operating result for the Renewable Energies segment increases by 250% from €0.2 billion (reference year: 2012) to €0.7 billion in 2020 and represents around 30% of the Group operating result. EnBW is more sustainable.
Share of result from Generation and Trading	Share of overall adjusted EBITDA in € billion/in %	0.8/37	0.3/15	The operating result for the Generation and Trading segment falls by 80% from €1.2 billion (reference year: 2012) to €0.3 billion in 2020 due to changed framework conditions and only represents around 15% of the Group operating result.
<div><div> Strategic key performance indicators ➤ page 53</div><div>Report on opportunities and risks ➤ page 74 ff.</div><div>Expected trends in strategic key performance indicators ➤ page 85 f.</div></div>				

¹ Other/Consolidation accounts for +2% of the overall adjusted EBITDA.

Goal	Key performance indicator	2015	Target in 2020	
Customers goal dimension				
Increase brand attractiveness	EnBW/Yello Brand Attractiveness Index	43/35	44/40	EnBW and Yello are regarded as attractive brands by consumers, supporting sales and customer acquisition.
Customer proximity	EnBW/Yello Customer Satisfaction Index	136/152	> 136/ > 159	EnBW and Yello customers are satisfied customers with a high level of customer loyalty. EnBW and Yello are organisations strongly oriented towards customers and meet the needs and wishes of their customers through tailored solutions and products.
Supply reliability	SAIDI (electricity) in min/year	15	< 25	EnBW regards the maintenance of supply quality to its customers as its chief priority. The high degree of supply reliability in the grid area operated by EnBW is based on comprehensive investment in grids and plants and our abundant system expertise.
 Non-financial key performance indicators ➤ page 64		Report on opportunities and risks ➤ page 82		Expected trends in the customers goal dimension ➤ page 86
Employees goal dimension				
Employee commitment	Employee Commitment Index (ECI) ¹	60	65	The commitment of our employees to EnBW is very strong and there is faith in the future viability of the company.
Occupational safety	LTIF ¹	3.8	≤ previous year	The number of accidents at work and the resulting days of absence remains stable or is falling.
 Non-financial key performance indicators ➤ page 64 f.		Report on opportunities and risks ➤ pages 78 and 82		Expected trends in the employee goal dimension ➤ page 86
Environment goal dimension				
Expand Renewable Energies (RE)	Installed output of RE in GW and the share of the generation capacity accounted for by RE in %	3.1/23.6	5.0/ > 40	The share of the generation capacity accounted for by renewable energies has doubled compared with 2012. Onshore and offshore wind power and hydropower are at the forefront of this development.
 Non-financial key performance indicators ➤ page 66		Report on opportunities and risks ➤ page 82		Expected trends in the environment goal dimension ➤ page 87

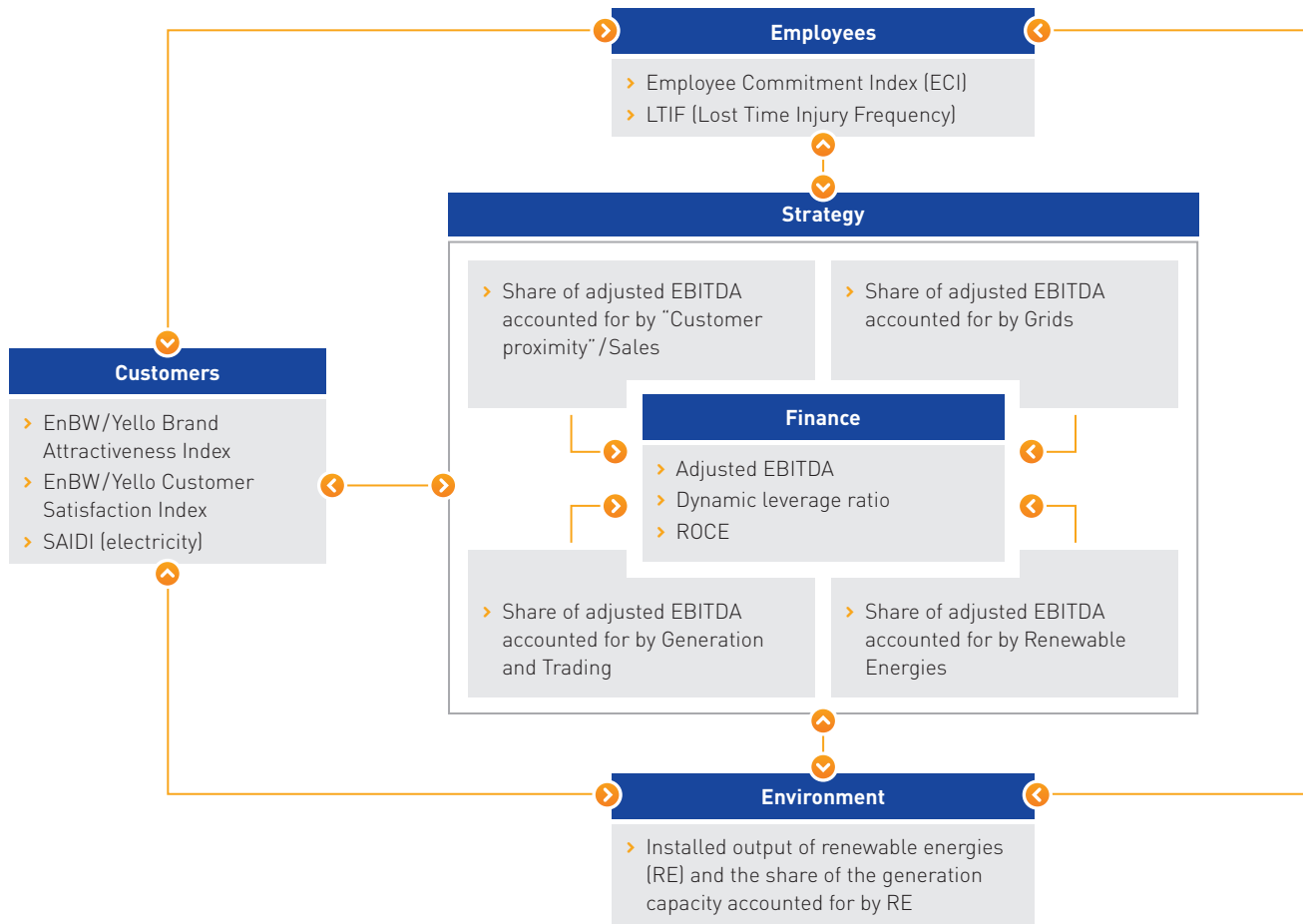
¹ Variations in the group of consolidated companies; see the definition of the key performance indicators on page 25.

TOP Interdependencies between the key performance indicators

We are convinced that in order to give a comprehensive portrayal of the company, it is not only necessary to describe the economic, ecological and social context but also to illus-

trate and provide an analysis of the interdependencies in this report. Integrated reporting also requires that information on the various goal dimensions be linked together, encourages holistic corporate management within EnBW and positions us as a responsible and sustainable company with a viable future to the outside world.

Theoretical interdependencies between key performance indicators

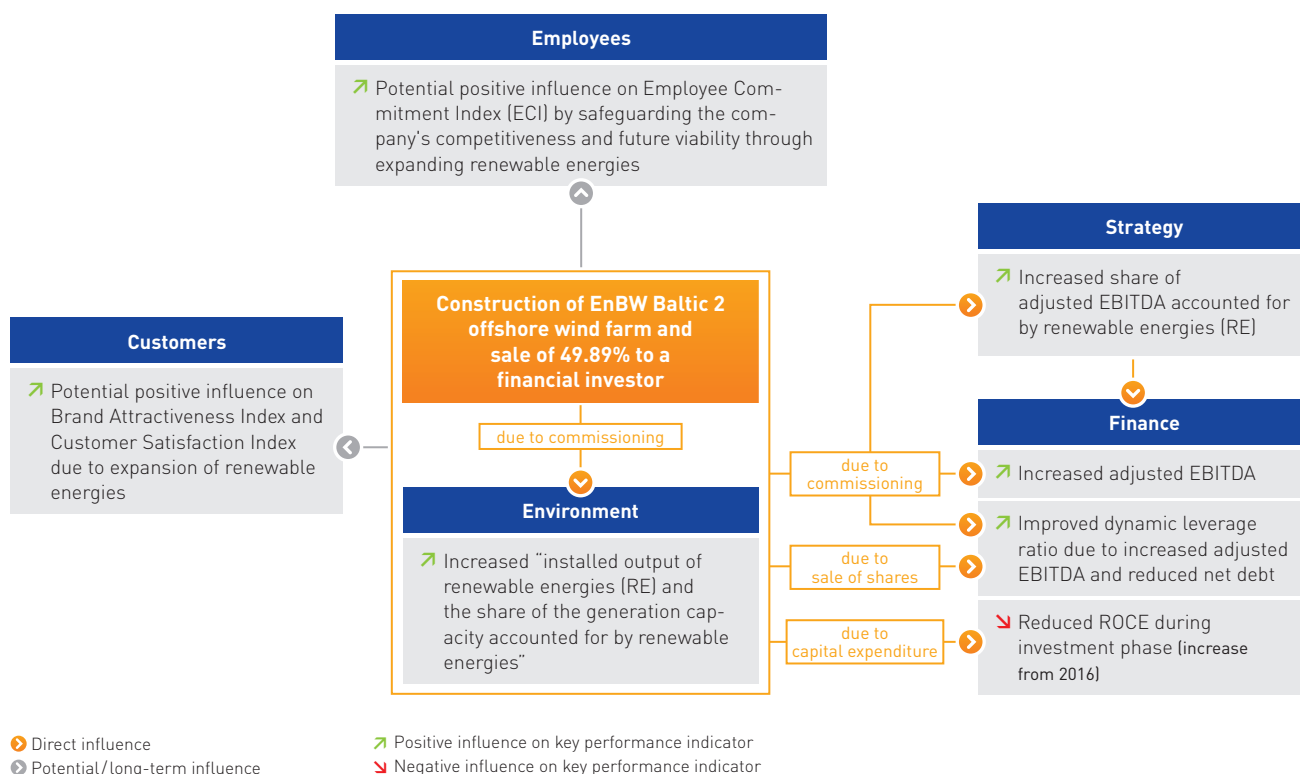


In order to illustrate these interdependencies, EnBW utilises the key performance indicators for its goal and performance management system, which include financial and non-financial factors in the finance, strategy, employees and environment dimensions. In an initial step, we conducted an internal survey in 2014 in the relevant specialist areas about the interdependencies between individual key performance indicators. The theoretical interdependencies between the key performance indicators are illustrated in the diagram above.

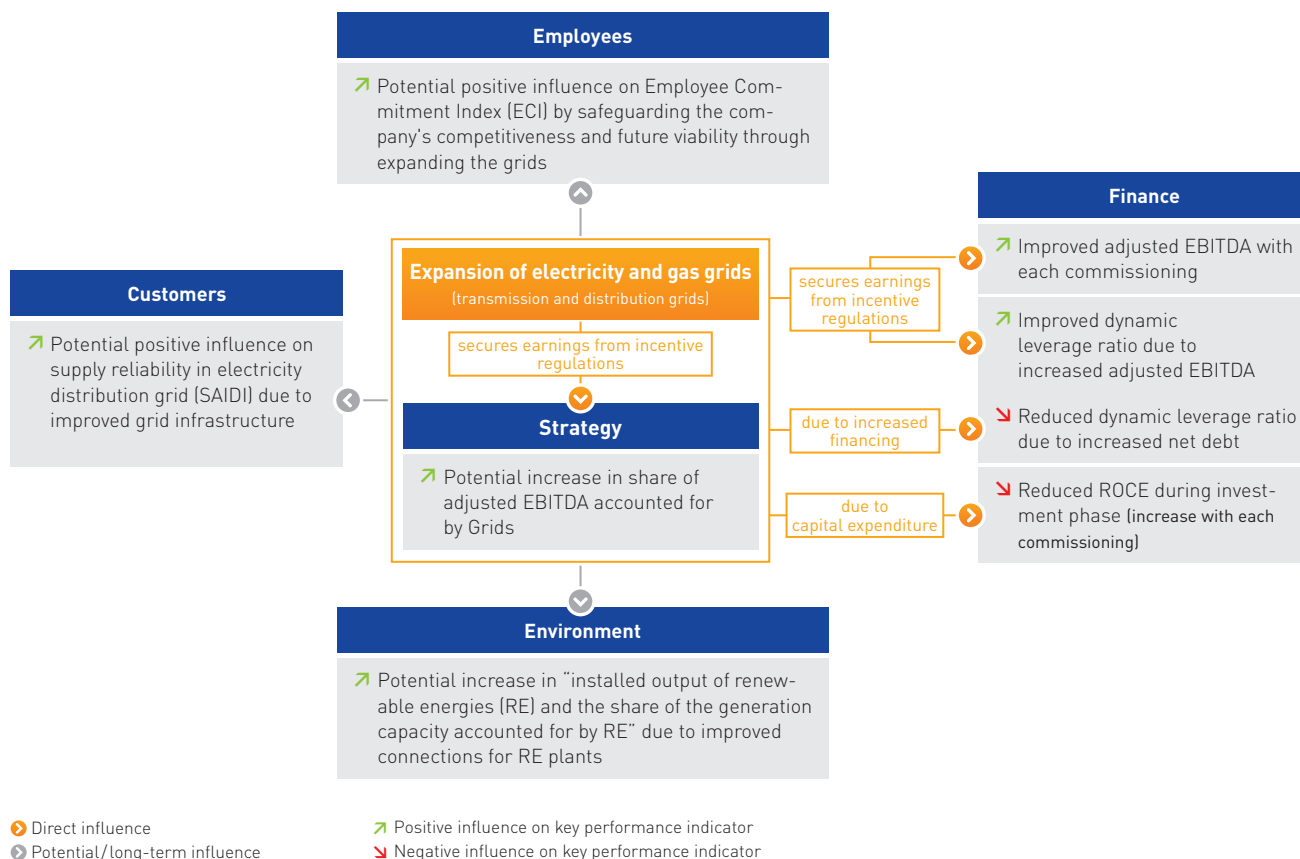
We now explain these interdependencies using concrete examples based on the key performance indicator that is immediately influenced in each example. The interdependencies between the financial and strategy key performance

indicators are essentially directly measurable and are represented in the following example diagrams by orange arrows. The interdependencies with the non-financial key performance indicators are difficult to measure and generally tend to be potential or long-term in nature. In the past year, these interdependencies were not monitored in detail. For this reason, they are represented less boldly with grey arrows. The green arrows show a positive influence on the key performance indicator, while the red arrows show a negative influence.

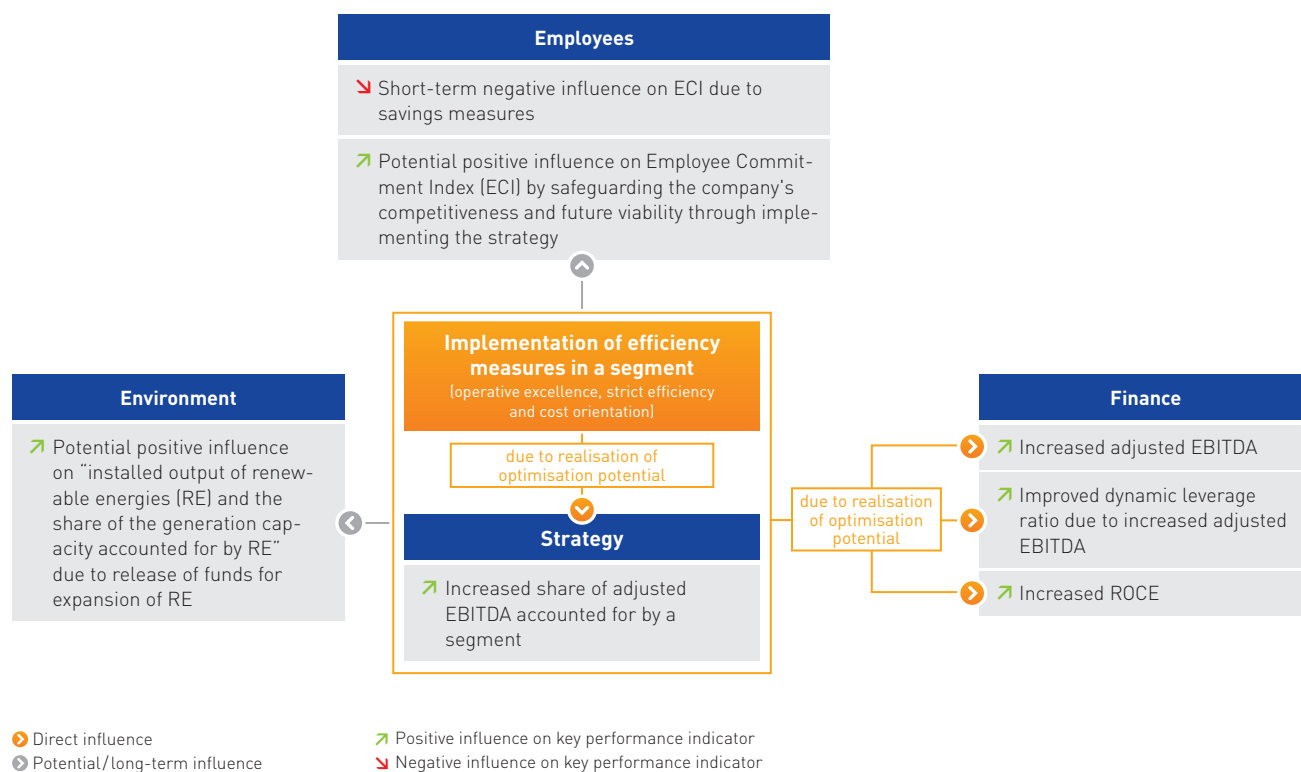
In subsequent years, we plan to expand the list of questions, especially within the scope of the employee survey, to determine the significance that important themes have for EnBW.

Interdependencies between key performance indicators using the offshore wind farm EnBW Baltic 2 as an example¹¹ Representation of the interdependencies in the 2015 financial year.

Interdependencies between key performance indicators using the expansion of the grids as an example



Interdependencies between key performance indicators using efficiency measures as an example




Corporate governance

Corporate management

Good corporate governance is an essential part of the corporate culture at EnBW. We are convinced that responsible and transparent corporate governance strengthens the trust and confidence that customers, capital providers, employees and the general public place in the company, thereby contributing to its long-term success. The Board of Management and Supervisory Board have the responsibility of managing and supervising the company above and beyond merely fulfilling statutory requirements, but to do it in accordance with recognised benchmarks for good corporate governance and in harmony with the principles of a social market economy, guaranteeing the continued existence of the company and ensuring a sustainable increase in its added value. Therefore, EnBW also meets all the recommendations of the German Corporate Governance Code (Deutschen Corporate Governance Kodex).

As in previous years, Dr. Bernhard Beck, the member of the Board of Management responsible for corporate governance, monitored conformity with the German Corporate Governance

Code at EnBW and reported extensively to the Board of Management and Supervisory Board on all current themes pertaining to corporate governance. Both boards acknowledged his report and subsequently approved the company's declaration of compliance pursuant to section 161 of the German Stock Corporations Act (AktG).

The "remuneration report" is contained in the management report on  page 88 ff. of this report.

Management and supervision

Board of Management

As of 31 December 2015, the Board of Management of EnBW AG consisted of four members. The Board of Management is jointly responsible for managing Group business. In addition to the role of the CEO, the tasks performed by the Board of Management are split into the remits of "finance", "personnel, law and compliance, auditing" and "technology".

Allocation of responsibilities at Board of Management level (as of 31/12/2015)

CEO	Finance	Personnel, law and compliance, auditing	Technology
Dr. Frank Mastiaux	Thomas Kusterer	Dr. Bernhard Beck (Chief Personnel Officer)	Dr. Hans-Josef Zimmer
<ul style="list-style-type: none"> > Corporate development/sustainability > Strategy/energy industry > Communication/policy > Transformation/IT procurement/infrastructure > Innovation management > Sales, marketing and operations > Gas value added chain > Escalation: risk management and trading 	<ul style="list-style-type: none"> > Accounting > Tax > Controlling > Finance > Investor relations > Mergers and acquisitions > Risk management/ICS > Trade 	<ul style="list-style-type: none"> > Personnel and executive management > Law > Auditing > Compliance management/data protection > Regulatory management > Boards/shareholder relationships > Equity investment management > Health management 	<ul style="list-style-type: none"> > Generation (renewable, conventional, nuclear) > Waste management/environmental services > Electricity and gas transmission grids > Distribution grids (electricity and gas) > Grid technology > Research and development > Occupational safety/environmental protection/crisis management

 www.enbw.com/board-of-management

Supervisory Board

The Supervisory Board consists of 20 members in accordance with section 8 (1) of the Articles of Association. In accordance with the German Co-determination Act (MitbestG), an equal number of members represent shareholders and employees. Three employee representatives are nominated by the ver.di

trade union. The Supervisory Board appoints the members of the Board of Management and advises them on their management of the company. It discusses business performance, planning and strategy of the company together with the Board of Management at regular intervals and ratifies the annual financial statements. The Supervisory Board is always involved in decisions of fundamental importance to

the company. Legal transactions and measures subject to the approval of the Supervisory Board are defined in its rules of procedure. In order for the Supervisory Board to optimally perform its functions, it has formed the following standing committees: a personnel committee, a finance and investment committee, an audit committee, a nomination committee and a mediation committee in accordance with section 27 (3) MitbestG, as well as an ad-hoc committee.

Further information on the Board of Management and Supervisory Board can be found in this report under the section on "Corporate bodies" (p. 107ff.), as well as in the Declaration of Compliance, the Corporate Governance Report and the Report of the Supervisory Board (www.enbw.com/corporate-governance-page).

Annual General Meeting

Shareholders exercise their rights with regard to company matters at the Annual General Meeting. The Annual General Meeting passes resolutions on the discharge of members of the Board of Management and Supervisory Board, the appropriation of earnings and the selection of the auditor. Resolutions of the Annual General Meeting only require a simple majority of votes in most cases. Each bearer share is equivalent to one vote. Further information on the Annual General Meeting is available at www.enbw.com/annual-general-meeting.

Shares of EnBW AG are listed on the General Standard segment of the Frankfurt Stock Exchange. A stake of 46.75% of the share capital in EnBW AG is owned by each of both the State of Baden-Württemberg – via its wholly owned subsidiary NECKARPRI GmbH and, in turn, via its wholly owned subsidiary NECKARPRI-Beteiligungsgesellschaft mbH – and by Zweckverband Oberschwäbische Elektrizitätswerke (Zweckverband OEW) via its wholly owned subsidiary OEW Energie-Beteiligungs GmbH.

The State of Baden-Württemberg, NECKARPRI GmbH and NECKARPRI Beteiligungsgesellschaft mbH, as well as Zweckverband OEW and OEW Energie-Beteiligungs GmbH, annulled their shareholder agreement with which they had previously regulated their cooperation as shareholders of EnBW AG with mutual consent on 22 December 2015 (p. 95). The goal of this measure is to exclude any future additional liability of the main shareholders of EnBW AG for the dismantling and disposal costs in the nuclear power sector. The involvement of shareholders in this extended liability is linked – in accordance with a draft law by the German government – to a controlling interest in a company. As a result of the annulment of this agreement, this controlling influence no longer exists in a legal sense. In this context, the main shareholders have publicly declared that they completely and fully support the obligations of EnBW AG in relation to nuclear energy.

Overall, the shareholder structure is unchanged as of 31 December 2015 when compared to the previous year.

Shareholders of EnBW

Shares in % ¹	
OEW Energie-Beteiligungs GmbH	46.75
NECKARPRI-Beteiligungsgesellschaft mbH	46.75
Badische Energieaktionärs-Vereinigung	2.45
Gemeindeelektrizitätsverband Schwarzwald-Donau	0.97
Neckar-Elektrizitätsverband	0.63
EnBW Energie Baden-Württemberg AG	2.08
Other shareholders	0.39

¹ The figures do not add up to 100% due to rounding differences.

Compliance

Compliance as an expression of all measures required for the observance of statutory regulations and internal guidelines is regarded as an essential management and supervisory task at EnBW.

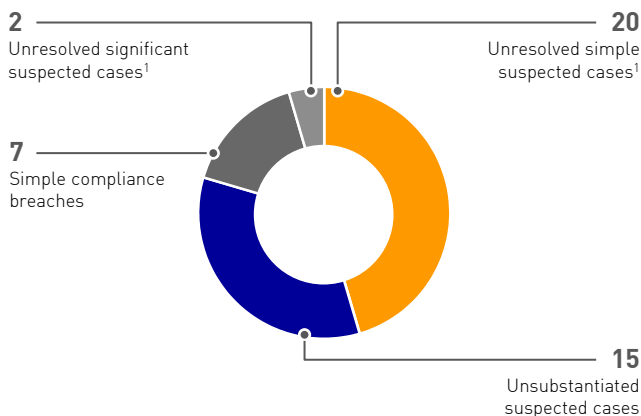
The Compliance Management System (CMS), which has been implemented throughout the Group, serves to minimise risks and avoid liability issues and a loss of reputation. It focuses on company and sector-specific risks and priorities and encompasses all controlled companies with employees in the EnBW Group. The main focus of compliance activities is placed on the prevention, detection and sanctioning of corruption, the prevention of violations against competition and antitrust laws, the prevention of money laundering and data protection issues. The effectiveness of the corruption prevention and antitrust law areas of the system were tested in accordance with the IDW PS 980 testing standard in 2013. They are deemed appropriate for the detection of the risk that there could be a significant violation of the regulations applicable in these areas in good time and with a sufficient degree of certainty, as well as for the prevention of such violations.

Alongside the need for a reliable CMS, the Compliance Department emphasised the most recent compliance incidents in the German economy, particularly in light of the importance of the compliance culture at EnBW, during numerous events and will also focus on this subject in more depth in 2016.

In the reporting year, 22 (91.7%) of the total of 24 controlled companies with employees in the EnBW Group were included in the CMS. The central compliance programme that is created on an annual basis and the company-specific measures contain the required preventative activities which are based on the Compliance Risk Assessments (CRA). The annual risk assessments examine corruption, antitrust law, fraud and data protection risks and were conducted in 21 controlled companies with employees in the EnBW Group (87.5%) in 2015.

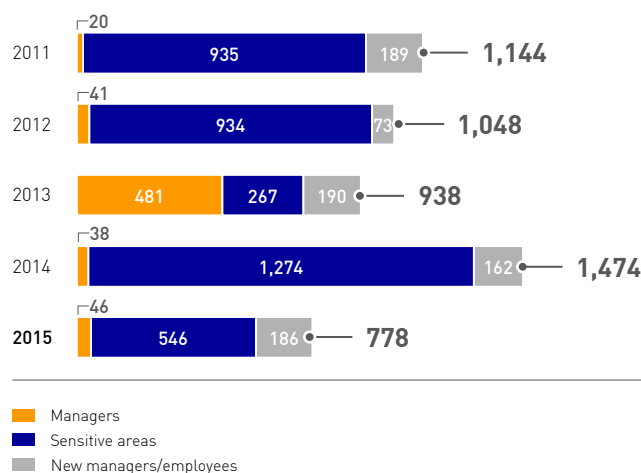
Compliance breaches and suspected cases

Number

¹ As of February 2016

The prompt and confidential handling of indications and suspected cases is an essential part of the CMS. Whistle-blowers can either contact an external ombudsman who will guarantee complete anonymity with respect to EnBW if they so wish or they can use the reporting channel of the Compliance Department. EnBW received 44 indications of compliance breaches and suspected cases in the reporting year, two of which were submitted via the ombudsman. They primarily related to sales and internal matters, and did not lead to any evidence for cases of corruption. Due to their level of importance, 4 of the 44 cases were handled by the Compliance Committee Task Force. Disciplinary measures were taken in four other cases. The number of reported cases in 2015 (previous year: 30 cases) reflects the current level of sensitivity in this area – it does not indicate any exceptional abnormalities.

Participants in face-to-face compliance training events



As an important measure for prevention, specific training campaigns in how to handle corruption, deal with antitrust law risks or address the issue of crimes carried out by public officials are conducted at EnBW. In accordance with the risk-oriented training plan for 2015, the areas of renewable energies, sales, local authority consultancy and operations and trading at EnBW were identified as sensitive target groups requiring face-to-face workshops. Corresponding expertise was shared with around 550 employees in these workshops. The completion of an e-learning course or participation in face-to-face introductory training courses is obligatory for new employees. A revised manager training campaign is planned for 2016.

The advisory services offered by the Compliance Department, which represent a key element of compliance and prevention measures, were also actively used during the reporting year. The compliance hotline received 1,152 enquiries relating to the key issues of gifts, donations and sponsoring, as well as to further topics such as the auditing of business partners.

By providing advice and support on legal issues in the area of data protection to Netze BW GmbH for their smart meter project, we also contributed to the digitalisation of the Energiewende in the reporting year. Advice on legal issues in the area of data protection during the development of new products and new business fields formed another important focus. The continuing trend of outsourcing IT services to external service providers meant that the advice offered was more complex and required greater explanation. These services include, amongst other things, so-called software-as-a-service and cloud services, which required support particularly with regards to the legally compliant processing of order data. There was an equally high number of requests for advice in the reporting year.

The Data Protection Department supported the task force for clarifying the processes for recording customer discussions as part of a so-called Quality Monitoring System (QMS), which were the subject of official investigations by the authorities.

The EnBW Group faced neither antitrust law penalty procedures nor third-party antitrust lawsuits in the 2015 financial year. The Baden-Württemberg antitrust authority initiated abuse proceedings under antitrust law in 2014 against EnBW on the grounds of what were allegedly excessive water prices in Stuttgart. EnBW had lodged a corresponding appeal. The process was concluded by the Higher Regional Court in Stuttgart after a settlement was agreed in July 2015. In addition, no penalties due to infringements of legal regulations were imposed on the company due to any other significant matters.

Law enforcement agency investigations of individual employees and former members of corporate bodies relating to the so-called Russian business and the so-called sales tax carousel in CO₂ allowance trading are ongoing. An end to or any results arising from these investigations are not yet in sight.

In dialogue with our stakeholders

Our stakeholders

Continuous and systematic dialogue with our internal and external stakeholders is an important component of our business activities. These stakeholders include shareholders and the capital market, employees, customers, local authorities, municipal utilities, society, suppliers, business partners and the political community. A fundamental aspect of our dialogue with stakeholders is the identification and prioritisation of stakeholder groups relevant to strategically significant and current issues, particularly with regards to the German Energiewende. This dialogue is conducted using a variety of formats, ranging from conferences to social media platforms. In active dialogue with our stakeholders, we listen to their interests and expectations of EnBW and take these into account in the strategic positioning of our company and in our business decisions. At the same time, we inform all stakeholders about the company's needs and the necessary prerequisites for providing an efficient, reliable and sustainable supply of energy. It is also important for us to listen to critical opinions such as those expressed within the framework of our Energy & Climate Protection Foundation. This enables us to increase the level of mutual understanding, social acceptance and trust, while identifying crucial developments and key themes at an early stage.

Materiality analysis

Based on the systematic materiality analysis that was carried out for the first time in 2013, EnBW has continuously expanded its processes over the last few years for identifying material topics and linking them simultaneously with the development of the company's strategy. Material aspects are determined using the framework provided by the International Integrated Reporting Council (IIRC) and in accordance with the updated G4 Sustainability Reporting Guidelines published by the Global Reporting Initiative (GRI).

On the one hand, topics are considered material if they have a significant influence on long-term value added and thus the performance and future viability of EnBW. On the other hand, aspects reflecting important economic, environmental and social impacts caused by the organisation and that significantly influence the perception of stakeholders are also taken into account. Information on the materiality process in accordance with GRI can be found at www.global-reporting.org/standards/Pages/default.aspx.

The findings from the materiality analysis in 2013 are constantly revised based on continuous dialogue with the different stakeholder groups. The themes discussed and the expectations that stakeholders have of EnBW flow continu-

ously into the strategy process. The analysis of the competitive environment focusses above all on the opinions expressed by external stakeholders, especially shareholders and the capital market, customers, society and the political community. In internal discussions, these opinions are reflected upon and validated so that the knowledge gained can deliver valuable input for the further development of the business model (p. 14 ff.). In particular, 2015 was characterised by a difficult market environment, tough competition and a sharp fall in wholesale prices. The overall results of the current materiality process reaffirm the EnBW 2020 strategy.

The following themes represent the material topics for EnBW in the 2015 financial year:

- **Corporate strategy and contribution to the Energiewende:** The targeted implementation of the strategy is reflected in the resolute realignment of the Group both internally and externally. EnBW is pushing forward the Energiewende using targeted measures, which are being realised along the individual stages of the value chain through the two complementary operating models of "Customer proximity" and the "Engine room of the Energiewende". A current example of the further development of EnBW is the planned acquisition of 74.2% of the shares in VNG-Verbundnetz Gas Aktiengesellschaft over a period of time from 2016. This deal will double the company's gas business and make EnBW the third-largest gas supplier on the German market (p. 22 ff.).
- **Corporate management and performance orientation:** The transformation process aims to create a new, agile corporate culture, supported by a new management logic. The implementation of the strategy is based on a holistic goal and performance management system. At the centre of this integrated corporate management is the Performance Management System (PMS), which encompasses financial and non-financial Group goals (p. 24 f.).
- **Efficiencies and optimisation:** Building on the successful "Fokus" project, which has made permanent annual savings of €750 million since 2014, EnBW has implemented additional efficiency programmes that will deliver further significant savings by 2020 (p. 77).

The material topics will be rigorously followed up in the operative segments (p. 20 f.):

- **Sales:** Measures to improve and extend proximity to customers and increase customer satisfaction. Expanding the portfolio of energy industry billing services.
- **Grids:** Guaranteeing a reliable supply of energy in Baden-Württemberg through investment in reinforcing and upgrading the grids, especially the distributions grids.
- **Renewable Energies:** Continuation of the existing growth trends, especially in the areas of offshore (commissioning

of EnBW Baltic 2) and onshore (expansion of the project pipeline) wind power.

- > **Generation and Trading:** Safeguarding the reliable supply of energy from conventional and nuclear power generation; boosting efficiencies and developing new business sectors.

Improving sustainability performance secures the future viability of the company:

- > **Employee commitment, promoting diversity and occupational safety:** Regular employee surveys and identifying target-oriented measures. Promoting diversity and an inclusive atmosphere to increase productivity, innovation and the attractiveness of the company as an employer. Continuous improvement of occupational safety (p. 64 ff.).
- > **Development of new business segments:** Expansion of innovation management through the establishment of an Innovation Campus, the foundation of EnBW New Ventures GmbH and setting up a start-up community in Baden-Württemberg (p. 37 f.).
- > **Commitment to climate protection:** Commitment to zero emission or low CO₂ generation and positioning as part of the climate protection negotiations in Paris for a global climate protection policy. Becoming established in the leading group in the relevant sustainability rankings (p. 43 f.).
- > **Responsible coal procurement:** Commitment to improving the working and living conditions in the mining regions through a diverse range of measures such as dialogue with stakeholders, corporate social responsibility (CSR) clauses in contracts and on-site engagement (p. 40 f.).
- > **Dialogue with stakeholders and integrated reporting:** Continuous and systematic dialogue with internal and external stakeholders in the form of events and especially through social media. Ongoing development of integrated reporting through the linking of information and the refined representation of the business model (p. 28 ff. and 14 ff.).

The materiality analysis process is used by EnBW to ensure that the viewpoints and expectations of stakeholders are continuously taken into account. The importance of stakeholder perspectives is particularly illustrated by the expanded diagram showing the resources and the effects they have on value added for the stakeholders of EnBW (p. 15 f.).






EnBW as part of society

EnBW is acutely aware of its responsibility towards society. Through its commitment to addressing the concerns and interests of society, it conducts its business in close customer proximity and aligns its activities to the target groups of end customers, business partners and local authorities. It is chiefly involved within its primary business sphere of influence in

Baden-Württemberg in this regard. We concentrate our support for superordinate social issues on the core areas of popular sport, education, social issues, the environment and art and culture. EnBW has considerably reduced its sponsoring commitments and the overall outlay dedicated to this purpose in recent years, a move which also reflects the economic situation of the company. For example, sponsorship of top-class sport has been reduced considerably and particular attention given to popular sport instead. An important event for the social activities of EnBW in 2015 was the 300th birthday of the City of Karlsruhe (KA300), the headquarters of EnBW. EnBW supported this major festival with numerous campaigns and events. In particular, the focus was placed on innovative projects along such themes as e-mobility and multifunctional street lighting, as well as on cultural contributions. EnBW set up two charging and hiring stations for pedelecs with electric drive systems at central locations in the city. In addition, EnBW handed over two multi functional SM!GHT (smart.city.light) street lights with energy-saving LED lighting to the city, which also serve as charging stations for electric vehicles, record environmental data and can be used to provide public Internet access via a Wi-Fi module.

The increasing numbers of refugees fleeing to Europe, especially to Germany, has become a major social, political and economic challenge over the last few months. Long-term perspectives for the asylum seekers are just as important as short-term humanitarian assistance. EnBW is engaged here on three levels: In January 2016, an integration programme was established in which up to 40 refugees will be prepared for a possible apprenticeship at EnBW at the locations in Karlsruhe and Stuttgart. Four new training jobs have been created for this purpose. EnBW is also supporting employees who are providing assistance to refugees on a voluntary basis. Finally, we are encouraging the networking of these employees in order to coordinate their aid measures, assist them in exchanging experiences and help mobilise further volunteers.

Examples of the sponsoring activities by EnBW

Key issues	Example projects	Further information
Popular sport	EnBW-Oberliga Junioren	 www.enbw.com/oberliga
Education	energy@school: Energie für Ideen	 www.enbw.com/energyatschool
Social issues	ECHT GUT! Das Ehrenamt in Baden-Württemberg	 www.enbw.com/ehrenamt
Environment	Amphibian protection programme "Impulse für die Vielfalt"	 www.enbw.com/biodiversitaet
Art/Culture	Release and art in support of release e.V. (help with drugs)	 www.enbw.com/kunst

Stakeholder dialogue

In dialogue with our stakeholders (examples)

Stakeholder	Opportunity for dialogue	Main themes	Further information
 Shareholders/ capital market	<ul style="list-style-type: none"> Investor telephone conferences, investor update 	<ul style="list-style-type: none"> Corporate economic development, positioning of EnBW on capital market 	<ul style="list-style-type: none"> www.enbw.com/conferencecall www.enbw.com/investor-update
	<ul style="list-style-type: none"> Annual General Meeting 	<ul style="list-style-type: none"> Discharge Board of Management/Supervisory Board, resolution on appropriation of earnings 	<ul style="list-style-type: none"> www.enbw.com/annual-general-meeting
	<ul style="list-style-type: none"> Banking Day and Capital Market Day 	<ul style="list-style-type: none"> Current themes in sector & EnBW strategy 	<ul style="list-style-type: none"> www.enbw.com/event-ir
	<ul style="list-style-type: none"> Financial reports 	<ul style="list-style-type: none"> Corporate economic development 	<ul style="list-style-type: none"> www.enbw.com/financial-publications
 Employees	<ul style="list-style-type: none"> EnBW aktuell 	<ul style="list-style-type: none"> Minister President Kretschmann at EnBW, activities in onshore/offshore sector, innovations, business situation 	
	<ul style="list-style-type: none"> EnBW Intranet 	<ul style="list-style-type: none"> Schemes for interdepartmental & cross-hierarchical development of ideas (e.g. 1492@enbw.com) 	
 Customers	<ul style="list-style-type: none"> "Meine EnBW" online customer portal 	<ul style="list-style-type: none"> Relaunch of B2C customer portal with extensive overhaul of the design & functionalities 	<ul style="list-style-type: none"> www.enbw.com/meine-enbw
	<ul style="list-style-type: none"> Customer parliament 	<ul style="list-style-type: none"> Face-to-face customer surveys 	
	<ul style="list-style-type: none"> Energy efficiency networks 	<ul style="list-style-type: none"> Regular meetings & exchange of information, foundation of new networks 	<ul style="list-style-type: none"> www.enbw.com/netzwerk-energieeffizienz
	<ul style="list-style-type: none"> EnBW shops/local presence 	<ul style="list-style-type: none"> Offering advice and services 	<ul style="list-style-type: none"> www.enbw.com/privatkunden
	<ul style="list-style-type: none"> Social media/customerblog & newsletter/customer magazine 	<ul style="list-style-type: none"> Information on latest news, products, services and events 	<ul style="list-style-type: none"> www.facebook.com/enbw www.enbw.com/blog
 Local authorities/ public utilities	<ul style="list-style-type: none"> Local authority energy efficiency networks 	<ul style="list-style-type: none"> First energy efficiency network at a local authority level in the districts of Karlsruhe and Rastatt 	
	<ul style="list-style-type: none"> Energy team plenary assembly 	<ul style="list-style-type: none"> Discussion forum for representatives of municipal utilities on current energy themes 	
	<ul style="list-style-type: none"> Local authority events 	<ul style="list-style-type: none"> Local Authority Energy Days, council forums, regional & advisory council meetings, trade fairs/events 	<ul style="list-style-type: none"> www.enbw.com/kommunaler-energietag
	<ul style="list-style-type: none"> KommPlus 	<ul style="list-style-type: none"> Quarterly magazine for local authorities and local authority partners 	<ul style="list-style-type: none"> www.enbw.com/kommunen
 Society	<ul style="list-style-type: none"> Energiewende blog & social media activities 	<ul style="list-style-type: none"> Dialogue platforms such as blogs, Facebook, Twitter, YouTube 	<ul style="list-style-type: none"> www.twitter.com/enbw www.dialog-energie-zukunft.de
	<ul style="list-style-type: none"> Open days and EnBW InfoCenter 	<ul style="list-style-type: none"> Numerous opportunities to view various EnBW locations, dialogue with citizens 	<ul style="list-style-type: none"> www.enbw.com/besichtigungen
	<ul style="list-style-type: none"> EnergieCampus 2015 	<ul style="list-style-type: none"> Energy & Climate Protection Foundation competition for PhD students from Baden-Württemberg 	<ul style="list-style-type: none"> www.energieundklimaschutzbw.de
	<ul style="list-style-type: none"> Stimuli for Diversity 	<ul style="list-style-type: none"> Conservation programme for amphibians 	<ul style="list-style-type: none"> www.enbw.com/umweltschutz
	<ul style="list-style-type: none"> Sustainability Days Baden-Württemberg 2015 	<ul style="list-style-type: none"> Advice and events at the EnBW Shop Stuttgart and at the pumped storage power station in Glems 	<ul style="list-style-type: none"> www.nachhaltigkeitstage-bw.de
 Suppliers/ business partners	<ul style="list-style-type: none"> Dialogue on the responsible handling of coal mining in Colombia 	<ul style="list-style-type: none"> Fact-finding mission, regular meetings & exchange of information with social organisation & coal producers 	<ul style="list-style-type: none"> page 41 f. www.enbw.com/kohlebeschaffung
	<ul style="list-style-type: none"> Supplier Day 	<ul style="list-style-type: none"> Development discussions with strategically important suppliers 	<ul style="list-style-type: none"> page 41
 Politics	<ul style="list-style-type: none"> EnBW Energy and Business Club (EWC) 	<ul style="list-style-type: none"> Dialogue on incentive regulations, auction models for wind turbines, energy efficiency and the Electricity Market Act 	
	<ul style="list-style-type: none"> Energy & Climate Protection Foundation debate evenings 	<ul style="list-style-type: none"> Themes like World Climate Summit, decentralisation, energy forecasts & energy policy outlook 	<ul style="list-style-type: none"> www.energieundklimaschutzbw.de
	<ul style="list-style-type: none"> Political discussion evening in Brussels 	<ul style="list-style-type: none"> Discussion on the effects of digitalisation on the energy sector 	

Innovation, research and development

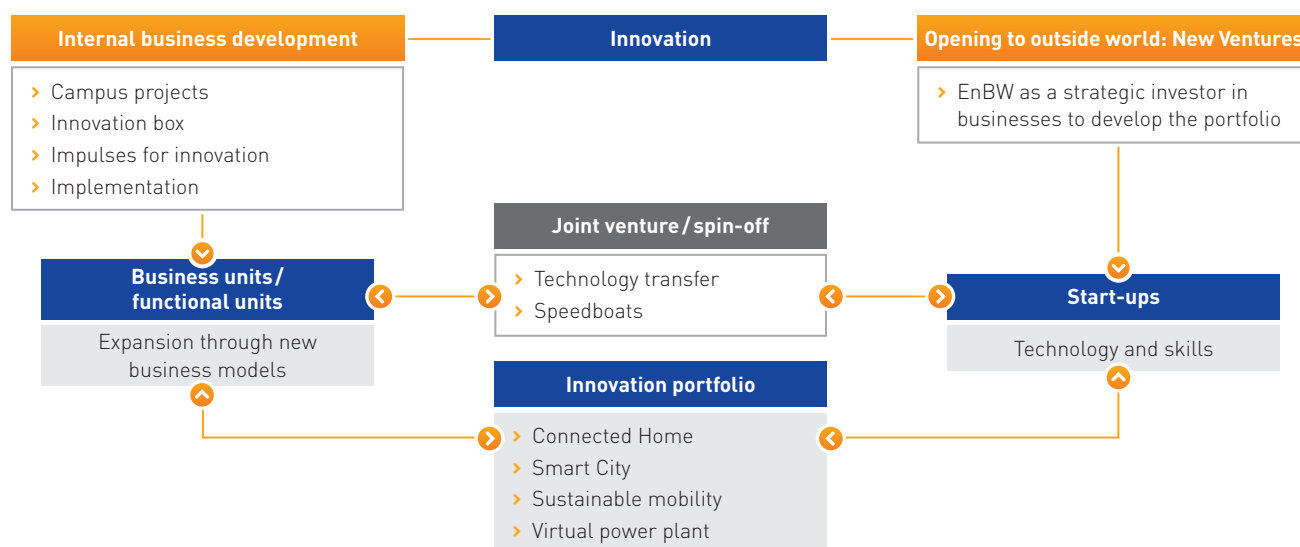
Goals, guidelines and the innovation process

EnBW develops models for new future business areas through its innovation activities. The goal is to identify new sources of revenue for the Group in the short term in the new energy landscape and demonstrate ways to exploit them. A major role is played here by Group-wide innovation management, which is used to build up the skills and processes for developing new

ideas. The aim is to establish an agile innovation culture at EnBW in the long term, which will be supplemented by selected partnerships and participating interests in start-up companies.

The innovation process is split into two main areas: the internal generation of new business ideas and the opening up of EnBW to the outside world under the heading “New Ventures”.

The innovation process at EnBW



Innovation – focal points and selected results

Innovation culture

An example of how we have ventured into new worlds of business is “1492@enbw” that was introduced in the company two years ago: Employees can develop new interdisciplinary business ideas here free of hierarchical structures. This reinforces the project culture and willingness to change amongst employees while opening up new

learning opportunities. This successful approach for lateral thinking and cross-departmental and cross-company action is now entering its third phase.

The Innovation Campus is picking up speed

Innovation management pushes forward the expansion of the innovation portfolio. In addition to the four existing projects, five further projects were installed at the Innovation Campus during the course of 2015 that promote the themes of sustainable mobility, virtual power plants and smart energy.

Current projects at the EnBW Innovation Campus

Campus project	Short description	Innovation phase
Small direct marketing	Direct marketing of small volumes of energy (from 100 kW feed-in power) from renewable energy sources, obligatory since the beginning of 2016. Providing digitalised and automated processes to owners of small generation plants	Development of business model/piloting
SANDy  www.enbw.com/innovations	Helping companies to identify value-added interdependencies in their data, advising customers on the analysis of data, implementing the solutions found and making them operational in real time	Piloting/market launch. Three products on the market, platform created, four products realised, two in progress, a further four close to contract stage, level of interest at over 90%
EnergyBASE  www.enbw.com/energybase	Intelligent combination of a photovoltaic plant, consumers and an electricity storage system to increase own consumption. Cooperation with Deutsche ACCUotive. Actively being sold under the EnBW brand since October 2015.	Piloting/market launch. Start of process for developing business model for white label & B2B solution together with pilot customer, further development of B2C solution
SM!GHT  www.smight.com	Innovative street lights as a visionary concept for an intelligently networked urban infrastructure	Market launch/scaling. Series production underway, already being used by 34 local authorities in Baden-Württemberg (50 SM!GHT Air, 16 SM!GHT Base)
CampusONE  www.campus-one.de	Web-based e-training and business solutions for the digitalisation of business processes and for digital learning. Extensive training portfolio for the energy industry and industrial companies	Scaling. €1 million turnover in 2015

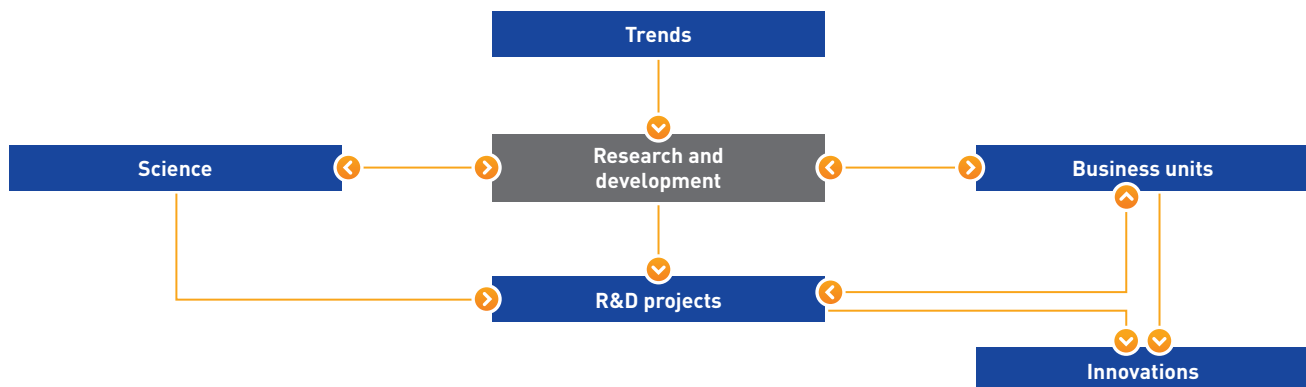
Goals, guidelines and the research and development processes

The goal of research and development at EnBW is to develop medium and long-term market opportunities. The task is to identify and evaluate relevant trends and technological developments at an early stage and to develop the required expertise through pilot and demonstration projects. This

contributes to improving existing business activities and opening up new opportunities. The projects themselves are implemented in the operational units at EnBW or with customers – directly at the site of their subsequent application – and form a portfolio that is coordinated centrally for all EnBW units.



The research and development activities are integrated into an internal and external network of partners.

The research process at EnBW



Research and development – focal points and selected results

Decentralised power generation and heating


Decentralised generation accounts for the largest proportion of the customer-oriented research projects. EnBW has been successfully established on the market with  CHP power plants for many years and aims to offer further tailor-made energy solutions in this area in future. By further developing  fuel cells and micro gas turbines, which offer alternatives to the standard diesel or gas motors used in combined heat and power plants, EnBW will expand its range of solutions.

The test phase of a prototype for an especially efficient micro gas turbine was successfully concluded by EnBW with its transferral into regular operation in May 2015. It supplies 17 companies on a local industrial estate with base load heating from the Leonberger combined heat and power plant. As a result of improved heat recovery in particular, it was possible to increase the efficiency of the turbine by around 6% compared to the initial model.

EnBW has installed a total of 155 fuel cell heating devices for customers and partners in Baden-Württemberg – it took stock of its research activities in November 2015 as part of the nationwide Callux practical tests which are being run over many years. EnBW had installed fuel cell heating devices together with a number of different manufacturers across the whole of Germany up to April 2014 – from private houses to town halls and libraries through to kindergartens. EnBW already launched its first product on the open market in 2014 on the basis of this experience.

Another focal point was the better utilisation of near-surface geothermal energy for heating. In a two-year pilot scheme called “Flexible Heat Transfer Systems”, it was demonstrated that the intelligent management of geothermal heating using heat pumps could reduce the regional oversupply of wind and photovoltaic energy and reduce grid bottlenecks.

Renewable energies

Alongside near-surface geothermal heating, the focus was placed on generating electricity and heat from deeper  geothermal energy. In the Soultz-sous-Forêts geothermal power plant, the partners Electricité de Strasbourg and EnBW upgraded important parts of the overground demonstration plant in 2015 with the aim of restarting operation with greater efficiency in 2016. In the past three years, the plant technology at the Bruchsal geothermal power plant was fundamentally optimised – also with the help of an accompanying research project. The return line will be replaced in 2016 following corrosion problems. The pilot plant should subsequently supply additional heat for a public facility in the vicinity.

Biogas is set to make a greater contribution to the local self-supply of energy in the future. The EnBW subsidiary Erdgas Südwest concluded a demonstration project called “biotark privat” with two households in north Baden and upper Swabia

in September 2015. The electricity and heating requirements were cleverly covered by the use of a photovoltaic plant, a micro combined heat and power plant and a heat storage system – all controlled via a central control station in the home.

Storage systems for the smart energy world

We are investigating in a variety of different research projects how photovoltaic electricity can be utilised to a greater degree than ever before to meet local energy demands. In this context, EnBW is testing a holistic energy management system with a major discount store that utilises, in particular, an electricity storage system.

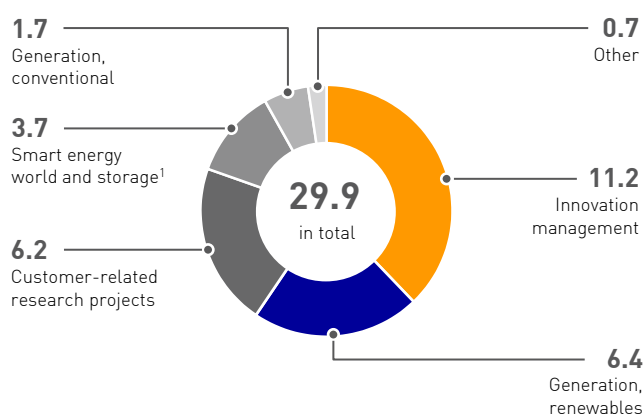
In cooperation with a project developer, EnBW is using a large 30 MW battery to analyse the possibilities for energy companies to open up new business opportunities in the area of large battery storage systems connected to the electricity grid.

In an ongoing research project at the Hydrogen Filling Station in Stuttgart, the facilities were converted in 2014 for the buses operated by Stuttgarter Straßenbahnen AG. The hydrogen is generated on-site by the filling station's own electrolyzers powered by green electricity. EnBW is investigating new business models involving hydrogen on the basis of the findings from the research project.

Expenditure and personnel

Expenditure on innovation, research and development

in € million



¹ Includes e.g. e-mobility and hydrogen.

The EnBW Group invested €29.9 million (previous year: €27.9 million) in the 2015 financial year in innovation, research and development. EnBW received government research grants of €3.6 million (previous year: €3.1 million).

A total of 38 staff were employed in the areas of innovation, research and development in 2015 – which was unchanged compared to the previous year. A further 46 employees were involved in innovation projects. In addition, 109 employees (previous year: 131 employees) were involved in research and development projects as part of their operational work.

Procurement

Efficient and sustainable procurement processes

A large number of suppliers and service providers contribute to the services rendered by EnBW. The annual cash-relevant procurement volume of the EnBW Group amounts to around €2.2 billion. Therefore, EnBW places great importance on the efficient and sustainable design of their procurement processes. The goal is to continuously increase the value added by the Procurement Department. Early involvement in all important projects for the company lays the foundations that enable the Procurement Department to further develop its role as a partner for creating efficient procurement processes. The new mission statement for the Procurement Department developed in 2015 is based on three central guidelines: orientation around the operating business, stringency of the process landscape and cooperative management.

The “Transformation of Procurement” project

The “Transformation of Procurement” project places procurement at EnBW on a new footing. On the basis of best practice approaches from the manufacturing industry, the goal is to better realise optimisation potential for EnBW than ever before. Subprojects are focussing, for example, on streamlining processes, change management, product group strategies and supplier management. EnBW is working closely with business partners in this area to make substantial contributions to boosting efficiency. The clear organisation of procurement in alignment with the business segments at EnBW, the centralisation of claims management and the introduction of a value analysis are other important elements of the realignment of the Procurement Department. A pilot project in cooperation with suppliers was successfully completed and the concept developed as a result will be implemented across all product groups. The first stage of the “Transformation of Procurement” project was concluded in July and the second stage in December 2015. The savings potential was mainly realised in the growth fields of onshore and offshore wind energy. The project will be concluded in the spring of 2016 with the implementation of the third development stage.

Integrated procurement platform

Procurement processes at EnBW have been made even more efficient and transparent as a result of the development of an integrated purchasing platform and the introduction of

automated ordering processes. The purchasing platform includes standardised pre-qualification of suppliers, participation in invitations to tender and the submitting of offers, as well as the recording of services rendered. Suppliers and buyers can access information on procurement processes from a central source and interact electronically with the Central Procurement Department. All important suppliers completed the pre-qualification phase by the end of 2015 and were obligated to observe legal and social standards.

High-performance supplier evaluation system

Another important step towards a new system landscape in procurement was made with the introduction of a high-performance supplier evaluation system in July 2015. It will better meet the requirements set by the individual product groups and specialist departments and will thus represent a cornerstone for the optimisation of supplier management at EnBW. This process will be concluded in 2016. Around one third of the strategic purchasers currently use the evaluation system.

Shaping the future together

Alongside the changes to the system landscape, another important strategic element of procurement has been successfully established: the Suppliers Day. This event aims to reinforce relationships with strategically important suppliers through cooperative management and integrated measures. The suppliers are shown development opportunities and simultaneously offered support to guarantee their competitiveness. At the same time, procurement costs are optimised, supply risk minimised and supply quality improved. The derived measures and goals are continuously checked by both sides. This process is repeated regularly in order to support the sustainable further development of the supplier.

Responsible raw materials procurement in the coal sector

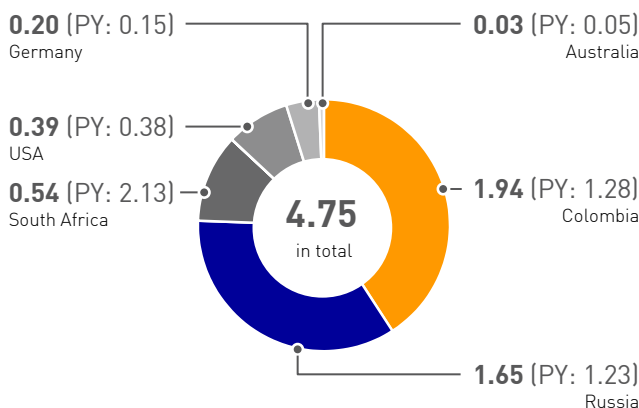
Origin of coal supplies

In order to guarantee a reliable and economic supply of electricity, 4.75 million tonnes of coal (previous year: 5.67 million tonnes) with a procurement value of €242 million was delivered to EnBW power plants in 2015. The coal is primarily sourced from Colombia and Russia. The source of

the Colombian coal can be precisely traced because the three major coal producers have their own shipping ports: 517 thousand tonnes originated from Cerrejón, 898 thousand tonnes from Drummond and 528 thousand tonnes from Glencore (Prodeco). Due to the large number of coal mines and coal producers in Russia and South Africa, it is only possible here to localise the origin of the coal to the mining region. The Russian coal originates from the Kusnezker Basin, while the South African coal originates from the mining region in Mpumalanga Province. The American coal originates exclusively from coal mines in the Illinois Basin. In this respect, it is possible to exclude the use of coal mined using the controversial method of mountaintop removal mining. No Polish coal was used for the first time since 2001, 0.45 million tonnes were still sourced from Poland in the previous year.

Origin of coal supplies to EnBW power plants

in millions of tonnes



EnBW places importance on maintaining a balanced procurement portfolio to avoid becoming dependent on individual producing countries, producers or dealers. EnBW covers the majority of its coal requirements through contracts with trade intermediaries, in which the origins of the coal are not usually defined. Moreover, there are direct business relationships with selected coal producers. More information on coal procurement by EnBW can be found on our website at www.enbw.com/kohlebeschaffung and in our Energiewende blog at www.dialog-energie-zukunft.de/infografik_kohle/.

Code of conduct governing responsible procurement

EnBW strives to ensure that the generation of electricity from hard coal is as sustainable as possible across the entire value chain. For this reason, the EnBW Board of Management adopted a code of conduct governing the responsible procurement of hard coal and other raw materials in July 2014 that includes concrete requirements for suppliers and business partners (www.enbw.com/verhaltenskodex). The aim is to improve the living conditions for people across the value chain in the interests of all stakeholders. For coal

consumers and producers, this contributes to the reduction of the legal, operational and reputational risks and to long-term economic success.

The principles behind this code of conduct are based on recognised international guidelines and standards for the protection of human rights, the protection of the rights of indigenous peoples, the improvement of working conditions, environmental protection and the assurance of good corporate management and compliance. The Guiding Principles on Business and Human Rights of the United Nations and the findings of the process for developing a National Action Plan for Business and Human Rights in Germany support EnBW in facing up to its responsibilities in the procurement process. The code of conduct has been used for new raw material procurement processes since the 2015 financial year. In the course of regular inspections, any suspected violations of the code of conduct trigger a testing process that can lead to the end of the business relationship.

Implementation of the code of conduct

The application of the code of conduct was further substantiated in the 2015 financial year with the development of internal operational guidelines so that the reliability of the process was increased in all business areas. As a result of the revision of the sustainability index database for coal producers, the requirements and sustainable activities expected of producers can be better integrated into the decision-making process of the CSR committee for sustainable raw materials procurement. In 2015, the CSR committee discussed the sustainability performance of all important suppliers based on the sustainability index database. The procurement situation in Colombia was once again a central theme.


On-site involvement in Colombia

EnBW has further intensified its on-site activities in Colombia – the most important source country for hard coal. In March 2015, meetings were held in Bogota and the coal mining region of Cesar with representatives from ministries, embassies, authorities, local authorities, victims of the Colombian civil war and coal-producing companies. Following this fact-finding mission, a number of meetings were held with social organisations and coal producers. A list of questions dealing with unresolved themes was subsequently created, which underlined the central importance of a code of conduct as the contractual basis for the business relationship between EnBW and the Colombian coal producers. This targeted list of questions, which was sent to producers in October 2015, combines core measures for business partner auditing and stakeholder management (p. 34 ff.) with on-site involvement. In addition, EnBW has expanded its involvement in improving the working and living conditions in Colombia – especially in relation to water provision to the population affected by the mining and transport of coal.


Business report

General conditions

External influences

A wide variety of external factors such as developments in the macroeconomic, political and regulatory environments, the market prices for primary energy sources,  CO₂ allowances and electricity, as well as the weather conditions, have a significant influence on the business performance of EnBW. Demand from industry for electricity and gas is strongly influenced by phases of growth and decline in the macroeconomic environment. In contrast, energy consumption in private households develops largely independent of the economy. In addition, gas sales depend heavily on weather conditions.

Political decisions at a European and national level – particularly market and competition-oriented regulations – have an influence on the energy sector. The sociopolitical will to, for example, strengthen the area of climate protection or preserve natural resources, shapes the political and regulatory requirements and the extensive legislative intervention into the energy sector. As a result, EnBW constantly faces new challenges, which it tackles with flexible concepts that are sustainable in the long term.

Market prices for fuel and CO₂ allowances, as well as prices on the electricity wholesale market, influence the business performance of EnBW in terms of its costs and income. EnBW strives here to reduce the uncertainty in the generation margin. The quantities of primary energy sources and CO₂ allowances required for generating electricity are thus procured in advance on the  forward market. We sell the planned electricity production on the forward market and through the sales channels utilised by EnBW. Consequently, the terms and conditions of the supply contracts agreed upon in previous years formed the basis for the costs and income in 2015. On the other hand, the development of prices on the forward market in the 2015 financial year will impact earnings in following periods. This relationship is also true on the sales side of the business for the quantities of electricity procured from the company on the forward market.

Macroeconomic trends

The economies relevant for the business activities of EnBW largely experienced positive macroeconomic growth in 2015. The only exception was Switzerland where the significant appreciation of the Swiss franc dampened economic growth.

The rate of growth in the global economy is set to accelerate in 2016. In all national markets relevant for EnBW – with the

exception of the Czech Republic – the rate of macroeconomic growth is expected to reach a similar or higher level than in 2015. Overall, the economic trends are expected to have a slightly positive influence on the business activities of EnBW.


Development of gross domestic product (GDP)

in %	2014	2015	2016
World	3.4	3.1	3.4
Eurozone	0.9	1.5	1.7
Germany	1.6	1.7	1.7
Austria	0.4	0.8	1.7
Switzerland	1.9	1.0	1.3
Czech Republic	2.0	3.9	2.6
Turkey	2.9	3.0	2.9

Conditions in the energy industry

Development of the sector and competitive situation

The energy sector is experiencing a period of fundamental change – especially in Germany due to the Energiewende. The politically desired and funded expansion of renewable energies is increasingly calling into question the business models of the established large energy supply companies whose generation infrastructure is still primarily based around large power plants.



The pressure on conventional generation, particularly in Germany, has intensified to an unprecedented level. Already, the electricity generated by large power plants is at times forced out of the market entirely by renewable energies so that it is becoming ever more difficult to operate these power plants economically. Furthermore, new competitors are emerging in all subsectors of the market, such as the owners of decentralised generation units or suppliers of autonomous generation solution systems. Against this background, the price of electricity has fallen continuously on the electricity exchanges so that today it barely covers the costs of fuel and emission allowances. At the same time, electricity prices for consumers are rising year after year due to taxes and levies because an increasing amount of electricity is generated from state-subsidised renewable energy sources. In this challenging environment, companies in the sector need to review their business models and orientate themselves to the new market conditions ( p. 14f. and 22).

International, national, regional and new competitors

Competitor segment	Companies	Characteristics
International competitors	EDF, E.ON, RWE, Enel, Engie, Iberdrola	<ul style="list-style-type: none"> > Broad-based, internationally oriented growth strategy > Provide around 25% of the generation capacity in Germany
National competitors ("DACH" region)	EnBW, EVN, Verbund, ALPIQ	<ul style="list-style-type: none"> > Stable national position, activities in individual foreign markets focus on market penetration > Opportunities due to decentralised and renewable energy generation
Regional competitors	MVV, SWM, Thüga, Stadtwerke	<ul style="list-style-type: none"> > Focus on regional markets > Own generation capacity very limited
New competitors	BOSCH, Telekom, Google, Vaillant	<ul style="list-style-type: none"> > Expansion of previous core expertise to include value-added stages of energy supply

Energy policy measures and climate protection

Energy and climate strategy


In its press release on the Energy Union at the end of February 2015, the European Commission presented its energy and climate strategy including a concrete plan of action for the next few years. In particular, it contains a comprehensive examination of the design of the market and further strengthens the solidarity mechanisms for ensuring the security of supply. It also contains measures to realise the decarbonisation targets by 2030. The agenda is ambitious and the commission still needs to prove it has the commitment to implement it in view of the widely divergent interests amongst the member states. From the perspective of the energy industry, highly important aspects include the expansion of cross-border infrastructures, the functioning of common wholesale markets including the coupling of the  Intraday markets and the desired close coupling of wholesale and end customer markets, as well as regulations on integrating renewable energies into the market, including regulations for state funding. The period 2016/2017 will be decisive because this is when the majority of the planned legislative measures for the Energy Union strategy will be presented and negotiated. EnBW supports the fast and effective broadening of the internal energy market to prevent further fragmentation due to national capacity mechanisms. Moreover, the rapid strengthening of the European  Emissions Trading System is also of paramount importance. Developments in this area are still taking far too long in the opinion of EnBW and will continue to be difficult to achieve despite the Climate Change Conference in Paris.

United Nations Climate Change Conference in Paris

In December 2015, 195 countries successfully reached an internationally binding climate protection agreement including obligations for all signatories at the United Nations Climate Change Conference in Paris. The core element of the agreement is the commitment to limit the rise in global temperature to "well below 2°C" and if possible even to only 1.5°C above


preindustrial levels. In the second half of the century, the aim is to make the world carbon neutral, i.e. free of emissions. All signatories to the agreement must develop national strategies for the achievement of these targets by 2020. In addition, it was agreed that the national targets will be checked and raised every five years. The agreement should send a clear signal to global investors that the age of fossil fuels is coming to an end and the future belongs to environmentally friendly technologies. The decarbonisation of the global economy now has a legal framework and should thus accelerate. EnBW welcomes the successful negotiation of the agreement: The strategy being followed by EnBW of concentrating its investments on renewable energies, expanding the grids and developing new and increasingly decentralised business models ( p. 14f. and 22) is supported by the agreement. In this context, EnBW published a five point position paper in December 2015 on the negotiations for a global climate protection agreement at the Climate Change Conference in Paris ( www.enbw.com/klimaschutzabkommen). Furthermore, the Financial Stability Board announced the foundation of a task force on climate-related financial disclosures consisting of representatives from the industry at the Climate Change Conference in Paris. EnBW is also represented on this international task force through its Chief Financial Officer Thomas Kusterer.

Targets for 2030

The implementation of the climate and energy policy targets for 2030 that were issued in 2014 (a binding -40% reduction in greenhouse gases and at least 27% share of renewable energies in the final energy consumption, non-binding minimum 27% increase in energy efficiency) continues to progress. Above and beyond the ongoing legislative process for the reform of the  Emissions Trading System (ETS) directive, the proposals for adapting the renewable energy, energy performance of buildings and energy efficiency directives in the second half of 2016 are particularly important. EnBW believes that the governance process for ensuring the fulfilment of targets by the member states needs to be more stringent.

Climate Action Programme 2020/ Climate Action Plan 2050

The Climate Action Programme agreed by the German Federal Cabinet at the end of 2014 envisages, amongst other things, further reductions in CO₂ emissions from conventional power plants to the amount of 22 million tonnes of CO₂ by 2020. Following lengthy discussions, the gradual decommissioning of brown coal power plant units equivalent to an output of 2.7 GW in the period between 2016 and 2020 was incorporated into the draft bill for the Electricity Market Act (Strommarktgesetz). The affected power plant units will initially be removed from the market for four years on a contractual basis, for which the operators will receive cost-based compensation. Subsequently, the units will be finally decommissioned. The German government expects that these measures will deliver CO₂ savings of between 11 and 12.5 million tonnes by 2020. In our opinion, this should help to cushion possible social hardships relating to this structural change. EnBW is not directly affected by this measure. Outside of the electricity sector, energy efficiency measures will make the greatest contribution to the Climate Action Programme.

The German government has also set itself the target of finalising the Climate Action Plan 2050 in the German Federal Cabinet by the summer of 2016. This plan will define intermediate national targets for reductions in CO₂ emissions for the years 2030 and 2040 and outline proposals for suitable measures for reducing greenhouse gases in all sectors by 2050. For this purpose, the German Federal Ministry for the Environment as the main coordinator has already started a comprehensive process of dialogue with the federal states, local authorities, associations and citizens last year, the results of which will be used to develop the first policy proposals. In terms of the energy industry, there are also a variety of proposals for a politically regulated and administered phase-out of coal generated power. Alongside a rapid and ambitious reform of the  ETS, EnBW believes that increasing the electrification of heating and mobility, in combination with strong incentives for energy conservation, is key to achieving Germany's climate protection goals.


National Action Plan on Energy Efficiency (NAPE)


The main focus of the National Action Plan on Energy Efficiency, which was agreed in December 2014, lies in reducing final energy consumption, particularly in the heating sector. Furthermore, the German government plans to introduce other initiatives to promote the market for energy services. EnBW believes there will be significant market opportunities in the energy service sector as a consequence of the implementation of the announced NAPE measures, particularly the new investment incentives in the funding programme and the competitive energy-efficient auction system. Nevertheless, EnBW believes there continues to be a need for action in removing barriers to entering the market; it is only in this way that a fair energy services market in the sense of NAPE can be established.

Electricity and gas market in Europe and Germany

Cross-segment framework conditions

Design of the electricity market

The European Commission initiated the consultation process on the future design of the market by issuing a communication package on 15 July 2015, in order to adapt the market to challenges posed by a decentralised and digitalised energy world. EnBW welcomes this approach, especially the cross-border consideration of the security of supply and the opening of national capacity mechanisms. The integration of renewable energies into the market also requires further measures. Issues that need to be examined critically are the future role of the grid operators and changes to the institutional framework. Concrete proposals for legislation or policy measures are expected at the end of 2016 that are anticipated to include, amongst other things, the reform of the directive and regulation governing the internal electricity market, the security of electricity supply directive, the  ACER regulation and the renewable energy directive.

In accordance with the Electricity Market Act, the German government will strengthen the  Energy-only-Market (EOM 2.0) and allow prices to spike. This will give the electricity market a strong market orientation which is welcomed by EnBW. We view the agreed reform of the electricity market to be a low-risk and inexpensive option for continuing to guarantee a secure supply by strengthening market forces. The parliamentary procedure for the Electricity Market Act is currently ongoing and the law is expected to come into force in the summer of 2016.

Market conditions are increasingly necessitating the decommissioning of conventional power plants. At the same time, power plants that have been selected for decommissioning, especially those in Southern Germany, are still required in order to guarantee the stability of the grid and thus the supply of electricity. In order to prevent the decommissioning of system-relevant power plants, the law intends to obligate operators to maintain these facilities as reserve power plants ("grid reserve"). In this context, the power plant operator has a right to be reasonably reimbursed for the costs that arise. Politicians are also planning the introduction of an additional capacity reserve, which will be maintained for times when there is an extreme shortage of generating capacity on the electricity market. EnBW welcomes the establishment of a competitively oriented process for procuring the capacity reserve. As an operator of grid reserve power plants, EnBW can decide in future whether these power plants should remain in the grid reserve or, alternatively, EnBW can choose to bid for them to become part of the capacity reserve and, if successful, transfer them to it.

Security of the gas supply

The European Commission presented a package of measures on 16 February 2016 that, alongside strategies for Liquefied Natural Gas (LNG), gas storage facilities and the heating/cooling sector, will include in particular a proposal for the reform of the security of gas supply directive and for the decision on intergovernmental energy agreements. A planned obligation in this package of measures to disclose commercial gas supply contracts should be viewed critically in the opinion of EnBW. Attention should also be paid to the planned strengthening of the solidarity mechanisms to avoid any negative financial effects for companies.

Smart metering systems

The German Federal Cabinet agreed the draft law on “digitalising the Energiewende” on 4 November 2015. It includes the path for the roll-out of smart meters, as well as the refinancing and design of competitive elements and secure data communications. A comprehensive roll-out of these smart meters is not envisaged but rather a gradual introduction in line with the greatest available benefits for the grid and efficiency. The installation obligation starts for consumers from >6,000 kWh or for RE/CHP power plants from >7 kW. In addition, the law regulates the changing responsibilities relating to market communication. The legislative process should be completed by the summer of 2016 and the law is expected to come into force by the beginning of 2017. The key issues for EnBW are the prompt refinancing of investments in smart energy grids, non-discriminatory competition and efficient market and data communication.

Combined heat and power (CHP)

Since the reformed Combined Heat and Power Act (Kraft-Wärme-Kopplungs-Gesetz) came into force on 1 January 2016, there have been modified funding conditions for the achievement of the new CHP expansion targets of 110 TWh by 2020 and 120 TWh by 2025. New funding has thus been introduced for existing power plants that is limited to gas-fired power plants from a size of 2 MW. The annual CHP funding cap has been raised in future to €1.5 billion. Additional funding is also available for the replacement of existing coal power plants with gas-fired power plants. In addition, the law also eliminates all surcharges for own consumption on power plants >100 kW. The previous funding subsidies continue to apply in the case of CHP power plants in electricity-intensive companies. Furthermore, a new funding category has been introduced that benefits energy service providers with contracting solutions: CHP power plants that supply CHP electricity to end customers in a customer's plant or in a closed distribution grid and who therefore pay the full EEG (German Renewable Energies Act) cost allocations will also receive funding. Funding is being provided to CHP power plants that are placed into operation by the end of 2022.

Sales segment

Electricity and gas prices for retail and industrial customers

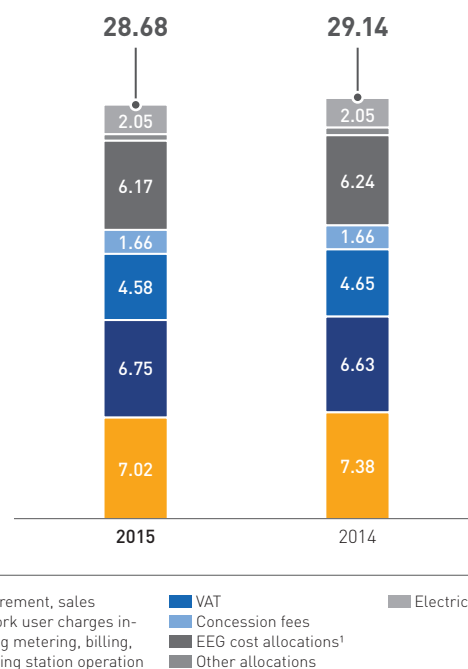
According to an analysis of electricity prices by the German Association of Energy and Water Industries (BDEW) published in January 2016, the average monthly electricity bill for a household with an annual consumption of 3,500 kWh in 2015 came to €83.64 compared to €84.99 in the previous year. Taxes and levies accounted for more than half of this amount. As a result of lower procurement costs, EnBW was able to slightly lower electricity prices for most customers in 2015 (-1.4%). In the area of heat transfer applications, EnBW had lowered prices by between 2.4% and 5% at the turn of the year 2014/2015. However, an increase in the price for the basic supply of electricity of around 2.4% was necessary as of 1 January 2016 because an increase in the network user charges and state levies such as the EEG and CHP cost allocations could not be fully offset by the lower wholesale price for electricity.

For industrial customers receiving a medium-voltage supply, the average electricity price including electricity taxes fell according to calculations made by BDEW by 0.6%, from 15.32 ct/kWh in the previous year to 15.23 ct/kWh in 2015.

According to calculations by the German Federal Statistical Office, natural gas prices for private households in 2015 fell by 0.9% compared to the value in the previous year; in contrast, the price of natural gas for industrial customers fell by 11.9%.

Average electricity price for a 3-person household
(annual consumption of 3,500 kWh)

in ct / kWh



¹ Application of the German Compensation Mechanism Ordinance (AusglMechV) since 2010.

Source: BDEW
As of January 2016

Grids segment

The basis for the success of the Energiewende will be the expansion of the energy grids to meet requirements. In particular, the connection of renewable energies and their integration into the market will require further construction measures at both the transmission and distribution grid level. These measures require a high level of investment in the grid infrastructure. In this context, the further development of the regulatory framework for distribution grids is in full swing as part of the reform of the incentive regulations. The expansion of the gas grid is characterised by the switch on the market from L-gas (low calorific gas) to H-gas (high calorific gas).

Future role of the distribution grid operators

The future role of the distribution grid operators has and is being discussed at a European level as part of the examination of the design of the electricity market – in relation to the market but also in relation to the transmission system operators (TSO). It is not expected that any clear assignment or allocation of roles will be issued by the EU, although there may be stricter neutrality requirements, depending on how actively the distribution grid operators are engaged in maintaining the security of the system in the future. Corresponding legislative proposals will be presented at the end of 2016. EnBW believes that the current ownership unbundling regulations are sufficient and the focus should instead be placed on the effective implementation of these regulations or the elimination of exceptions.

Network charges for electricity

The second regulatory period began on 1 January 2014. Most of the grid operators in the EnBW Group received their final notification on their upper revenue limits from the Federal Network Agency (BNetzA) or the state regulatory authorities in Baden-Württemberg by the end of 2015. One grid operator is still waiting for their notification. Therefore, there may be slight deviations in the final upper revenue limits.

Further development of the regulatory regime for network charges for electricity/gas

The BNetzA published a report in January 2015 evaluating the incentive regulations in which they analysed the effects of the previous incentive regulations and made proposals for the further development of the regulatory regime. On the basis of this report, the German Federal Ministry of Economic Affairs and Energy (BMWi) presented key points on the reform of the Incentive Regulation Ordinance (ARegV). The reform of the ARegV is then expected to be completed by the end of the third quarter of 2016. The adjustments to the regulatory regime for network charges for electricity and gas is then due to become effective from the third regulatory period (electricity in 2019, gas in 2018). EnBW AG and its subsidiary Netze BW are actively participating in the currently ongoing reform process for the ARegV.

Network Development Plan (NDP) Electricity 2025, Offshore Network Development Plan (O-NDP) 2025 and the Federal Requirements Plan

The network development plans describe the required expansion of the electricity grids and the expansion plans for the connection lines for the offshore wind farms in the North Sea and the Baltic Sea in the coming 10 and 20 years. These plans are created by the four German TSOs every two years. Taking the views of the interested general public into consideration is an integral part of this process.

Alongside the gradual decommissioning of brown coal power plants, the current first draft of NDP Electricity 2025 also includes for the first time a peak cap set at a maximum of 3% of the annual energy from onshore wind and photovoltaic power plants. On this basis and according to calculations made by the TSOs, there is a requirement for 3,100 to 3,300 km of new transmission lines and for the reinforcement of around 5,900 to 6,400 km of existing lines. In the process, the great necessity for the transmission of electricity between north and south Germany should be fulfilled through high-voltage direct-current transmission lines (HVDC) or direct-current lines (DC). Our subsidiary TransnetBW is responsible for the optimisation and expansion of the high-voltage grids in Baden-Württemberg and is involved, for example, in the HVDC projects ULTRANET and SuedLink.

The expansion requirements for the offshore grid are dependent on the predicted additional installed output from wind power plants at sea. According to the draft O-NDP 2025, the requirement is between 397 km and 902 km.

The draft NDP and O-NDP developed by the TSO will be examined by the BNetzA and are subject to a new public consultation.

Network Development Plan (NDP) Gas 2025

The NDP Gas 2025 from the German gas transmission system operators (FNB) has been available since November 2015. It includes more than 80 measures for the expansion of the national gas infrastructure over the next ten years. The volume of investment for the planned expansion comes to around €2.8 billion up to 2020, and will rise to a total of €3.3 billion by 2025. In particular, major expansion measures are planned in the south-east and north-west of Germany. The network development plans will only be produced every two years from 2016 – previously they were published annually. This has the advantage of eliminating the current overlaps in the preparation of the network development plans.

Concession award process

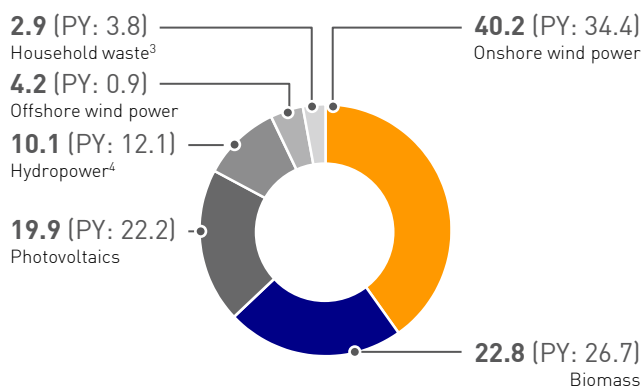
According to a coalition agreement by the political parties CDU, CSU and SPD from 2013, section 46 of the Energy Industry Act (EnWG) on the award of concessions is to be reformed. The first proposals from the BMWi aim to clearly and legally regulate the assessment process for the new award of concessions for distribution grids and improve legal certainty about transitions between grids. A cabinet resolution on this matter was passed at the beginning of February 2016.

Renewable Energies segment

Expansion of renewable energies

Gross electricity generation from renewable energies 2015¹ in Germany

in %²



¹ Preliminary data, partially estimated.

Source: AGEB

² Deviation in the first decimal place due to rounding differences. As of: December 2015

³ Only generation from the biogenic portion of household waste (approximately 50%).

⁴ Generation in run-of-river/storage power plants, as well as generation from pumped storage power plants using the natural flow of water.

The expansion of renewable energies is progressing steadily. According to the German Working Group on Energy Balances (AGEB), its share of overall electricity generation increased in 2015 to 30.0% (previous year: 25.9%). The electricity generated by photovoltaic power plants was 6.6% higher and from wind power more than 50% higher than the values in the previous year (p. 66 f.). The foundations for this rapid expansion have been laid by the EEG.

The funding of renewable energies will be provided based on a competitive auction system in future and thus replace the existing feed-in tariffs. This change was already agreed upon in EEG 2014 and is seen as the next step in bringing greater market proximity and competitiveness to the EEG. The design of the auctions aims to maintain the expansion corridor for renewable energies, enabling sufficient competition and guaranteeing a diverse range of stakeholders. Due to the different framework conditions for the individual types of generation, the auctions have been designed according to the specific technologies in each case. For offshore wind, onshore wind and large photovoltaic (PV) plants, more than 80% of the volume of electricity generated per year that is attributable to the expansion of new renewable energy power plants will be auctioned from 2017. The remaining approximately 20% will be based on PV plants with an output of less than 1 MW, hydropower, geothermal power and presumably biomass for which the funding subsidies are valid according to EEG 2014.

The design of the auctions for offshore wind and onshore wind power are currently being developed. In the case of offshore

wind power, the target values of 6.5 GW by 2020 and 15 GW by 2030 have been set. All wind farms that are placed into operation by 2020 will receive funding in accordance with the EEG 2014. The auctions are valid for all power plants that start operating from 2021. The plans include the predevelopment of areas by the state. These areas will then be subsequently auctioned (the so-called "central model"). As the development of these areas requires long lead times for planning and approval processes, the central system will only become effective after a transitional period – presumably from 2024. In order to guarantee the continuous expansion of wind power, it is expected that auctions for already planned and approved wind farms will be carried out in the transitional period from 2021 to 2023.

The first auctions for onshore wind power will take place from May 2017. Alongside the general changes to the funding system, there have also been profound changes to the regionalisation and evaluation of the reference site, which could have an impact on the project pipeline. Moreover, the size of the actual expansion corridor is questionable. This is currently the subject of heated political discussion.

In the case of PV, it is expected that the already existing design used for the pilot auctions will largely continue to be used for ground mounted photovoltaic plants. The ongoing auctions for ground mounted photovoltaic plants will be supplemented by auctions for PV plants on other structural facilities such as landfill sites. In addition, there will also be a new auction for large PV plants on buildings. EnBW participated in the pilot auctions for ground mounted photovoltaic plants in 2015 and was successful with six projects in Baden-Württemberg and Rheinland-Pfalz.

EEG 2016 is due to be agreed by the Bundestag and the Bundesrat in the summer. As a company with ambitious expansion targets in the area of renewable energies, these system changes will impact our portfolio. EnBW is monitoring the legislative process and participating in the relevant consultations in order to point out the required level of security for existing plans and investments, as well as to ensure the most unbureaucratic and competitive implementation of the new system.

Reform of the EU renewable energy directive

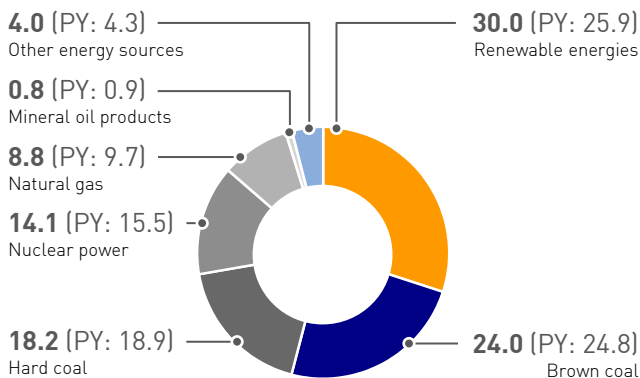
The European Commission started the consultation process for the examination of the EU renewable energy directive at the end of November 2015. This is necessary for the implementation of the agreed EU renewable energy target of 27% by 2030. The reform of the directive will also have the goal of achieving greater market integration and a stronger cross-border cooperation in the expansion of renewable energies (RE), including its funding, the greater integration of other sectors, such as heating and transport, and strengthening the position of consumers, for example with respect to own consumption. Its impact on the expansion of RE in Germany is expected to be limited. EnBW finds the possible development of a European body for guaranteeing the achievement of the EU-wide expansion targets for RE particularly interesting.

Generation and Trading segment

Electricity generation

Gross electricity generation by energy source 2015¹ in Germany

in %²



¹ Preliminary data, partially estimated.
² Deviation in the first decimal place due to rounding differences.

Source: AGEB
As of December 2015

According to the German Working Group on Energy Balances (AGEB), gross electricity generation in Germany in 2015 stood at 647.1 billion kWh in 2015, which was 3.1% above the level in the previous year (627.8 billion kWh). The use of brown coal, hard coal and hydropower (without pumped storage) in the generation of electricity fell in each case by 0.5%; the use of natural gas fell more sharply by 6.7%. The contribution made by nuclear power fell by a further 5.8% due to the decommissioning of the Grafenrheinfeld power plant in the middle of the year. This was offset by an increase of 19.4% in the share accounted for by renewable energies (p. 66f.). In 2015, German electricity exports exceeded imports by around 50.1 billion kWh. The largest net suppliers of electricity in 2015 were France and the Czech Republic; the highest export surpluses were primarily attributable to the Netherlands, Austria, Switzerland and Poland.

Nuclear power

The phasing out of nuclear power in accordance with the political guidelines from 2011 continued in 2015 with the decommissioning of the Grafenrheinfeld power plant. The issue of financing the phasing out of nuclear power dominated discussions about nuclear energy policy in the second half of 2015. A commission (KFK) appointed by the German government in the middle of October 2015 will issue recommendations for the amendment of the financing system for the phasing out of nuclear power by April 2016. It can be assumed that the current system of maintaining provisions will be (partially) replaced by a solution involving a fund or foundation whose details still require clarification. EnBW favours a foundation solution, which can aid in ensuring that the financial side of the phase-out of nuclear energy can be achieved both reliably and efficiently. In

parallel, the legislative process for the law governing continued liability for the costs of nuclear decommissioning and disposal is currently underway. The aim is to maintain the current situation with regards to liability and thus to reduce the risks to public finances. There is still some disagreement about when the law will come into force.

The commission tasked with searching for a final storage site continued its work in 2015. Criteria for the selection of a final storage site for highly radioactive waste are due to be defined on the basis of the Site Selection Act (Standortauswahlgesetz) by the middle of 2016. In addition, the affected energy supply companies agreed the main aspects of the repatriation of reprocessing waste to Germany from France and Great Britain with the German Federal Ministry for the Environment in the middle of 2015. Whether EnBW will submit an application for the storage of five containers of waste from the reprocessing plant in La Hague at the intermediate storage site in Philippsburg is dependent on the precise details that will be agreed by a working group consisting of representatives from the German government and operators.

Financial services legislation

The processes for clarifying the Markets in Financial Instruments Directive (MiFID 2) in terms of its effects on the energy industry continues to be of particular importance. Issues such as the final design of the specific exemptions for commodity dealers and the definition of when electricity and gas transactions are to be classified as financial instruments are still especially critical – if these areas are too narrowly defined there is a danger that, for energy supply companies such as EnBW, corresponding licence requirements and the application of further financial market regulations such as the Regulation on Energy Market Integrity and Transparency (REMIT) will result in a higher cost burden.

Fuel and CO₂ markets

Fuel and CO₂ allowances are important input factors for the generation of electricity. The global markets for oil, gas and coal are particularly relevant.



Oil market: Oil prices (front month) fell further in the 2015 financial year from US\$57.33/bbl at the end of 2014 to US\$37.28/bbl at the end of 2015. The fall in prices was due to a continuous and persisting oversupply of oil. In November 2014, OPEC decided to no longer actively control supply to maintain a minimum price on the oil market. Instead, the new strategy is more concerned with defending market shares. As the low prices did not lead to the generally expected slump in US oil production despite the sharp reduction in investment in new sources of oil, the oversupply continued throughout the whole of 2015. Hopes of a decline in American production had led to a temporary rise in prices up to May. Once it was clear that there was not going to be a decline in production, the trend of falling oil prices continued. The growing demand for oil – also due to the price – was not sufficient to reduce the surplus supply. Concerns about the Chinese economy at the end of the year also contributed to this fall in prices. Market participants expect oil prices to rise in the future.

Development of prices on the oil markets

in US \$/bbl	Average 2015	Average 2014
Crude oil (Brent), front month (daily quotes)	53.60	99.45
Crude oil (Brent), rolling front year price (daily quotes)	60.45	98.72


Gas market: Long-term procurement agreements form the basis of gas imports to Germany. According to information from the German Association of Energy and Water Industries (BDEW), 40% of Germany's natural gas supply was sourced from Russia in the first nine months of 2015 (previous year: 38%), 30% from the Netherlands (previous year: 26%) and 19% from Norway (previous year: 22%). The share of domestic production in relation to total supply amounted to 8% in this period following 10% in the previous year. As an alternative to transmission via pipelines, importing liquefied natural gas (LNG) can open up access to gas producing regions that are not linked by pipeline to the European market. This alternative means of procurement is gaining importance as new import terminals go into operation.

The border price index for natural gas published monthly by the German Federal Office for Economic Affairs and Export Control (BAFA) stood at €18.30/MWh in November 2015, which was 24% below the December 2014 figure (€24.10/MWh).

Following a price increase at the beginning of the year and lateral movement in the second quarter, the average  spot and  forward prices for gas on the Dutch Title Transfer Facility (TTF) fell noticeably during the rest of the year. Market participants are not anticipating higher gas prices in the near future.




Development of prices for natural gas on the TTF (Dutch wholesale market)


in €/MWh	Average 2015	Average 2014
Spot	19.86	20.88
Rolling front year price	20.09	24.36

Coal market: The downward trend in prices on the coal market continued in 2015. The spot price at the end of 2015 was US\$48.65/t (previous year: US \$66.89/t), which was around 27% below the figure in the previous year. Against the background of a very good supply situation on the global market for coal, this fall in prices was primarily due to lower import demand in China and slower growth in Indian imports as a result of their increasing domestic coal production. In particular, economic problems in China as a consequence of the restructuring of the economic system have caused prices to fall on the commodity markets since the beginning of 2014. In addition, currency devaluations in important producing countries and lower freight and production costs due to the significantly lower price of oil also pushed prices downwards.  Forward market prices indicate that the price of coal will continue to fall. The front month price for coal stood at US\$44.03/t at the end of 2015 (previous year: US\$65.88/t).



Development of prices on the coal markets

in US \$/t	Average 2015	Average 2014
Coal – API #2 rolling front year price	54.68	78.25

CO₂ allowances: Under the European  Emissions Trading System, proof must be provided of allowances for the amount of CO₂ emissions from power plants. Following the EU resolution on  backloading, the price of emission allowances ( EU Allowance – EUA) had already increased to over €6/t CO₂ during the course of 2014. The prices for emission allowances experienced sideways movement in the first half of 2015. In the second half of the year, the agreement by the Environment Committee of the EU Parliament for the introduction of a market stability reserve in 2019 and the transfer of the backloading volumes into the reserve pushed prices up further. The future development of prices for CO₂ allowances will be primarily influenced by the volumes of fossil fuels used and the feed-ins from renewable energies.

The legislative proposal to reform the  ETS directive presented on 15 July 2015 for the implementation of the 2030 greenhouse gas emission targets of -40% are generally welcomed by EnBW. The process is expected to run until the beginning of 2017.

Development of prices for emission allowances/daily quotes

in €/t CO ₂	Average 2015	Average 2014
 EUA - rolling front year price	7.70	5.96
 CER - rolling front year price	0.48	0.17

Demand for energy

According to calculations by the German Working Group on Energy Balances (AGEB), primary energy consumption in Germany in 2015 was overall 1.3% higher than the previous year. The most important reason for the increase in energy consumption was the cooler weather in 2015 compared to the very mild weather in the previous year and the associated higher demand for heating. Despite positive macroeconomic trends and a population growth of around one million people, the energy consumption adjusted for weather conditions fell by almost 2.0% due to improvements in energy efficiency. The consumption of hard coal decreased by 0.7%. This was primarily due to the decrease in the use of hard coal in power plants for generating electricity and heat. The consumption of mineral oil in 2015 was 0.1% below the figure for the previous year. In contrast, natural gas consumption rose by 4.7% due to a higher demand for heating. Domestic electricity consumption in Germany increased by 0.8% from 592.2 billion kWh in the previous year to 597.0 billion kWh in 2015. The consumption of brown coal, which is mainly used for generating electricity, increased by 0.9%. The share of nuclear energy in overall energy consumption fell by a further 5.8%. This was in contrast to an increase of 10.5% for renewable energies. The proportion of renewable energy sources in primary energy consumption increased to 12.6% (previous year: 11.5%).

Wholesale market prices for electricity

The average price on the spot market of the European Power Exchange (EPEX SPOT for the immediate delivery of electricity (base load product) to the German/Austrian market for 2015 was €31.63/MWh, which was €1.13/MWh or 3.5% below the level in the previous year. This development was primarily due to significantly higher feed-ins from renewable energies as a result of the large expansion in capacity of onshore and offshore wind farms and the commissioning of new power plants. Factors driving prices upwards, such as temporarily higher logistics costs for coal power plants in the form of so-called low water surcharges as a result of low water levels caused by a lack of rain, were not able to offset this effect.

Forward market price trend for electricity (EEX)
Daily quotes

in €/MWh



Peak 2016
Base 2016

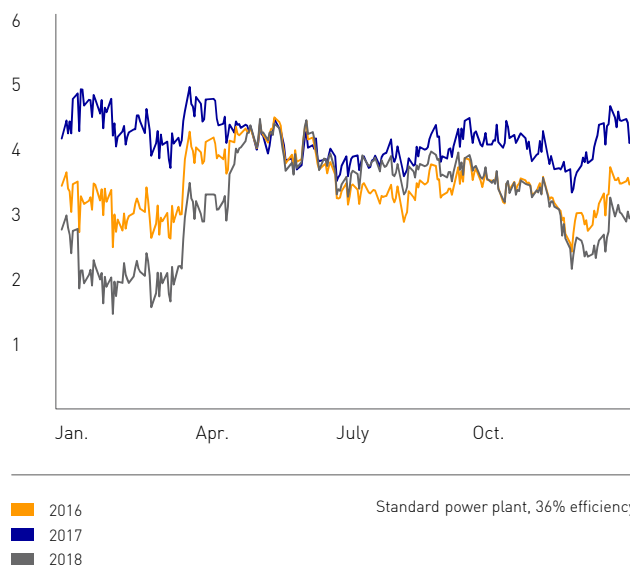
Source: EEX

The forward market prices for electricity for front year delivery were on average €30.96/MWh in 2015 and were again thus slightly below the spot market price. In comparison to the previous year, prices were around €4.13/MWh or 11.8% lower. This reflected the expectation for the continued expansion of renewable energies – above all onshore and

offshore wind power plants – and the falling prices for coal and gas. The expansion of renewable energies increases the probability that very low or negative prices will occur at certain hours on the spot market. In addition, the commissioning of modern and more efficient coal power plants has placed a downward pressure on prices. In 2017 and 2018, market participants expect a further decline in the price of electricity to €26.61/MWh and €25.90/MWh, respectively (settlement price as of 30 December 2015).

Clean Dark Spreads (base)

in €/MWh



The energy generation spreads (Clean Dark Spreads – CDS) for standard coal power plants resulting from the forward prices for electricity, coal and CO₂ – based on an efficiency level of 36% – indicated a falling trend with an annual average of €4.08/MWh for front year delivery and only €3.40/MWh for the 2017 delivery year and €3.14/MWh for the 2018 delivery year. The CDS for the front year was around €1.72/MWh lower than in the previous year. Reasons for this are the expansion of renewable energies and the commissioning of more efficient coal power plants.

The EnBW Group

Financial and strategic performance indicators

Results of operations

Falling electricity sales, increasing gas sales

Electricity sales of the EnBW Group (without Grids)

in billions of kWh	Sales		Renewable Energies		Generation and Trading		Total (without Grids)		Change in %
	2015	2014	2015	2014	2015	2014	2015	2014	
Retail and commercial customers (B2C)	15.5	15.8	0.0	0.0	0.0	0.0	15.5	15.8	-1.9
Business and industrial customers (B2B)	31.5	31.2	0.0	0.0	0.0	0.0	31.5	31.2	1.0
Trade	0.7	0.6	3.2	4.0	64.7	74.5	68.6	79.1	-13.3
Total	47.7	47.6	3.2	4.0	64.7	74.5	115.6	126.1	-8.3

In the 2015 financial year, electricity sales of the EnBW Group were lower than the level in the previous year. This fall was primarily attributable to lower trading activities; the effect on the earnings potential of the company is, however, limited. In a persistently challenging competitive environment, electricity sales in business with retail and commercial customers (B2C) fell slightly. Sales in the business and industrial customer

sector (B2B) were slightly higher than in the previous year. As of the beginning of 2015, electricity sales from the Grids segment will no longer be disclosed because the Independent Transmission Operators (ITO) no longer report their data (primarily throughput volumes from the German Renewable Energies Act (EEG)). The previous year's figures have been restated accordingly.

Gas sales of the EnBW Group (without Grids)

in billions of kWh	Sales		Generation and Trading		Total (without Grids)		Change in %
	2015	2014	2015	2014	2015	2014	
Retail and commercial customers (B2C)	10.5	8.7	0.0	0.0	10.5	8.7	20.7
Business and industrial customers (B2B)	69.9	62.4	0.0	0.0	69.9	62.4	12.0
Trade	1.5	0.7	53.3	44.7	54.8	45.4	20.7
Total	81.9	71.8	53.3	44.7	135.2	116.5	16.1

The gas sales of the EnBW Group increased significantly compared to the previous year. This development was primarily contributed to by increased sales to business and industrial customers (B2B). Gas sales in the retail customer business (B2C) rose due to both a slight increase in the number

of customers and the cooler weather in comparison to the same period of the previous year. Trading activities were significantly above the level in the previous year. However, their effect on the earnings potential of the company is limited.

External revenue increases due to EnBW Baltic 2 offshore wind farm and higher earnings from use of grids

External revenue of the EnBW Group by segment

in € million ¹	2015	2014	Change in %
Sales	9,061.2	9,066.8	-0.1
Grids	6,350.6	6,230.5	1.9
Renewable Energies	447.0	407.4	9.7
Generation and Trading	5,300.4	5,290.1	0.2
Other/Consolidation	7.3	7.7	-5.2
Total	21,166.5	21,002.5	0.8

¹ After deduction of electricity and energy taxes.

Sales: In the Sales segment in 2015, revenue was at the same level as in the previous year. Higher revenues in the gas sector due to increased gas sales were able to compensate for the lower revenues from electricity sales.

Grids: Revenue in the Grids segment increased in the reporting period compared to the previous year primarily as a result of higher revenues from the use of the grids.

Renewable Energies: In the Renewable Energies segment, revenue increased in comparison to the previous year. This was mainly attributable to the commissioning of our offshore wind farm EnBW Baltic 2. In addition, a compensation payment from 50Hertz Transmission GmbH for the late commissioning of the wind farm also had a positive effect. It was thus possible to more than compensate for the fall in revenues from run-of-river power plants – due to the drop in the price of electricity and lower water levels – compared to the previous year.

Generation and Trading: Revenue in the Generation and Trading segment stood at the same level as in the previous year. It was possible to offset the fall in revenue due to lower electricity prices through higher gas sales.

Material developments in the income statement


The balance from other operating income and other operating expenses in the reporting period was €-332.7 million, after €173.2 million in the previous year. This change was primarily due to lower earnings from reversals of impairments in comparison to the previous year and expenses stated in the reporting period relating to the planned acquisition of a company. The fall in the cost of materials of 0.8% to €17,364.7 million was mainly attributable to lower allocations to the provisions for onerous contracts for electricity

procurement agreements which no longer cover costs in comparison to the previous year. Amortisation and depreciation of €1,641.2 million was significantly lower than the level in the previous year of €2,137.2 million. This was primarily due to lower impairment losses on the generation portfolio compared to the previous year. The investment result stood at the same level as in the previous year. The financial result improved significantly in the reporting period in comparison to the previous year by €611.4 million to €-24.0 million (previous year: €-635.4 million). This was primarily due to income from the disposal of securities in the first half of 2015. Earnings before tax (EBT) thus increased to €274.2 million, after €-609.7 million in the previous year. The complete consolidated financial statements can be found at www.enbw.com/report2015-downloads.

Improved Group net profit

The Group net profit attributable to the shareholders of EnBW AG increased in the 2015 financial year by €590.8 million to €124.9 million compared to the figure in the same period of the previous year of €-465.9 million (previous year restated). Earnings per share amounted to €0.46 in 2015 compared to €-1.72 in the previous year (previous year restated).

Adjusted earnings and non-operating result

The sustainable profitability of operating activities is of particular importance for the internal management and external communication of the current and future earnings potential of EnBW. The operating result is disclosed in the form of  adjusted EBITDA – earnings before interest, tax, depreciation and amortisation and adjusted for extraordinary items – which we use as a key reporting indicator. The extraordinary items are presented and explained in the section “Non-operating result”.

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

Adjusted EBITDA of the EnBW Group by segment

in € million	2015	2014	Change in %	Forecast 2015
Sales	255.3	230.6	10.7	+10% to +20%
Grids ¹	747.4	886.3	-15.7	-10% to -20%
Renewable Energies	287.4	191.4	50.2	more than 20%
Generation and Trading	777.3	899.5	-13.6	-15% to -25%
Other/Consolidation	42.2	-40.4	-	-
Total	2,109.6	2,167.4	-2.7	0% to -5%

¹ The forecast for the Grids segment was adjusted during the year.

Share of adjusted EBITDA for the Group accounted for by the segments

in %	2015	2014	Forecast 2015
Sales	12.1	10.6	10% to 15%
Grids ¹	35.4	40.9	30% to 40%
Renewable Energies ¹	13.6	8.8	10% to 20%
Generation and Trading ¹	36.8	41.5	30% to 40%
Other/Consolidation	2.1	-1.8	-
Total	100.0	100.0	

¹ The forecast for the share accounted for by the Grids segment was adjusted during the year. As a result of this adjustment, the shares accounted for by the Renewable Energies segment and the Generation and Trading segment were also adjusted.

The adjusted EBITDA for the EnBW Group fell slightly in the 2015 financial year in line with our expectations.

Sales: The adjusted EBITDA for the Sales segment was higher than the level in the previous year and thus in line with our forecast. This rise can be mainly attributed to an improved result in the gas and heating sector due to the lower temperature levels. The segment's share of the adjusted EBITDA for the Group increased within the range of our original and adjusted forecast.

Grids: The adjusted EBITDA for the Grids segment in 2015 fell significantly below the level in the previous year and more than in our original forecast (0% to -10%) but in line with our corrected forecast that was made during the course of the year. In comparison to the previous year, higher revenues from the use of the grids, due in part to the temperature levels, had a positive effect. This was offset by negative earnings effects such as the new contract arrangement with the City of Stuttgart and increases in the number of employees for the expansion of the grid. In addition, the result was heavily influenced by negative extraordinary items such as expenses for compensation payments as part of the management of transmission losses, higher costs for decentralised feed-ins and the retroactive adjustment of the water price in Stuttgart. These extraordinary effects also led to the adjustment of the forecast for the segment during the course of the year.

Accordingly, the share of the adjusted EBITDA for the Group accounted for by this segment fell and stood within the range of both our original (35% to 40%) and adjusted forecasts.

Renewable Energies: In the Renewable Energies segment, the adjusted EBITDA increased compared to the previous year as expected. It was possible to overcompensate for the poor earnings performance of our run-of-river power plants resulting from lower electricity prices compared to the same period of the previous year through the full commissioning of our offshore wind farm EnBW Baltic 2 and the expansion of onshore wind power plants. The share of the adjusted EBITDA for the Group accounted for by this segment increased in comparison to the previous year. However, it lies slightly below our original forecast (15% to 20%) but within the scope of our adjusted forecast. The forecast for the share of the adjusted EBITDA for the Group accounted for by the Renewable Energies segment also had to be adjusted during the course of the year due to the amended forecast for the Grids segment.

Generation and Trading: In the Generation and Trading segment, adjusted EBITDA fell significantly compared to the previous year yet a little less than predicted in our forecast. The falling prices and spreads on wholesale electricity markets had a negative effect on earnings in this segment. Another negative factor was an electricity procurement agreement in the nuclear sector that expired in the third quarter of 2015. In contrast, our efficiency improvement measures and the reimbursement of costs as part of the reserve power plant legislation supported the earnings performance. For example, two blocks at the Heilbronn power plant were also contracted as network reserve power plants in April 2015. In addition, a disciplined approach to spending had a positive effect on our cost structures; this made it possible to restrict the fall in earnings to a greater extent than predicted in our forecast. The share of the adjusted EBITDA for the Group accounted for by this segment fell significantly. It lies outside of our original forecast (30% to 35%) but within the scope of our adjusted forecast. The forecast for the share of the adjusted EBITDA for the Group accounted for by this segment also had to be adjusted because the forecast for the Grids segment had been amended.

Adjusted earnings indicators

Adjusted earnings indicators of the EnBW Group

in € million ¹	2015	2014	Change in %
Adjusted EBITDA	2,109.6	2,167.4	-2.7
Scheduled amortisation and depreciation	-927.7	-876.9	5.8
Adjusted EBIT	1,181.9	1,290.5	-8.4
Adjusted investment result	135.2	73.4	84.2
Adjusted financial result	75.8	-542.8	-
Adjusted income taxes	-358.0	-266.9	-34.1
Adjusted Group net profit	1,034.9	554.2	86.7
of which profit/loss shares attributable to non-controlling interests	(83.2)	(90.0)	-7.6
of which profit/loss shares attributable to the shareholders of EnBW AG	(951.7)	(464.2)	105.0

¹ The figures for the previous year have been restated.

The increase in the adjusted investment result was due above all to higher earnings from entities accounted for using the equity method and other financial investments. Against the background of positive developments on the stock market and a possible change in the taxation of diversified shareholdings, it was possible to realise tax-free profits in the first half of 2015 from the disposal of securities, which led to a significant increase in the adjusted financial result in the 2015 financial year. The announced change in the taxation of diversified

shareholdings was ultimately not included by the German government in the reform package for the Investment Law (Investmentgesetz) at the end of 2015. The adjusted tax rate thus stood at 25.7% in the reporting period, compared to 32.5% in the previous year (previous year restated). The increase in the adjusted Group net profit attributable to the shareholders of EnBW AG compared to the previous year was mainly due to this effect, which is adjusted in the calculation of the dividend payout ratio.

Non-operating result burdened by impairment losses

Non-operating result of the EnBW Group

in € million	2015	2014	Change in %
Income/expenses relating to nuclear power	43.8	-30.1	-
Income from the release of other provisions	82.7	36.4	127.2
Result from disposals	52.1	96.3	-45.9
Addition to the provisions for onerous contracts relating to electricity procurement agreements	-295.0	-433.6	32.0
Earnings from reversals of impairments	59.5	350.3	-83.0
Restructuring	-20.8	-45.0	53.8
Other non-operating result	-113.7	-4.4	-
Non-operating EBITDA	-191.4	-30.1	-
Impairment losses	-713.5	-1,260.3	43.4
Non-operating EBIT	-904.9	-1,290.4	29.9
Non-operating investment result	-114.0	-47.8	-138.5
Non-operating financial result	-99.8	-92.6	-7.8
Non-operating income taxes	284.3	473.8	-40.0
Non-operating Group net loss	-834.4	-957.0	12.8
of which profit/loss shares attributable to non-controlling interests	(-7.6)	(-26.9)	71.7
of which profit/loss shares attributable to the shareholders of EnBW AG	(-826.8)	(-930.1)	11.1

The loss in non-operating EBITDA increased compared to the previous year. This was primarily due to lower earnings from reversals of impairments in comparison to the previous year. In the reporting period, these concern reversals of impair-


ments to the fair value of assets held for sale in relation to the disposal of EnBW Propower GmbH. In addition, there were reversals of impairments on gas distribution grids that had been subject to impairment losses in previous years. In the


previous year, a reversal of an impairment to the generation portfolio resulting from the market interest rates had been carried out in the final quarter. Furthermore, costs relating to the planned acquisition of a company reported under the other non-operating result were also accounted for in the reporting year. Non-operating EBIT improved in the reporting period compared to the previous year. This development was primarily attributable to lower impairment losses on the generation portfolio compared to the same period of the previous year. The non-operating investment result in the reporting period contains evaluation effects relating to the restructuring of shareholdings with EWE Aktiengesellschaft. In the previous year, the non-operating investment result contained substantial impairments on the project planning costs for a foreign equity investment. The non-operating financial result was mainly burdened in both years by the adjustment to the discount rate for nuclear provisions. The reduction of the discount rate from 4.8% as of 31 December 2014 to 4.7% in the first half of 2015 had an effect of €-77.4 million in the reporting year, the negative impact in the previous year was primarily due to the reduction in the discount rate from 5.0% to 4.8%. The non-operating Group net loss attributable to the shareholders of EnBW AG amounted to €826.8 million in the reporting period, compared to €930.1 million in the previous year.


Financial position

Financial management of EnBW

Basis and objectives

Financial management is responsible for securing the existing financial assets of the EnBW Group and their development, as well as for guaranteeing a sufficient level of liquidity reserves. This ensures that the Group is able to meet its payment obligations at all times without restriction. The financial transactions permitted by the Board of Management of EnBW, and the specified scope within which they may be carried out, define the  Treasury guidelines of the EnBW Group. The guidelines are applicable to all business entities that are either consolidated in full or with which EnBW AG has a profit and loss transfer agreement. The guidelines also act as basic principles for all other business entities. The centralised financial management system serves to minimise risks, provide transparency and optimise costs.

In the operating business,  derivatives are generally deployed for hedging purposes only: for example, for forward contracts for electricity and primary energy source trading. This also applies for foreign exchange and interest rate derivatives. Propriety trading is only permitted within narrow, clearly defined limits.

Another important aspect of financial management is to manage financial assets ( asset management) in order to cover the corresponding obligations to make provisions.

Treasury

The Treasury controls all processes in all business entities that are consolidated in full, or with which EnBW AG has a profit and loss transfer agreement. Liquidity management is based on a rolling liquidity planning system and applies within the scope of validity defined above. The Treasury is also responsible for the central management of credit lines and bank guarantees, the issuing of guarantees and letters of comfort, as well as interest rate risk and currency management.

Interest rate risk and currency management

Interest rate risk and currency management involves the management and monitoring of interest-bearing and interest-sensitive assets and liabilities. The consolidated entities regularly report on the existing risk position via the rolling liquidity planning system. An interest rate risk strategy is devised based on an analysis conducted every quarter on an aggregated basis. The purpose is to limit the impact of fluctuations in interest rates and interest rate risks on the results of operations and net assets.

The interest rates on the financial liabilities of the EnBW Group are predominantly fixed. We use interest rate derivatives to keep the relationship between fixed and variable interest rates within predefined limits in order to optimise the interest earnings of EnBW. The potential risk is determined on the basis of current interest rates and possible changes in these interest rates.

Generally, currency positions resulting from operations are closed by appropriate forward exchange contracts. Overall, currency fluctuations from operating activities do not have any major effect on the operating result of EnBW. Foreign exchange risks are monitored on a case-by-case basis within the framework of the currency management system.

Asset management

Our aim is to cover the Group's non-current pension and nuclear provisions within an economically feasible period of time by means of appropriate financial assets. EnBW uses a model based on cash flows to determine the effects on the balance sheet, income statement and cash flow statement over the next 30 years. Alongside the anticipated return on financial assets, the actuarial valuations of pension provisions and external expert reports on costs for nuclear disposal are taken into account. This model also allows simulations of various alternative scenarios. As of 31 December 2015, the cover funds for pension and nuclear provisions totalled €9,790.2 million (previous year: €9,602.6 million). Alongside the cover funds, there are plan assets for certain pension obligations with a market value of €1,113.8 million as of 31 December 2015 (previous year: €1,102.4 million).


We strive to reach the defined investment targets with minimum risk. We also continued our efforts to optimise the risk/return profile of the financial assets throughout 2015. The main part of the cover funds is distributed as investments


across nine asset classes. The financial assets are bundled in four master funds with the following investment targets:

- > Risk-optimised investments, with a performance in line with market trends
- > Consideration of the effects on the balance sheet and income statement
- > Broad diversification of the asset classes
- > Reduction of costs and simplification of administrative processes

Financing facilities

In addition to the Group's internal financing capabilities from the free cash flow of €725.8 million in 2015 (previous year: €330.2 million) and its own funds, the EnBW Group had the following instruments at its disposal to cover its overall financing needs:

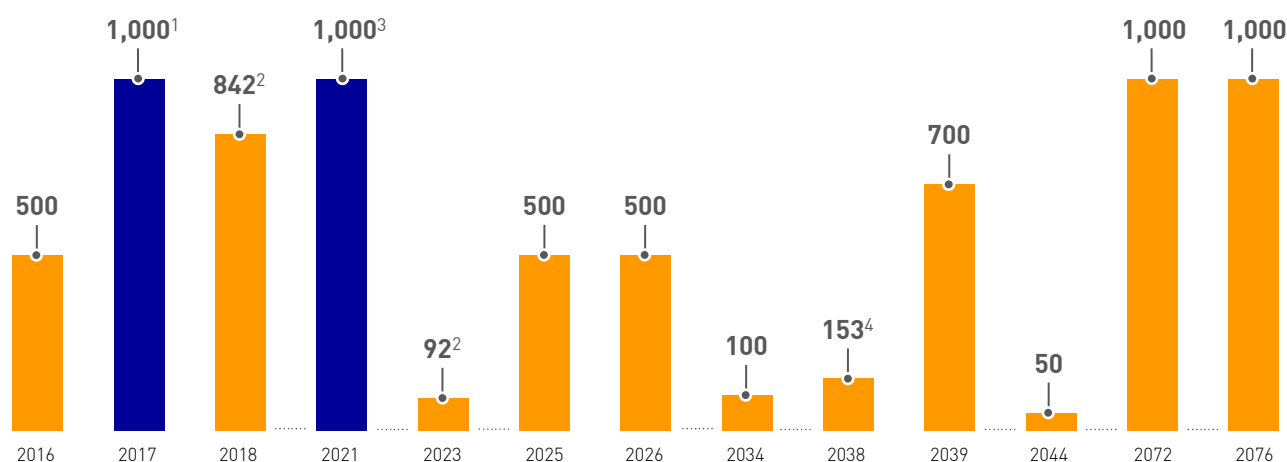
- >  Debt Issuance Programme (DIP), via which bonds are issued, with a €7.0 billion line (€3.5 billion drawn as of 31 December 2015)

- > Hybrid bonds with a total volume of €2.0 billion (as of 31 December 2015)
- >  Commercial paper (CP) programme for a total of €2.0 billion (undrawn as of 31 December 2015)
- > Syndicated credit line of €1.5 billion with a term until 2020 (undrawn as of 31 December 2015). The extension of the term of the credit line by one year became effective on 21 July 2015, there is also a new extension option for an additional year in 2016
- > Bilateral short-term credit lines (€472 million, undrawn as of 31 December 2015)
- > Project financing and low-interest loans from the European Investment Bank (EIB)

EnBW is endeavouring to reduce net debt further. A bond for €750 million became due on 7 July 2015, which was repaid from the existing liquidity position. Bonds due during the 2016 financial year to the amount of €500 million will be repaid from cash flow. The EnBW bonds have a well-balanced maturity profile.

Maturity profile of EnBW bonds

in € million






¹ First call date: hybrid due in 2072.

² Includes CHF 100 million, converted as of the reporting date of 31/12/2015.

³ First call date: hybrid due in 2076.

⁴ Nominal with conversion as of the reporting date of 31/12/2015.


Documentation of short-term and long-term borrowings on the capital market under the established  DIP and  CP programmes of EnBW AG, as well as all other credit documentation with banks (e.g. syndicated lines of credit) includes internationally standardised clauses. The issuing of a negative covenant, as well as a  pari passu clause, to all creditors forms a key element of the financing policy of EnBW. The use of undrawn credit lines is not subject to restrictions.

As part of its financing strategy, EnBW constantly analyses and assesses capital market trends with regard to the current interest rate environment and to any potentially favourable refinancing costs.

In the 2015 financial year, Stadtwerke Düsseldorf AG refinanced its existing corporate financing with new bank and promissory note loans. Our Czech subsidiary Pražská energetika a.s. (PRE) also utilised the favourable market conditions for refinancing bank loans and agreeing new ones.

Details on financial liabilities are presented in note 24 and explanations on other financial commitments are presented in note 28 of the notes to the consolidated financial statements at www.enbw.com/report2015-downloads.

Rating and rating trends

Maintaining a good credit standing remains the key objective of the financing strategy of EnBW. EnBW uses the  dynamic leverage ratio as a guide for this purpose, whereby the target of < 3.3 currently corresponds to the “A” ratings issued by the rating agencies. EnBW has always satisfied the relevant criteria since the rating agencies Standard & Poor’s (2000), Moody’s

(2002) and Fitch (2009) started issuing credit ratings for the company. However, the rating agencies have adopted a more critical appraisal of energy policy conditions in the German energy utilities sector since 2011, ascribing it a weaker business risk profile. EnBW has largely withstood the sector-wide negative rating trend to date.

Overview of the ratings for EnBW – rating/outlook


	2015	2014	2013	2012	2011
Moody’s	A3/negative	A3/negative	A3/negative	A3/negative	A3/negative
Standard & Poor’s	A-/stable	A-/stable	A-/stable	A-/stable	A-/stable
Fitch	A-/stable	A-/stable	A-/stable	A-/stable	A-/stable

The rating agencies confirmed their ratings during the course of 2015:

Assessment by the rating agencies

Moody’s (18/12/2015)	Standard & Poor’s (14/12/2015)	Fitch (26/10/2015)
The conventional generation market remains challenging, the EnBW 2020 strategy aims to compensate for the negative effect of the changes to the market	Strong competitive position on the regional market	Strengthening of the future business profile due to a focus on growth in the area of renewable energies and the regulated grids business
EBITDA mix subject to low risk, increasing share of stable profit streams	Increasing share of low-risk regulated activities and greater cash flow stability through the restructuring of the generation portfolio	Strong liquidity position, lower leverage than competitors and flexible financing policy
Continuous implementation of measures to retain creditworthiness	Pressure on cash flow due to negative market conditions	Better coverage of provisions than German competitors due to earmarked financial investments
Strong support due to stable shareholder composition	Coverage ratio for pension and nuclear provisions of more than 70%	Structural challenges in area of electricity generation, risks in the implementation of the company’s strategy

The current ratings reflect the transparent vision for restructuring the EnBW portfolio towards low-risk activities. The EnBW 2020 strategy is designed to ensure that the EnBW Group satisfies the requirements of the rating agencies in order to retain a good credit standing. The following aspects, amongst others, contribute to this goal:

- > the planned increase in the share of EBITDA accounted for by regulated business (Grids segment and Renewable Energies segment) to around 70% by 2020
- > a solid financial profile
- > a conservative financial policy with flexible mechanisms for distributing dividends
- > a stable shareholder composition
- > an  asset liability management model based on cash flow for covering the pension and nuclear provision obligations of EnBW

By maintaining its good credit standing, EnBW endeavours to continue to:

- > offer first-class opportunities for financing partners with no restrictions in the financing options available
- > be regarded as a reliable business partner for trading activities
- > achieve the lowest-possible capital costs
- > implement an appropriate number of projects and thereby maintain the future viability of the company.

Investment analysis

Net cash investments of the EnBW Group

in € million ¹	2015	2014	Change in %
Investments on growth projects	1,026.1	1,506.7	-31.9
Investments on existing projects	435.5	450.0	-3.2
Total investments	1,461.6	1,956.7	-25.3
Conventional divestitures ²	-35.6	-130.1	-72.6
Participation models	-719.8	-125.3	-
Other disposals and construction cost subsidies	-218.4	-274.0	-20.3
Total divestitures	-973.8	-529.4	83.9
Net (cash) investments	487.8	1,427.3	-65.8

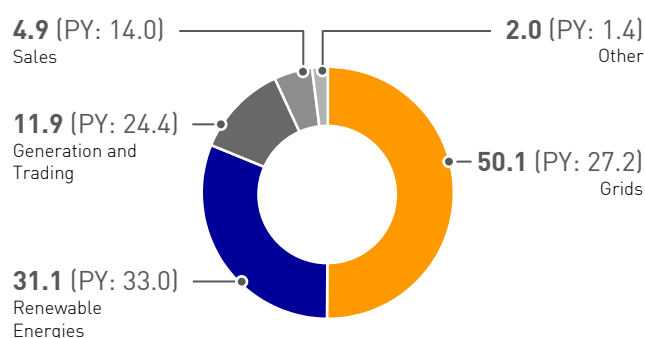
¹ Excluding equity investments held as financial assets.

² Does not include cash and cash equivalents relinquished with the sale of fully consolidated companies. These amounted to €6.5 million in the reporting period (previous year: €0.0 million).

The investment volume of the EnBW Group fell as planned during the 2015 financial year compared to the previous year by 25.3%. This was due to the fact that the major power plant project RDK 8 and the EnBW Baltic 2 offshore wind farm have been completed and the investments on the Lausward Combined Cycle Gas Turbine (CCGT) power plant was significantly less than in the previous year. Furthermore, capital expenditure in the previous year included the acquisition of the 50% share of EnBW Gas Verwaltungsgesellschaft mbH. Around 70.2% of the overall gross investment was attributable to growth projects; the proportion of investments on existing facilities stood at 29.8% and was primarily allocated to existing power stations and grid infrastructure.

Investments by segment

in %



In the reporting period, €71.5 million was invested in strengthening the **Sales** segment. Investments in the same period of the previous year totalled €274.3 million, which was primarily due to the acquisition of the 50% share of EnBW Gas Verwaltungsgesellschaft mbH.

Investments in the **Grids** segment of €732.8 million was higher than in the previous year (€531.5 million), mainly due to the

expansion and upgrade of the grids and the connection of facilities for the generation of renewable energies, as well as the construction of the long-distance North Black Forest Pipeline for gas.

Investments in the **Renewable Energies** segment of €455.0 million was lower than in the previous year (€646.6 million) because the offshore wind farm EnBW Baltic 2 was completed in the summer of 2015 and the majority of the investments on this project was in 2014.

Investments totalling €174.3 million in the **Generation and Trading** segment was significantly lower than in the previous year (€476.6 million) due to the completion of the power plant project RDK 8. Furthermore, investments for the construction of the Lausward CCGT power plant was significantly lower than in the previous year.

It was possible to finance around 67% of the gross investments through divestitures in the reporting year. These primarily comprised the sales of 49.89% of the shares in the offshore wind farm EnBW Baltic 2 and the disposal of grids as part of re-municipalisation. Due to the largely completed processes for extending concession agreements in the grids sector, cash inflows from the sales of grids fell in comparison to the previous year. Furthermore, the previous year included divestitures from the successful realisation of participation models, mainly in the area of onshore wind farms.

Capital commitments for the acquisition of intangible assets and property, plant and equipment amounted to €501.9 million as of 31 December 2015 (previous year: €984.9 million). Commitments to acquire entities totalled €660.5 million (previous year: €549.4 million). Capital commitments are financed from current funds from operations (FFO).

Liquidity analysis

Free cash flow of the EnBW Group

in € million	2015	2014	Change in %
Cash flow from operating activities	1,918.3	1,775.7	8.0
Change in assets and liabilities from operating activities	137.7	-254.7	-
Interest and dividends received	380.6	323.5	17.7
Interest paid for financing activities	-375.1	-338.6	10.8
Funds from operations (FFO)	2,061.5	1,505.9	36.9
Change in assets and liabilities from operating activities	-137.7	254.7	-
Capital expenditures on intangible assets and property, plant and equipment	-1,416.4	-1,704.4	-16.9
Disposals of intangible assets and property, plant and equipment	140.2	194.1	-27.8
Cash received from construction cost and investment subsidies	78.2	79.9	-2.1
Free cash flow	725.8	330.2	119.8

Cash flow from operating activities and funds from operations (FFO) increased in comparison to the previous year. The clear increase in FFO was influenced mainly by higher tax refunds and lower tax payments in the reporting period. In the cash flow from operating activities, this was offset by the net balance of assets and liabilities from operating activities. This changed significantly compared to the previous year: While the balance of assets and liabilities fell by €254.7 million in the

previous year, it increased in the current reporting period by €137.7 million. This development was primarily due to the net balance of trade receivables and payables, which was especially influenced by factors relating to the EEG and sales. This was offset by lower capital expenditures on intangible assets and property, plant and equipment in comparison to the same period of the previous year. Free cash flow increased significantly compared to the previous year by €395.6 million.

Retained cash flow of the EnBW Group

in € million	2015	2014	Change in %
Funds from operations (FFO)	2,061.5	1,505.9	36.9
Dividends paid	-269.7	-261.8	3.0
Retained cash flow	1,791.8	1,244.1	44.0

As a result of the increase in the FFO, retained cash flow also rose significantly. Dividend payments stood at almost the same level as in the previous year. The retained cash flow

reflects our internal financing capabilities; it is available to the company for future investments without the need to raise additional debt (p. 17).

Cash flow statement of the EnBW Group

in € million	2015	2014	Change in %
Cash flow from operating activities	1,918.3	1,775.7	8.0
Cash flow from investing activities	-814.2	-2,776.6	-70.7
Cash flow from financing activities	-798.5	1,760.9	-
Change in cash and cash equivalents¹	305.6	760.0	-59.8
Net foreign exchange difference	10.3	0.3	-
Change in cash and cash equivalents¹	315.9	760.3	-58.5

¹ Includes cash and cash equivalents from assets held for sale.

Cash flow from investing activities declined significantly in comparison to the previous year, which was primarily attributable to lower investments and higher divestitures in securities. In addition, capital expenditures on intangible

assets and property, plant and equipment of EnBW AG fell in comparison to the previous year due to the completion of major projects.

Cash flow from financing activities in the reporting period returned an outflow of cash, which was primarily due to the planned repayment of a bond with a volume of €750 million. In contrast, the issuing of a hybrid bond with a volume of €1 billion in particular, as well as four bonds with a total volume of €750 million and a loan from the European Investment Bank (EIB) had led to an inflow of cash in the same period of the previous year. The Group's cash and cash equivalents

(including cash and cash equivalents from assets held for sale) increased in the reporting period by €315.9 million.

The solvency of the EnBW Group was ensured at all times throughout the 2015 financial year due to the company's available liquidity, a continued positive free cash flow and the external sources available for financing. The company's future solvency is secured by its solid financial position (p. 55 ff.).

Net assets

Condensed balance sheet of the EnBW Group

in € million ¹	31/12/2015	31/12/2014	Change in %
Assets			
Non-current assets	25,587.8	27,382.6	-6.6
of which intangible assets	(1,744.9)	(1,783.0)	-2.1
of which property, plant and equipment	(13,508.1)	(13,681.7)	-1.3
of which entities accounted for using the equity method	(826.1)	(1,941.0)	-57.4
of which other financial assets	(8,240.4)	(8,513.4)	-3.2
of which deferred taxes	(93.4)	(430.0)	-78.3
Current assets	11,554.5	10,825.0	6.7
Assets held for sale	1,015.9	104.5	-
	38,158.2	38,312.1	-0.4
Equity and liabilities			
Equity	5,089.5	4,545.6	12.0
Non-current liabilities	23,791.7	24,146.7	-1.5
of which provisions	(14,478.1)	(14,302.2)	1.2
of which deferred taxes	(670.7)	(648.9)	3.4
of which financial liabilities	(6,810.0)	(7,187.1)	-5.2
Current liabilities	9,276.2	9,571.3	-3.1
of which provisions	(1,342.8)	(1,151.6)	16.6
of which financial liabilities	(758.2)	(1,078.5)	-29.7
Liabilities directly associated with assets classified as held for sale	0.8	48.5	-98.4
	38,158.2	38,312.1	-0.4

¹ The figures for the previous year have been restated.

As of the reporting date of 31 December 2015, the total assets held by the EnBW Group stood at a slightly lower level than in the previous year. Non-current assets fell by €1,794.8 million. In particular, this was due to the fall in the number of entities accounted for using the equity method following the reclassification of our 20% shareholding in EWE under assets held for sale. Other non-current financial assets decreased primarily as a result of a reclassification under current assets due to a change in maturity. Current assets also increased primarily for this reason and due to the purchase of securities by €729.5 million. The increase in assets held for sale is primarily due to the reclassification of our 20% shareholding in EWE. This was offset to some extent by the disposal of distribution grids and our shares in the Bexbach power plant.

The equity held by the EnBW Group increased by €543.9 million as of the reporting date of 31 December 2015. This increase is primarily attributable to funds received from the sale of 49.89% of the shares in EnBW Baltic 2 S.C.S. to an Australian financial investor, which increased the non-controlling interests in equity. This was offset by a fall in revenue reserves of €90.9 million; the distribution of dividends at the end of April exceeded the positive result in the reporting period. The losses in other comprehensive income increased by €113.7 million to €-1,644.2 million, which was primarily due to the fall in reserves of available-for-sale financial assets. This was offset by the revaluation of pensions and similar obligations. The equity ratio thus increased from 11.9% to 13.3% compared to the previous year's reporting date.

The non-current liabilities of the EnBW Group fell by €355.0 million primarily as a result of a reclassification of financial liabilities due to a change in maturity. The total fall in current liabilities of €295.1 million is primarily attributable to the decline in current financial liabilities due to the repayment of a bond with a volume of €750 million. This was offset by the reclassification due to a change in maturity.

Adjusted net debt

As of 31 December 2015, adjusted net debt fell by €1,247.1 million compared to the figure posted at the end of 2014. This significant fall is mainly due to the sale of 49.89% of the shares in EnBW Baltic 2 S.C.S. The repayment of a bond with a volume

of €750 million that was due in July 2015 reduced the financial liabilities and the adjusted short-term funds. In addition, lower pension provisions due to the increase in the discount rate from 2.2% to 2.3% and the positive free cash flow reduced the adjusted net debt. This was offset by the payment of dividends and the fall in the discount rate from 4.8% to 4.7% and thus a fall in the real interest rate level from 1.3% to 1.2% for nuclear provisions. The adjusted net debt developed within the scope of our adjusted forecast range from €6.4 billion to €6.9 billion (original forecast: €7.0 billion to €7.5 billion). The adjustment to the forecast which was made during the course of the year was due, in particular, to the recovery of the discount rate for pension provisions.

Adjusted net debt of the EnBW Group

in € million	31/12/2015	31/12/2014	Change in %
Short-term funds	-4,836.9	-3,939.5	22.8
Short-term funds of the special funds and short-term securities to cover pension and nuclear provisions	1,755.2	1,282.1	36.9
Adjusted short-term funds	-3,081.7	-2,657.4	16.0
Bonds	5,492.2	6,225.6	-11.8
Liabilities to banks	1,588.5	1,813.1	-12.4
Other financial liabilities	487.5	226.9	114.9
Financial liabilities	7,568.2	8,265.6	-8.4
Recognised net financial liabilities¹	4,486.5	5,608.2	-20.0
Pension and nuclear provisions	15,069.7	14,959.8	0.7
Fair market value of plan assets	-1,113.8	-1,102.4	1.0
Long-term securities and loans to cover the pension and nuclear provisions ²	-8,035.0	-8,320.5	-3.4
Short-term funds of the special funds and short-term securities to cover pension and nuclear provisions	-1,755.2	-1,282.1	36.9
Other	-51.4	-68.5	-25.0
Recognised net debt²	8,600.8	9,794.5	-12.2
Non-current receivables associated with nuclear provisions	-759.2	-675.4	12.4
Valuation effects from interest-induced hedging transactions	-106.1	-136.5	-22.3
Restatement of 50% of the nominal amount of the hybrid bonds ³	-1,000.0	-1,000.0	0.0
Adjusted net debt²	6,735.5	7,982.6	-15.6

¹ Adjusted for valuation effects from interest-induced hedging transactions and 50% of the nominal amount of the hybrid bonds, net financial liabilities amounted to €3,380.4 million (31 December 2014: €4,471.7 million).

² Includes equity investments held as financial assets.

³ The structural characteristics of our hybrid bonds meet the criteria for half of the bond to be classified as equity, and half as debt, by the rating agencies Moody's and Standard & Poor's.

TOP Dynamic leverage ratio

Dynamic leverage ratio of the EnBW Group

in years	2015	2014	Change in %
Adjusted net debt in € million	6,735.5	7,982.6	-15.6
Adjusted EBITDA in € million	2,109.6	2,167.4	-2.7
Dynamic leverage ratio	3.19	3.68	-13.3

The dynamic leverage ratio fell as of 31 December 2015 due to the significant decrease in the adjusted net debt to 3.19 (p. 61). This development was within the scope of our adjusted forecast range of 3.0 to 3.4 (original forecast: 3.2 to 3.6; this adjustment made during the course of the year was due to the change in the adjusted net debt).

TOP ROCE and value added

The cost of capital before tax represents the minimum return on capital employed (average capital employed). Positive value is added when the return on capital employed (ROCE) exceeds the cost of capital. The cost of capital is determined based on the weighted average cost of equity and debt together. The value of equity is based here on a market valuation and thus deviates from the value recognised in the balance sheet. The cost of equity is based on the return of a risk-free investment and a company-specific risk premium. The latter is calculated as the difference between a risk-free investment and the return for the overall market, weighted with a company-specific beta factor. The terms according to which the EnBW Group can obtain long-term debt funding are used to determine the cost of debt.

There are various factors that influence value added. The level of ROCE and value added depend not only on the development of the operating result but above all on the invested capital. Large-scale investments tend to significantly increase the capital employed in the early years, while the effect on income that boosts value, however, only filters through over a lengthier period of time, often long after the investments were initially made. This is especially true of capital expenditure on property, plant and equipment relating to the construction of new power plants, which do not have any positive effect on the operating result of the Group until after they are commissioned. Capital expenditure on power generation facilities, on the other hand, is already taken into account in the capital employed during the construction phase. In a comparison of individual years, the development of ROCE and value added is, to a certain extent, cyclical in nature, depending on the investment volume. This effect is therefore inherent in the system and results in lower ROCE in phases of strong growth or phases of investment.

Value added to the EnBW Group for 2015 by segment

	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
Adjusted EBIT including investment result ¹ in € million	199.2	451.3	161.1	409.5	77.2	1,298.3
Average capital employed in € million	800.5	4,669.0	2,820.7	2,377.2	2,953.0	13,620.4
ROCE in %	24.9	9.7	5.7	17.2	-	9.5
Cost of capital in %	8.2	5.9	7.5	8.4	-	6.9
Value added in € million	133.7	177.4	-50.8	209.2	-	354.1



¹ Adjusted investment result excluding income from equity investments held as financial assets to the amount of €82.6 million and adjusted for taxes (adjusted investment result/0.71 - adjusted investment result; where 0.71 = 1 - tax rate 29%).

Value added to the EnBW Group for 2014 by segment¹

	Sales	Grids	Renewable Energies	Generation and Trading	Other/ Consolidation	Total
Adjusted EBIT including investment result ² in € million	169.5	571.4	127.9	529.9	-51.2	1,347.5
Average capital employed in € million	856.1	4,868.7	2,261.8	3,350.3	2,086.7	13,423.6
ROCE in %	19.8	11.7	5.7	15.8	-	10.0
Cost of capital in %	8.5	6.2	7.9	8.7	-	7.2
Value added in € million	96.7	267.8	-49.8	237.9	-	375.9

¹ The figures for the previous year have been restated.

² Adjusted investment result excluding income from equity investments held as financial assets to the amount of €40.4 million and adjusted for taxes (adjusted investment result/0.71 - adjusted investment result; where 0.71 = 1 - tax rate 29%).

Despite the continued difficult market and industry conditions, the positive value added generated by the EnBW Group only fell slightly in the 2015 financial year compared to the previous year to €354.1 million. The adjusted EBIT including the investment result only fell slightly in 2015, while the average  capital employed only increased marginally. At the same time, the risk-adjusted weighted average cost of capital fell again slightly compared to the previous year due to the low interest rate. These effects led to the  ROCE being at the higher end of our exceptions for the 2015 financial year at 9.5% (forecast 2015: 8.5% to 9.5%).

Sales: Value added in the Sales segment increased in 2015 by €37.0 million. This improvement was contributed to both by the significantly better result and the fact that the cost of capital fell by 0.3 percentage points. The average capital employed fell slightly, which was mainly due to the proportional consideration of the sale of EnBW Propower GmbH with the Eisenhüttenstadt CHP plant as of 31 December 2015 in the calculation of the average capital base.

Grids: Value added in the Grids segment fell in the reporting year by €90.4 million in comparison to 2014. This was caused by the decrease in ROCE of 2.0 percentage points. This decrease was due to the significant fall in adjusted EBIT including the investment result in comparison to the previous year. The decrease in the average capital employed was caused by the lower working capital due to concession fees and lower current receivables.

Renewable Energies: Value added in the Renewable Energies segment remained almost constant compared to the previous year at €-50.8 million. On the one hand, it was possible to significantly increase the operating result due to the commissioning of the offshore wind farm EnBW Baltic 2 during the course of the year, while, on the other hand, the capital base in the reporting year increased further due to investments in renewable energies. The ROCE for this segment remained unchanged at 5.7% with a lower weighted average cost of capital of 7.5%.

Generation and Trading: The Generation and Trading segment achieved value added of €209.2 million in the 2015 financial year. The weighted average cost of capital fell again compared to the previous year by 0.3 percentage points. The adjusted EBIT including the investment result fell by €120.4 million to €409.5 million. At the same time, the capital base decreased primarily as a result of significantly lower working capital (including amongst other things inventories) and lower deferred taxes. In addition, the impairment losses recognised on the generation portfolio at the end of the 2015 financial year had a proportionate effect on the average capital employed.

Non-financial performance indicators

Customers goal dimension

Key performance indicators

Key performance indicators

	2015	2014	Change in %	Forecast 2015
Brand Attractiveness Index for EnBW/Yello	43/35	43/36	0.0/-2.8	44/38
Customer Satisfaction Index for EnBW/Yello	136/152	114/145	19.3/4.8	120/150
SAIDI (electricity) in min/year	15	15	0.0	15

TOP Brand Attractiveness Index: The brand attractiveness of EnBW remained unchanged in 2015 compared to the previous year. Here, the two aspects of “level of brand awareness” and “level of disappointment if withdrew from the market” showed strong improvements. In the forecast for 2015, we anticipated a slightly higher level of brand attractiveness. The reason for this development is the postponement of an image campaign originally planned for autumn 2015 to the spring of 2016. The attractiveness of the Yello brand fell slightly in 2015; we also predicted here an increased level of brand attractiveness in our forecast. Overall, there was greater emphasis placed on sales-related issues in 2015 and a rather restrained investment in the brand.

TOP Customer Satisfaction Index: It was possible to significantly improve the satisfaction of EnBW customers in 2015 and also significantly exceed our forecast in this area. This increase can be explained, amongst other things, by a more positive perception of the company's image – which was also supported by the activities of EnBW in the area of wind power. The slight decrease in electricity prices for many EnBW customers and the constant price of gas in 2015 also supported this positive development. The satisfaction of the customers of Yello once again reached a very good level in 2015 and slightly exceeded our forecast. The new Yello Strom product portfolio is also increasingly contributing to this high level of satisfaction.

TOP SAIDI: The reliability of the energy supply is fundamentally important to our customers. Measured by the length of supply interruptions experienced per connected customer, the same good level was achieved in 2015 in the grid area operated by EnBW as in the previous year. There were no exceptionally heavy storms in Baden-Württemberg in the reporting year and supply interruptions remained at a normal level.

Employees goal dimension

Key performance indicators

Key performance indicators

	2015	2014	Change in %	Forecast 2015
Employee Commitment Index (ECI) ¹	60	56	7.1	58
LTIF ¹	3.8	4.3	-11.6	≤ previous-year figure

¹ Variations in the group of consolidated companies; see also the definition of key performance indicators on page 25.

TOP Employee Commitment Index (ECI): A short survey for monitoring the ECI was once again carried out between 14 September and 2 October 2015. This employee survey (MAB) comprised just twelve questions and was carried out by taking a random representative sample. As in the previous full MAB surveys, it collected information on the level of commitment of the employees to the Group and to their respective company.

The results of the MAB-Blitzlicht (Employee Flashlight) show a clear increase in the MCI from 56 to 60 points, which also exceeded our forecast by two points. EnBW has thus experienced a clear reversal in the trends relating to employee commitment and taken a significant step to achieving the target of 65 points by 2020. This positive development can be attributed to the fact that employees gave significantly more positive answers to questions on the themes of overall satisfaction and attractiveness of the employer, as well as in relation to the competitiveness and future viability of EnBW than in 2014. The values for identification and motivational climate remained stable at a high level. This positive reversal of the trend was affirmed by all areas of the workforce, most clearly by the top management personnel.

TOP LTIF: The LTIF (Lost Time Injury Frequency) is the key performance indicator for occupational safety. The value of 3.8 in 2015 was significantly lower than the already low level in the previous year. The different programmes for improving occupational safety in the Group are clearly having an effect. However, the average days of absence per accident rose from 10.5 to 15.3 days. The main reason for this development were three accidents with exceptionally long periods of absence.

The largest Group project in the area of occupational safety in 2015 was the introduction of the new EHS (Environment, Health and Safety) software. Important elements of this software are the documentation of risk assessments and hazardous substance management. The software was tested in two pilot schemes in 2015 and its roll-out across the Group will begin in 2016. The aim is for all designated areas to be successfully working with the software by the end of 2017.

In the area of conventional and renewable generation, the “100 days without accidents” campaign was held in 2015. The 100 day goal was achieved a total of eight times across a number of power plants. The Occupational Safety Initiative (“InA”) that was started in 2013 at the grid companies was also

continued in 2015. One focus here was the “Stop before you start” campaign: a request to once again reconsider the safety of a planned procedure directly before starting work. The follow-up project “InA 2” will be put into action in 2016.

Other performance indicators

Employees of the EnBW Group¹

	31/12/2015	31/12/2014	Change in %
Sales	3,300	3,322	-0.7
Grids	8,086	7,824	3.3
Renewable Energies	815	519	57.0
Generation and Trading	5,167	5,432	-4.9
Other	2,920	2,995	-2.5
Total	20,288	20,092	1.0
Number of full-time equivalents ²	18,763	18,524	1.3

¹ Number of employees excluding apprentices/trainees and inactive employees.

² Converted into full-time equivalents.

As of 31 December 2015, the EnBW Group had 20,288 employees. As new appointments are only being made in strategic growth fields, the number of employees was just slightly higher than the level at the end of 2014. The growing importance of regulated business is reflected in the increase in the number of employees in the Grids segment. The increase in the number of employees in the Renewable Energies segment is mainly due to the company Pražská energetika a.s. (PRE) being moved to this segment from the Grids segment. The falling number of employees in Other/Consolidation resulted primarily from the planned departure of employees based on an earlier restructuring programme, although this effect was partially offset by the movement of employees from the Sales and Generation and Trading segments as a result of restructuring within the Group.

Further key performance indicators for personnel: Further key performance indicators for personnel can be found on our website at www.enbw.com/weitere-kennzahlen. These include, for example, the regional distribution of our employees, the proportion of women in the workforce and in management personnel, or the proportion of disabled people in the workforce.

The main features of our HR policy

Executive management: The Energiewende poses challenges to EnBW that necessitate radical changes for management personnel and employees. The newly conceived Leadership Development Department supports this process of change by accompanying the functional and business units in the realisation of their operative responsibility as a management team.

The necessary changes in attitude of management personnel and the skills required to face the new challenges are defined within the management team and then implemented and evaluated using teambuilding measures. The Leadership Development Department offers advice in this area, makes suitable tools available and ensures Group-wide monitoring and quality assurance.

Safeguarding and promoting expertise: Personnel development is also continuously directed towards the implementation of the corporate strategy: from supply-oriented development to needs-based, independent and action-oriented learning. The launch of the PE Campus (Personnel Development Campus) – an online platform providing information and training opportunities for management personnel and employees – also supports this realignment by making learning and personnel development more flexible and useable for the individual, while at the same time requiring a lower budget.

Any trainee or student who successfully concludes their training or degree studies within the EnBW Group will subsequently receive a 12-month employment contract. If relevant demand exists, suitable trainees/students will be offered permanent contracts. This is particularly true for job profiles in the areas of electronics and for dual degree studies for which there is a high demand on the job market. As a result of the rigorous alignment of the recruitment figures and job profiles/dual degree courses to the actual needs within the company, there has been a consistent rise in the number of graduates offered permanent contracts.

Diversity at EnBW also contributes to being better able to fulfil market requirements and thus to secure the future of the company. EnBW promotes diversity and an inclusive atmosphere in order to maintain and improve productivity, performance, innovation and its attractiveness as an employer. In this area, EnBW concentrates on the following four categories: gender, age, disability and life style. In terms of gender, the measures adopted by the company have included the definition of obligatory targets for the proportion of women in management positions. The target is to increase the proportion of women in top management positions at EnBW AG from 4.2% (as of April 2015) to 7.5% by 31 December 2016, while the proportion of women in upper management positions should be increased from 8.0% (as of April 2015) to 10.6%. The targets for 2020 for both of these management levels at EnBW AG is approximately 20% in each case. Every third new appointment in top and upper management at the functional and business units should be a woman. Numerous measures – such as our mentoring programme for female employees with potential and with members of the Board of Management and other managers as mentors – are supporting these targets. In order to also demonstrate our commitment to diversity to the outside world, EnBW has joined the “Diversity Charter” (Charta der Vielfalt). This corporate initiative with around 2,200 members promotes diversity in companies and institutions under the patronage of the Federal Chancellor Angela Merkel.

The aim of 1492@enbw is to use new methods to develop cross-sector business ideas. The third phase of this successful concept – which has resulted in a number of projects being transferred to the EnBW Innovation Campus to take them through to market maturity (p. 38) – began in the middle of October 2015. This success has also been recognised externally: The specialist magazine “Human Resources Manager” presented EnBW with an award for its “1492@enbw” initiative in the “Employee engagement” category, ahead of other entrants such as BASF or Deutsche Telekom.

Effective and efficient HR policy at EnBW AG: Human Resources is currently reorienting itself through the “P:initiative” programme. Under the motto “meet – change – achieve”, HR wants to assume a leading role in promoting cooperation between the business units and functional units.

The restructuring of the functional units has helped to contribute to the aim of bringing the company nearer to its operating business: Their number has been more than halved from over 20 as of 1 January 2015. The number of management functions was reduced as a result by more than 20%. The result: larger areas of responsibility, clearer responsibilities and quicker decision making paths.

IT was also reorganised on 1 June 2015 and has been rigorously aligned to meet the requirements of the business and functional units. In order to use IT solutions to speed up business initiatives and processes and make them viable in the future, we have established new forms of integrated collaboration.

During an analysis of our own generation as a whole, as well as shareholdings in power plants and electricity procurement agreements, the focus was placed on examining the potential for making savings. An important outcome here was also the introduction of a new organisational structure: A process-oriented structure replaced the previous location-based structure as of 1 April 2015. In addition, the plan is to reduce the number of employees by around 290 in a socially responsible manner by the end of 2018.

The Employers Association for Electricity Power Plants in Baden-Württemberg and the union ver.di reached a collective remuneration agreement in March for the years 2015 to 2017 and a follow-up regulation for the terminated collective wage agreement. The first stage of the agreed changes to the pay levels up to 2017 was implemented on 1 April. Preparations for the introduction of the new remuneration system on 1 January 2016 were completed on time.

Health management

The welfare of employees has always been an important issue for EnBW. As part of occupational health and safety management, the company offers a variety of activities in the areas of occupational safety and health protection. In times when there is high pressure to change, topics such as “healthy change management”, “personal stress management” and “resilience” are important elements. We utilise a mix of traditional methods of learning, such as seminars, and modern solutions, such as e-learning or audio books, to reach as many employees as possible.

Environment goal dimension

Key performance indicator

Key performance indicator	2015	2014	Change in %	Forecast 2015
Installed output of RE in GW and the share of the generation capacity accounted for by RE in %	3.1/23.6	2.6/19.1	19.2/–	3.0/22.1

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

In the 2015 reporting year, installed output from renewable energies increased significantly compared to 2014 to 3.1 GW and thus slightly exceeded our forecast. The most important reason for this was the full commissioning of our offshore wind farm EnBW Baltic 2. In addition, the onshore wind farm Harthäuser Wald operated by our subsidiary ZEAG Energie – the largest wind farm in Baden-Württemberg to date – was connected to the grid at the end of October 2015. The share of the generation capacity accounted for by renewable energies at EnBW increased accordingly to 23.6%.

Breakdown of the generation portfolio of the EnBW Group¹ (as of 31/12)

Electrical output ² in MW	2015	2014
Renewable Energies	3,055	2,632
Run-of-river power plants	1,036	947
Storage/pumped storage power plants using the natural flow of water ²	1,322	1,322
Wind onshore	247	194
Wind offshore	336	48
Other renewable energies	114	121
Thermal power plants³	9,872	11,116
Brown coal	875	875
Hard coal	3,956	4,776
Gas	1,180	1,191
Other thermal power plants	383	396
Pumped storage power plants that do not use the natural flow of water ²	545	545
Nuclear power plants	2,933	3,333
Installed output of EnBW Group (without standby reserve)	12,927	13,748
of which renewable in %	23.6	19.1
of which low CO ₂ in % ⁴	13.3	12.6

¹ The generation portfolio includes long-term procurement agreements and generation from partly owned power plants.

² Output values irrespective of marketing channel, for storage: generation capacity.

³ Including pumped storage power plants that do not use the natural flow of water.

⁴ Excluding renewable energies; only gas power plants and storage power plants that do not use the natural flow of water.

Adjustments in the portfolio due to the sale of our shares in the Bexbach power plant (hard coal) and an expired electricity procurement agreement in the nuclear sector, the transfer of two blocks at the Heilbronn power plant into the network reserve (hard coal) and the commissioning of EnBW Baltic 2 and the onshore wind farm Harthäuser Wald with an output of 42 MW in 2015 led on balance to a reduction in the installed output to 12.9 GW and in own generation to 56.0 TWh. The thermal generation portfolio of EnBW continues to be well balanced in its mix of energy sources and the age structure of the facilities. The proportion of own generation from renewable energy sources increased significantly in 2015, which was attributable to higher production in the area of wind power. This was offset by the effect of lower water levels on own generation from run-of-river power plants.

Other performance indicators

In addition to the key performance indicators in the area of the environment, EnBW utilises a broad range of further environmental indicators for measuring, controlling and reporting. The most important performance indicators are listed in the following table. A comprehensive presentation of the environmental performance indicators for EnBW can be found on the Internet at www.enbw.com/umweltschutz.

Own generation of the EnBW Group¹ by primary energy source

in GWh	2015	2014
Renewable Energies	7,725	7,163
of which subsidised under the German Renewable Energies Act (EEG)	467	519
Run-of-river power plants	5,270	5,466
Storage power plants/pumped storage power plants using the natural flow of water	994	829
Wind onshore	385	308
Wind offshore	760	196
Other renewable energies	316	364
Thermal power plants²	48,248	50,615
Brown coal	5,734	6,563
Hard coal	14,330	16,401
Gas	817	742
Other thermal power plants	285	295
Pumped storage power plants that do not use the natural flow of water	1,799	1,528
Nuclear power plants	25,283	25,086
Own generation of the EnBW Group	55,973	57,778
of which renewable in %	13.8	12.4
of which low CO ₂ in % ³	4.7	3.9


¹ Long-term procurement agreements and partly owned power plants are included in own electricity generation.

² Including pumped storage power plants that do not use the natural flow of water.

³ Excluding renewable energies; only gas power plants and storage power plants that do not use the natural flow of water.

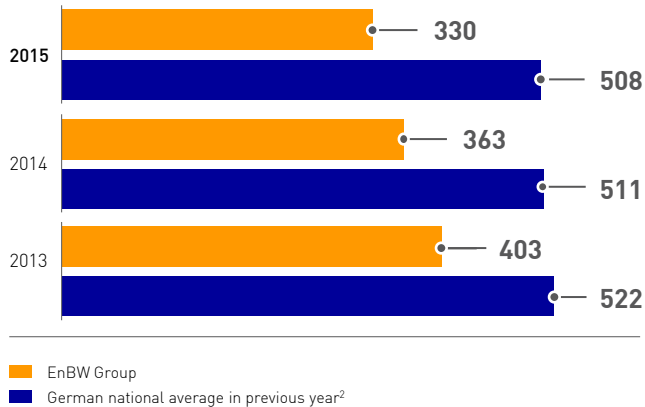
There is also information here on our wide ranging environmental activities relating to energy efficiency, the conservation of biological diversity and the protection of nature and species, such as the EnBW Amphibian Protection Programme or schemes to protect birds in the grids sector. In addition, further information relating to the Global Reporting Initiative (GRI G4) can be found on the Internet.

Carbon footprint: Direct CO₂ emissions are determined mainly by the usage of fossil fuel power plants. Accordingly, the decrease in fossil fuel-based electricity generation is also the reason for the fall in direct CO₂ emissions from 19.6 to 16.5 million tonnes CO₂eq. The indirect Scope 2 CO₂ emissions remained constant at 1.2 million tonnes CO₂eq. As a result of increased gas sales, the Scope 3 CO₂ emissions rose slightly. Numerous EnBW activities also avoid CO₂ emissions: primarily that of generating electricity from renewable energy sources. The increase in generation from renewable energies led to an increase in avoided CO₂ emissions in 2015 compared to the previous year.

In comparison to the value in the previous year of 363g CO₂/kWh, the  CO₂ intensity of own electricity generation fell by around 9% to 330 g CO₂/kWh. The reason for these lower emissions is the reduction in electricity generated from fossil fuels compared to the previous year and the increase in electricity generated from renewable energy sources. The CO₂ intensity of EnBW continues to remain significantly below the overall average German national figure of 508 g CO₂/kWh in 2014.

CO₂ intensity of own electricity generation¹

in g/kWh



¹ Own generation comprises own and partly owned power plants, as well as long-term procurement agreements.

² The national average of the respective reporting year is only available in autumn of the next year. The comparison is therefore made against the national average of the previous year.

Energy consumption: The total final energy consumption includes the consumption of final energy for the business activities of EnBW. It does not include conversion and transportation losses such as primary energy sources for electricity generation or grid losses. The total final energy consumption is mostly influenced by pump energy as well as

the company's own requirements and the operating consumption of the generation plants. In comparison to the previous year, final energy consumption only increased slightly from 2,827 GWh to 2,851 GWh. Reduced own consumption in the power plants due to the reduction in electricity generated from fossil fuels was more than offset by the increase in energy required for pumps due to the increased electricity generated by pumped storage power plants.

The proportion of renewable energies in the final energy consumption increased from 44% in 2014 to 47% in 2015. The reason is above all the expansion of renewable energies and the increasing share of electricity generation in Germany accounted for by renewable energies.

The energy consumption of our buildings per employee fell from 9,728 kWh/employee in 2014 to 9,623 kWh/employee in 2015. This decrease was the result of a variety of measures for increasing the energy efficiency of our buildings.

Environmental protection expenditure: We report environmental expenditure in line with the requirements of the statistical offices and using the guidelines published by our sector association – the BDEW. Investments in environmental protection decreased from €450 million in the previous year to €424 million in 2015. This is primarily attributable to the above-average investment in environmental protection in 2014 due to the erection of the offshore wind farm EnBW Baltic 2.

Environmental performance indicators¹

	Unit	2015	2014
Carbon footprint			
Direct CO ₂ emissions [Scope 1] ²	millions of t CO ₂ eq	16.5	19.6
Indirect CO ₂ emissions [Scope 2] ³	millions of t CO ₂ eq	1.2	1.2
Other indirect CO ₂ emissions [Scope 3] ⁴	millions of t CO ₂ eq	18.2	16.9
CO ₂ emissions avoided ⁵	millions of t CO ₂ eq	5.6	5.1
CO ₂ intensity of own electricity generation ⁶	g CO ₂ /kWh	330	363
CO ₂ intensity of business journeys and travel ^{7, 8}	g CO ₂ /km	184	181
Energy consumption			
Final energy consumption ^{8, 9}	GWh	2,851	2,827
Proportion of renewable energies in final energy consumption	%	47	44
Energy consumption of buildings per employee ¹⁰	kWh/MA	9,623	9,728
Environmental protection expenditure¹¹			
Investments in environmental protection	€ million	424	450
Current environmental protection expenses	€ million	277	268

¹ Unless otherwise indicated, the data reflect the business entities and facilities of the consolidated Group.

² Preliminary data.

³ Includes greenhouse gas emissions through electricity grid losses and through electricity consumption of plants in the gas and electricity grid, water supplies and buildings.

⁴ Includes greenhouse gas emissions through consumption of purchased electricity volumes by customers, consumption of gas by customers, fuel provision and business travel.

⁵ Includes avoided CO₂ emissions through the expansion of renewable energies, through energy efficiency projects with customers/partners and through the generation and sale of biogas.

⁶ Long-term procurement agreements and partly owned power plants are included in own electricity generation.

⁷ Includes all business travel and business activities [Scope1 and Scope3].

⁸ The figures for the previous year have been restated.

⁹ Includes final energy consumption of production including pump energy, energy consumption of grid facilities (electricity, gas and water) excluding grid losses, energy consumption of buildings and vehicles.

¹⁰ Calculated partially on the basis of assumptions and estimations.

¹¹ Pursuant to the German Environmental Statistics Act (UStatG) and BDEW guidelines on the recognition of investment and ongoing expenditure relating to environmental protection (April 2007).

EnBW AG

The financial statements of EnBW AG have been prepared in accordance with the regulations in the German Commercial Code (HGB), the German Stock Corporation Act (AktG) and the law governing the electricity and gas industries in Germany (Energy Industry Act – EnWG). The regulations for large corporations apply.

EnBW AG is utilizing the option of already applying the amended regulations for discounting the provisions for pension obligations according to section 253 of the HGB, which came into force on 17 March 2016, for the 2015 financial year.

The financial statements as audited by the KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as well as the management report of EnBW AG contained in the Group management report, will be published in the German Federal Gazette (Bundesanzeiger). The full financial statements of EnBW AG are available for download at www.enbw.com/bericht2015-downloads.

For statements that are not explicitly described in the following sections, especially those relating to the strategy of the company and economic and political conditions, please refer to the information provided for the EnBW Group (p. 22 ff. and 42 ff.).

The annual net profit which indicates the company's ability to pay a dividend is an important performance indicator for EnBW AG.

Results of operations of EnBW AG

EnBW AG reported an annual net loss of €345.2 million, which was primarily influenced by the negative financial result of €-679.8 million that was offset, to some extent, by tax income of €302.4 million.

This represents a fall of €1,594.6 million in comparison to the annual net profit of €1,249.4 million in the previous year. The improvement in the result from ordinary business activities of €357.6 million compared to the previous year was primarily offset by a fall of €2,237.0 million in the extraordinary result, which in the previous year contained the profits from the merger of subsidiaries.

The operating result of EnBW AG is primarily determined by the generated revenue from electricity and gas sales, as well as by the associated cost of materials.

The revenue (after the deduction of electricity and energy taxes) of €20,069.0 million primarily includes revenue from electricity sales to the amount of €11,045.9 million and gas sales to the amount of €8,027.0 million. Electricity and gas

sales comprise both sales activities in the form of the direct delivery of energy to end customers and also trading business involving deliveries to redistributors and trading platforms. Of the revenues from sales activities, which were around the same level as in the previous year, €1,888.5 million was attributable to electricity sales and €274.1 million to gas sales.

In the retail and end customer sector (B2C), electricity sales of 7.6 billion kWh were at the same level as in the previous year, while gas sales increased by 0.5 billion kWh to 4.0 billion kWh. Gas sales in the business and industrial customer sector (B2B) of 0.9 billion kWh were slightly lower than in the previous year.

Revenue from the trading business fell significantly compared to the previous year and this is the main reason for the fall in revenue of €4,037.6 million compared to the previous year. These changes resulted from both the fall in traded volumes of electricity and gas and also the lower procurement and sales prices in the reporting year.

This was offset by the cost of materials mainly for the generation and procurement of volumes of electricity and gas, which fell in comparison to the previous year by €4,084.4 million to €19,239.0 million primarily as a result of the trading business. The cost of materials includes costs for electricity procurement to the amount of €8,610.6 million and costs for gas procurement to the amount of €7,879.2 million.

Alongside scheduled amortisation and depreciation, the amortisation and depreciation item includes impairment losses on power plants to the amount of €132.5 million, which were €187.8 million lower than in the previous year.

The financial result primarily comprises income from other securities and loans held as financial assets to the amount of €626.9 million, revenues from profit and loss transfers to the amount of €485.8 million and income from equity investments to the amount of €337.4 million. This was offset by the reversal of impairments to financial assets to the amount of €486.6 million. In addition, interest expenses accrued for non-current provisions in the nuclear power sector and for pensions and similar obligations to the amount of €1,216.0 million, and from intercompany settlement transactions as part of the centralised financial and liquidity management to the amount of €249.4 million are included.

The full amount of the extraordinary result comprises profits from the merger of a subsidiary.

The taxes primarily include tax refunds from previous years and the reversal of provisions for tax audit risks that led to a positive tax result, which was €284.8 million higher than the figure in the previous year. The option of recognising deferred tax assets was not exercised for the active surplus of deferred tax assets.

We will propose to the Annual General Meeting on 10 May 2016 that a dividend of €0.55 per share be distributed from the retained earnings of EnBW AG. As of 31 December 2015, a total of 270,855,027 shares were entitled to a dividend. If the Annual

General Meeting approves this proposal, the total amount distributed by EnBW AG for the 2015 financial year will be €149.0 million.

Condensed income statement of EnBW AG

in € million ¹	2015	2014
Revenue	20,069,0	24,106,6
Cost of materials	-19,239,0	-23,323,4
Amortisation and depreciation	-502,3	-712,7
Other operating result	-295,7	-384,3
Operating result	32,0	-313,8
Financial result	-679,8	-691,6
Extraordinary result	0,2	2,237,2
Tax	302,4	17,6
Annual net loss/profit	-345,2	1,249,4

¹In accordance with German commercial law.

Net assets of EnBW AG

The net assets of EnBW AG as of 31 December 2015 are significantly influenced by the non-current assets (particularly the financial assets), the receivables and other assets, as well as by cash and cash equivalents. This is primarily offset by provisions from the nuclear power sector and for pensions and similar obligations, as well as non-current liabilities.

Financial assets stood at the same level as in the previous year and primarily consisted of shares in affiliated entities to the amount of €12,096.1 million, securities from non-current assets to the amount of €4,842.3 million and equity investments to the amount of €2,334.9 million.

Trade receivables to the amount of €1,326.8 million mainly comprise receivables for trading activities and consumption accruals for electricity and gas deliveries not yet invoiced. These were €382.4 million below the figure in the previous year, which was due to the slightly lower trading volumes of EnBW AG and the fall in wholesale prices.

The cash and cash equivalents of EnBW AG totalling €2,318.3 million mainly consist of positive bank balances, which are invested as fixed-term deposits to the amount of €1,599.5 million. More details on the composition of this item can be found under "Financial position of EnBW AG".

Provisions for the nuclear power sector to the amount of €7,152.7 million are recorded for EnBW AG, which arise due to public law obligations and requirements in the operating licences. Furthermore, provisions for pensions and similar obligations to the amount of €3,709.6 million combine obligations from the company pension scheme and other company agreements made by major subsidiaries and EnBW AG. The resulting annual expenses for retirement benefits are paid by the subsidiaries concerned in each case.

The increase in the provisions in the nuclear power sector and for pensions and similar obligations to the total amount of

€1,074.6 million in comparison to the previous year were mainly due to interest accrual.

Of the liabilities totalling €13,945.6 million, €7,130.8 million have a term of more than one year. Overall, there are liabilities of €9,883.2 million to affiliated entities, which primarily result from intercompany settlement transactions within the framework of the centralised financial and liquidity management, as well as from loan agreements.

Non-current liabilities exist to the amount of €3,456.0 million to the Dutch financing subsidiary EnBW International Finance B.V. as part of the DIP programme, to the amount of €2.0 billion from the issuing of two hybrid bonds and to the amount of €950.0 million from loan agreements with credit institutions.

The non-current provisions from the nuclear power sector and for pensions and similar obligations to the total amount of €10,862.3 million are mainly offset by shares in investment assets, which are recorded as securities for non-current assets. These two mixed funds focusing on assets in the eurozone countries are mainly direct or indirect investments in fixed-interest securities and shares. After €50.0 million was invested in the funds in the reporting year, the total carrying amount of the funds on the reporting date was €3,846.0 million. Furthermore, these long-term obligations are offset by directly held fixed and variable interest securities for the non-current assets, as well as in other equity investments, which had a total carrying amount on the reporting date of €1,835.1 million.

The goal is to cover these non-current pension and nuclear provisions with appropriate financial assets within an economically feasible time period. Overall, the non-current assets to the amount of €23,464.4 million are offset by long-term debt to the amount of €17,993.1 million.


The liquidity of EnBW AG to the amount of €2,318.3 million on the reporting date guarantees the solvency of the company for the payment of dividends and current liabilities from the operative business.

Balance sheet of EnBW AG

in € million ¹	31/12/2015	31/12/2014
Assets		
Non-current assets		
Intangible assets	1.116,6	1.225,0
Property, plant and equipment	1.543,9	1.855,7
Financial assets	20.803,9	20.745,0
	23.464,4	23.825,7
Current assets		
Inventories	601,2	834,0
Receivables and other assets	3.474,3	3.651,4
Securities	1.224,4	921,8
Cash and cash equivalents	2.318,3	1.850,3
	7.618,2	7.257,5
Prepaid expenses	192,4	193,2
Surplus from offsetting	85,4	35,1
	31.360,4	31.311,5
Equity and liabilities		
Equity		
Subscribed capital	708,1	708,1
Treasury shares	-14,7	-14,7
Issued capital	(693,4)	(693,4)
Capital reserve	776,0	776,0
Revenue reserves	1.161,5	1.161,5
Retained earnings	317,4	849,5
	2.948,3	3.480,4
Extraordinary items	22,3	8,8
Provisions	14.175,2	13.097,6
Liabilities	13.945,6	14.275,6
Deferred income	269,0	449,1
	31.360,4	31.311,5

¹ In accordance with German commercial law.


Financial position of EnBW AG


The liquidity of EnBW AG increased by €468.0 million from €1,850.3 million to €2,318.3 million in comparison to the reporting date in the previous year. This increase was primarily due to lower net capital expenditure in the reporting year. The cash flows of EnBW AG result primarily from both its own operating business and also its subsidiaries balance payments in and out of the bank accounts of EnBW AG as part of the intercompany  cash pooling system within the framework of the central financing and liquidity management.

Important business transactions that had an effect on the financial position of EnBW AG in the reporting year will be summarised below:

Financial assets included investments of €180.0 million in fund assets made in the reporting year. This was offset by dividend payments from the funds to the amount of €836.0 million.

Significant additions to the shares in affiliated entities led to a cash outflow to the amount of €300.7 million. This was offset by a cash inflow of €721.7 million due to the sale of shares in affiliated entities. The increase in financial investments to the amount of €127.4 million can mainly be attributed to capital calls in the reporting year.

A bond with a total volume of €750.0 million issued as part of the  DIP programme was repaid on time to the Dutch financing subsidiary EnBW International Finance B.V. Interest for the DIP programme to the amount of €193.9 million was paid via EnBW International Finance B.V.

The company paid €228.0 million in relation to the  nuclear fuel rod tax. In contrast, income tax-related circumstances resulted on balance in tax refunds to the amount of €158.2 million.

As dividends, a total of €186.9 million was distributed to the shareholders of EnBW AG.

Overall assessment of the economic situation of EnBW AG and the development of EnBW AG

In our judgement, the development of the results of operations, financial position and net assets of EnBW AG as of 31 December 2015 is satisfactory. The annual net loss for 2015 stands at €345.2 million and was as expected significantly influenced by extraordinary items, which arose both at EnBW AG itself and also at its subsidiaries and which had an impact on EnBW AG due to profit and loss transfer agreements. Significant extraordinary items included the predicted higher interest expenses for non-current provisions to the amount of €1,036.4 million. As a result of the sharp fall in the price of electricity, there were further impairment losses on property, plant and equipment and financial assets to the amount of €617.3 million and impending losses for pending transactions to the amount of €291.9 million. This was offset by disbursements of financial assets to the amount of €737.8 million, write-ups of financial assets to the amount of €319.6 million and reversals of provisions to the amount of €277.2 million. The net annual profit for 2015 adjusted for extraordinary items stands at around €250 million and was thus €100 million above the expected result, which was primarily due to the improved financial result. In accordance with the amended regulations in section 253 of the HGB, a 10-year average discount rate is to be applied to provisions for pension obligations. The difference between the valuation of the provisions for pension obligations with a 7-year and a 10-year average discount rate is ineligible for distribution as dividends and stood at €275.3 million as of 31 December 2015.

The retained earnings of €317.4 million can still be distributed in full as dividends because the amount ineligible for distribution is covered by the freely available reserves. The ability to pay a dividend for the 2015 financial year is thus guaranteed.

We anticipate an annual net profit of around €70 million in 2016. The net result for the year will be negatively influenced by higher interest expenses for non-current provisions. As a result of the low-interest phase, the average interest rate will fall in the future. In 2016, we expect a resulting negative impact on earnings of between €1.0 billion and €1.2 billion. These negative impacts on earnings are offset by extraordinary income to the amount of €1.3 billion. After it has been adjusted for these extraordinary items, the annual net loss will be around €50 million. The amount from the valuation of the provisions for pension obligations that is ineligible for distribution as dividends will stand at around €550 million by 31 December 2016.

In 2017 and 2018, we expect further negative impacts on earnings due to the falling average interest rate.

Opportunities and risks

As the business performance, economic situation and opportunities and risks relating to the future development of EnBW AG do not deviate from the business performance,

economic situation and opportunities and risks relating to the future development of the EnBW Group, the management report of EnBW AG is combined with that of the EnBW Group (p. 74 ff.).

Comments on reporting

The consolidated financial statements of EnBW AG are prepared in accordance with section 315a (1) of the German Commercial Code (HGB) using the International Financial Reporting Standards (IFRS) set by the International Accounting Standards Board (IASB), the adoption of which is mandatory in the EU as of the reporting date.

As a vertically integrated energy company in the sense of EnWG, EnBW AG engages in other activities within the electricity sector, other activities within the gas sector and other activities outside of the electricity and gas sectors in accordance with section 6b (3) sentence 3 and sentence 4 of the EnWG.

Dependent company declaration


Pursuant to section 312 AktG, the Board of Management of EnBW AG prepared a dependent company report for the 2015 financial year. This report details relationships with affiliated entities, and closes with the following declaration: "In the legal transactions listed in the dependent company report, and according to the circumstances that were known to us when those legal transactions were performed, our company received appropriate consideration for each legal transaction and was not placed at a disadvantage. We did not take, or refrain from taking, any reportable actions motivated by, or in the interest of, the controlling companies or their affiliated entities."


EnBW share and dividend policy


As a result of the small proportion of EnBW shares in free float (www.enbw.com/shareholder-structure), events on the financial markets and the development of the DAX generally have no influence on the development of the EnBW share price. The energy policy conditions remain challenging for German energy supply companies. Accordingly, the price of EnBW shares was €25.18 at the start of 2015 yet fell by the end of the year to €20.62 (www.enbw.com/stock-chart).


The trust placed in EnBW by capital market participants is based on the value generated by the company. Against this background, EnBW pursues the goal of disclosing a positive free cash flow in each financial year and refraining from building up any additional net financial liabilities. The size of the dividend is based on the earnings performance of the company, the scope of the capital expenditure programme, as well as the volume of net debt and the dynamic leverage ratio. Depending on these parameters, EnBW strives to always pay out between 40% and 60% of adjusted Group net profit. If the Annual General Meeting approves the corresponding proposal, the dividend payout ratio for the 2015 financial year, adjusted for the results of the sale of securities to the amount of €522.7 million, will be 34.7%.

Overall assessment of the economic situation of the Group

The energy sector in Germany is experiencing a period of profound change. This is affecting the political and regulatory environment and the structures of supply and demand, as well as the technological demands placed on the entire energy system. The energy landscape in Germany is becoming more decentralised and sustainable. The continued fall in prices and  spreads on the wholesale markets for electricity have placed energy supply companies and their business models, which are still primarily based on conventional generation, under severe pressure to adapt. Accordingly, EnBW realigned its strategy based on the motto "Energiewende. Safe. Hands on." at an early stage and adapted its business model to these changing demands in order to secure the future viability of the company and tap into this potential for growth. The expansion of renewable energies, restructuring of the grids and the customer-oriented broadening of the service portfolio are the hallmarks of this strategy.

In the 2015 financial year, EnBW has resolutely pushed ahead with its EnBW 2020 strategy. This can be clearly observed, for example, in the full commissioning of the offshore wind farm EnBW Baltic 2 or the Harthäuser Wald onshore wind farm – the largest wind farm to date in Baden-Württemberg. Operating activities have developed as expected at a Group level: The  adjusted EBITDA for the EnBW Group fell in 2015 compared to the previous year by 2.7%. Except in the Generation and Trading segment, the forecasts – which were in part adjusted during the year – at a segment level were also met. However, there were also some extraordinary negative burdens. The forecasts for short and medium-term electricity prices have deteriorated further; based on a comprehensive market analysis, long term electricity prices are also expected to fall significantly. Therefore, it was necessary in 2015 to once again recognise impairment losses on the generation portfolio and increase the provisions for onerous contracts for electricity procurement agreements which no longer cover costs. In total, there was a Group net profit attributable to EnBW AG shareholders for the 2015 financial year of €124.9 million, compared with a net loss of €465.9 million in the previous year (previous year restated). Earnings per share amounted to €0.46 in 2015 compared to €-1.72 in the previous year (previous year restated).

The value added generated by the EnBW Group fell only slightly to €354.1 million, while the  ROCE of 9.5% was at the higher end of our expectations.

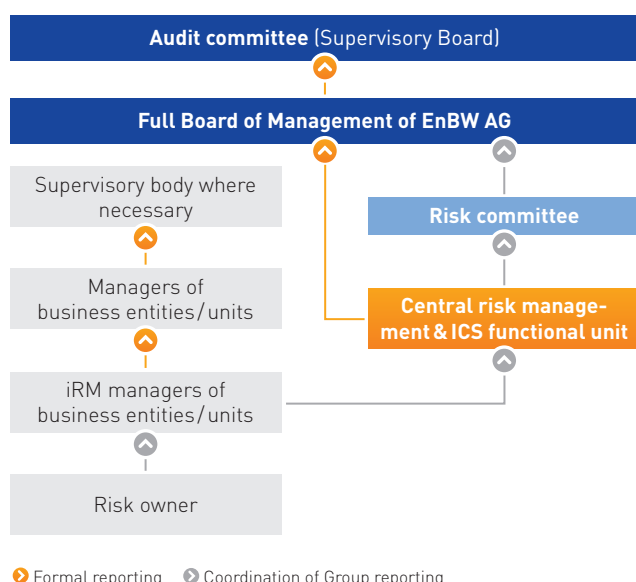
The financial position of the company remains sound. The solvency of the EnBW Group was ensured at all times throughout the 2015 financial year thanks to the company's available liquidity, a positive free cash flow and the external sources available for financing. EnBW is working to maintain its good credit standing through strict financial discipline, which has been acknowledged by the debt capital markets. As of 31 December 2015, the adjusted net debt of the Group fell by 15.6% to €6,735.5 million compared to the figure posted one year earlier. The  dynamic leverage ratio fell from 3.68 to 3.19. The equity ratio increased from 11.9% to 13.3% compared to the previous year's reporting date. All three important rating agencies confirmed in 2015 the A rating issued to EnBW.

As part of the implementation of the EnBW 2020 strategy, EnBW utilises a goal and performance management system across the five dimensions finance, strategy, customers, employees and environment. It defines clear and measurable goals for the year 2020. In the 2015 financial year, EnBW made important decisions to lay the foundations for achieving these goals. In the customers goal dimension, we exceeded our forecasted targets for 2015 for customer satisfaction and only just missed our targets for brand attractiveness. In the employees goal dimension, there was a clear reversal in the trends relating to employee commitment and there was a significant improvement above and beyond the forecasted targets for 2015. The full commissioning of our offshore wind farm EnBW Baltic 2 had a significant impact on the achievement of our forecasts in the environment goal dimension.

In the estimation of the Board of Management, the operating result of EnBW in 2015 developed satisfactorily under difficult framework conditions. We are concerned about the continued fall in prices on the wholesale market for electricity, which also led to extraordinary negative burdens in 2015 – above all further impairment losses on the generation portfolio. EnBW made considerable progress in the implementation of its strategy in 2015.

Structure and processes of the integrated opportunity and risk management system

Structure and processes of the iRM system



The structures and processes of the iRM system are anchored throughout the Group in all relevant business entities, business units and functional units. The central Risk Management & ICS functional unit is responsible for specifying methods, processes and systems for the whole Group, determining the opportunity and risk position of the Group and for reporting. The central steering body is the risk committee, which – with the involvement of specially selected business units/entities – is responsible for clarifying relevant issues from various Group perspectives, as well as for determining selected top opportunities/risks.

iRM relevance filter

Relevance class	Effects on the strategic, operational, financial or compliance goals
0	None
Area/departmental level	
1	Very low
2	Low
Business entity/unit level	
3	Medium
4	High
Group reporting level	
5	Very High
6	Significantly

For the purposes of evaluation, all opportunities and risks are firstly assessed with the help of the iRM relevance filter before and after consideration has been taken of both implemented and envisaged management instruments. The relevance class

is determined in each case based on quantitative and qualitative criteria for each of the four dimensions: strategic, operational, financial and compliance.

In this process, the probability of occurrence is firstly defined based on six levels.

iRM levels for the probability of occurrence

Description	Level for the probability of occurrence
Very low	0–10%
Low	10–30%
Medium	30–50%
High	50–70%
Very high	70–90%
Almost certain	90–100%

The opportunities and risks allocated to relevance class 5 or above are generally included in the Group report on opportunities and risks. Insofar as a financial evaluation is possible, this corresponds to a value of €50 million within the medium-term planning period. Long-term opportunities and risks that are of particular importance are then added. The reports are submitted on a quarterly basis in standardised form. In the case of any significant changes, a special report is immediately issued.

Those opportunities or risks relevant to the Group report on opportunities and risks are generally evaluated in relation to the current planning period using quantitative methods (e.g. scenario techniques and distribution functions) for the purpose of stochastic modelling. Any possible effects on the ■ adjusted EBITDA (with any associated impact on the ■ dynamic leverage ratio and the ■ ROCE) and the adjusted net debt (with any associated impact on the dynamic leverage ratio) are considered. Alongside these financial effects, opportunities and risks can also have an impact on the other key performance indicators (■ p. 25 ff.).

Any opportunities and risks with a probability of occurrence of up to 50% are subject to an individual review to determine whether they should be taken into account in the next planning session. Opportunities and risks with a probability of occurrence of over 50% are generally taken into account in the planning process and, as far as possible, appropriate accounting measures are taken in the consolidated financial statements in accordance with IFRS.

The iRM is regularly checked by the Group Auditing Department and a report presented to the Supervisory Board.

The project to further interlink risk management – from an organisational, methodological and process standpoint – with the internal control system (ICS) that is anchored within the company's business processes was successfully realised in the reporting year and completed with the implementation of a new IT solution designed to support the iRM.

Structure and processes of the accounting-related internal control system

Principles

Alongside the ICS that is anchored within the company's business processes via the iRM, an accounting-related ICS was established at EnBW that is designed to ensure proper and reliable financial reporting. In order to guarantee that this ICS is effective, the appropriateness and functionality of the Group-wide control mechanisms are tested regularly at an individual business entity and Group level. If any existing weaknesses are identified in the control system and considered relevant to the financial statements, they are promptly remedied. This accounting-related ICS methodology is based on the COSO II standard – an internationally accepted framework for internal control systems.

Once the control mechanisms have reached a standardised and monitored degree of maturity, and no material control weaknesses are identified, the accounting-related ICS is deemed to be effective. The materiality of control weaknesses is measured as the probability of occurrence and the extent to which there could be a potential misstatement in connection to those financial statement items concerned. The accounting-related risk management system defines measures for identifying and assessing risks that jeopardise the preparation of compliant financial statements as part of the accounting-related ICS.

Despite having established an ICS, there is no absolute certainty that it will attain its objectives or that it will be complete. In exceptional cases, the effectiveness of the ICS can be impaired by unforeseeable changes in the control environment, fraud or human error.

Structure

The accounting-related ICS at EnBW is organised at both a centralised and decentralised level. All important business entities, business units and functional units have an ICS officer. These officers monitor the effectiveness of the ICS and evaluate any control weaknesses that may arise. A report on the effectiveness of the ICS is prepared on an annual basis, which is approved by the management of the business entity or unit. The ICS officer at Group level assists the business entities/units with the implementation of standardised procedures and also consolidates collected data.

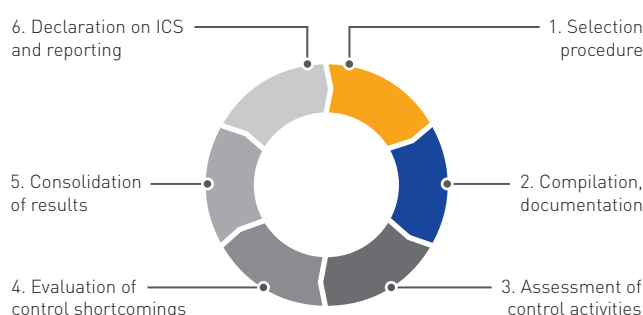
Processes

Standardised procedures ensure completeness and consistency in the preparation of the financial statements and financial reporting. The accounting-related ICS defines controls

designed to ensure compliance with the accounting policies used by the Group, as well as procedures and deadlines for the individual accounting processes. An annual control cycle monitors whether the documentation is up to date and also checks the appropriateness and functionality of the controls; in addition, it identifies and evaluates any control weaknesses that may arise.

A risk-based selection process defines relevant business entities/units, significant items in the financial statements and processes including their associated control measures. This selection process is based on quantitative and qualitative risk indicators.

Phases of accounting-related ICS



The defined processes and controls are recorded in a central documentation system. The effectiveness of the various control activities is then assessed. This includes analysing whether the control activities are generally appropriate for the purpose of reducing the risk of erroneous financial reporting. In addition, regular monitoring of the implementation of the controls and their documentation is carried out to review the functionality of the defined controls. If any control weaknesses are identified, their effect on the financial statements is evaluated. The results are reported at both a business entity or unit level and at a Group level. Furthermore, the Group Auditing Department performs ICS reviews as part of its risk-oriented audit planning.

Opportunity and risk position

The following diagram illustrates how the opportunity and risk position is reported to the Board of Management and the audit committee of the Supervisory Board. On the basis of the individual evaluation of the top opportunities/risks and a subsequent quantitative aggregation of data, the diagram illustrates how these themes correlate with each other and what effects they could have – based on the relative level of opportunity/risk at a high probability of occurrence – on the adjusted EBITDA and/or the adjusted net debt relative to the current planning period. The risks are depicted after the risk limitation measures have been implemented.

Top opportunities/risks as of 31/12/2015



The following important opportunities and risks emerged in 2015:

- > **Power plant optimisation (top opportunity/risk):** Following the conclusion of the hedging of generation activities, the Trading business unit will continue to manage the further use of this asset, which could result in positive and also negative effects on the activities of EnBW.
- > **Commission to examine the financing of the phasing out of nuclear power:** Due to a recommendation by a commission appointed by the German government, there could be an amendment to the financing system for the phasing out of nuclear power, which could result in opportunities and risks for EnBW.

Further details about the top opportunities/risks presented in the diagram and their potential effects on the relevant performance indicators are listed in the following section.

Cross-segment opportunities and risks

Strategic opportunities and risks

1 Divestitures: Based on past experience, our divestiture portfolio is subject to uncertainties with respect to the realisation of reduced or surplus revenue, as well as to time delays for the completion of these transactions. If the proceeds from these divestitures do not meet our medium-term planning goals, this could have an effect in the mid double-digit million euro range on the adjusted net debt in 2016 and 2017, as well as having an associated impact on the key performance indicator dynamic leverage ratio. We currently identify a relatively low level of opportunity and risk in this area.

Operative opportunities and risks

2 Improvements in efficiency: At the start of the ongoing efficiency programme for efficient structures and processes, the aim was to achieve improvements in earnings of €400 million up to 2020. Against a background of continuously falling electricity prices and the associated drop in earnings, this goal will now already be achieved by 2018. A total of €237 million was already realised by 2015. This presents an opportunity for 2016 and 2017 in the low double-digit million euro range with a positive effect on the key performance indicator adjusted EBITDA and thus also on the key performance indicator dynamic leverage ratio. As a result of the faster implementation of the programme – especially the measures in the area of generation – we identify a higher level of opportunity than risk for these years. There is currently still a risk for the 2018 financial year that the associated organisational and restructuring projects – especially in the area of sales – will not be able to fully realise the planned efficiencies for adjusted EBITDA. This risk will be reduced to an appropriate extent once the conditions for implementing the improvement in earnings have been established.

EU sanctions against Russia: In the Generation and Trading segment, these sanctions could have a negative impact on existing business relations with Russian companies. In the Grids segment, it is not possible to completely exclude the risk that EnBW will no longer be able to supply gas due to an extended interruption in the delivery of gas from Russia. In the Sales segment, there is an increasing risk of default by German companies that are active in the Russian Federation due to a possible drop in sales and also the possible risk of shortfalls in electricity and gas deliveries as a result of corresponding cutbacks in production. In terms of the financial assets of EnBW, the broad level of diversification means that there is currently a very low probability at most of

an increase in the risk of default on isolated bonds from German, Austrian and Russian issuers of the overall portfolio of EnBW.

Legal risks: With respect to our contractual relationships with customers, business partners and employees, EnBW is currently engaged in some legal proceedings and other legal disputes. To a lesser extent, we are also conducting legal proceedings relating to topics in the area of corporate law. Adequate accounting provisions have been made for these risks in coordination with the specialist departments concerned and the legal department. As a consequence, there is also an opportunity of positive effects on earnings if the provisions made for these legal risks can be released once again. A risk to the amount of €884.4 million, which is reported under contingent liabilities and other financial obligations, exists for claims legally made against EnBW where it is predicted that the counterparty has little chance of winning the case. In addition, various court cases, official investigations or proceedings and other claims are pending against EnBW. The chances of these actions being successful is, however, considered very remote and thus they are not reported under contingent liabilities and other financial obligations. Major disputes currently include:

- **EWE/VNG claims for damages:** In May 2013, EWE submitted an arbitration request to the German Institution of Arbitration against EnBW. On 16 October 2015, EnBW concluded an agreement with EWE for a fundamental restructuring of shareholdings. Once the transaction has been concluded, the currently dormant arbitration proceedings between EWE and EnBW will be terminated by mutual agreement.
- **Company pension scheme:** Legal proceedings are still pending before the relevant labour courts in relation to the reorganisation of the company pension scheme at EnBW. Following the successful appeal proceedings at the Federal Labour Court (BAG), all of the judgements issued by the Higher Labour Courts (LAG) in Stuttgart and Mannheim that were disadvantageous to EnBW were annulled and referred back to the responsible courts. On 4 December 2015, the LAG Stuttgart turned down 88 cases of legal action against EnBW and denied any right of appeal. There is a general risk in the mid three-digit million euro range that the legal proceedings could go against EnBW and this could have a negative impact on earnings. Due to the latest LAG judgement, the chances of success for EnBW are high in the estimation of EnBW and those lawyers advising the company. This has correspondingly been taken into account in the medium-term planning. Overall, there is now only a very low probability in 2016 and 2017 that this high level of risk will have negative effects on the adjusted net debt with any associated impact on the key performance indicator dynamic leverage ratio.


Personnel risks: There is a risk that the EnBW will not have a sufficient number of employees at its disposal with the necessary qualifications or skills. When recruiting in the relevant target groups, for example, this risk is primarily due to competition from other companies on the labour market. In addition, this risk is exacerbated by demographic developments and the stricter conditions facing the energy industry. On the basis of ongoing analyses, we receive information on areas in particular need of action. We believe that regular anonymous employee surveys are an important tool for seizing opportunities early in the areas of employee development and employee loyalty (L p. 64 ff.). The Employee Commitment Index (ECI) is used as a key performance indicator within the employees goal dimension.

Health, Safety, Security, Environment – HSSE:

- **Health and occupational safety:** In order to appropriately mitigate risks in the areas of occupational safety and health protection and to protect employees as well as possible against any adverse consequences, the EnBW Group utilises a comprehensive set of organisational and procedural measures such as workplace-specific risk analyses. EnBW also views these measures as an opportunity to preserve the capacity of its employees to do their work and to maintain the position of EnBW as an attractive employer. Occupational safety is measured in the form of the key performance indicator LTIF within the employees goal dimension (L p. 64 f.).
- **Safety:** Those risks caused by external and internal factors are counteracted by EnBW using an emergency and crisis management system that has been implemented throughout the Group and includes a comprehensive level of organisational and procedural measures. Despite this functioning management system, it is not possible to completely prevent crisis and emergency situations occurring (with their associated damage). EnBW ensures that the risks posed by crisis and emergency situations are mitigated quickly, effectively and with a coordinated approach through the use of regular crisis management exercises and other measures. All of these measures have a positive effect on the key performance indicator supply reliability (SAIDI) in the customers goal dimension (L p. 64).
- **Environmental protection:** Risks in the area of environmental protection are countered by EnBW using an environmental management system certified according to ISO 14001 (L p. 66 ff.). Through its numerous activities for the protection of the environment, nature and species, EnBW also aims to take advantage of the opportunities offered by climate protection and resource efficiency. These measures should also have a positive effect on the key performance indicator Brand Attractiveness Index in the customers goal dimension (L p. 64).


3 Financial opportunities and risks

Market prices of financial investments: The financial investments managed by the E asset management system are exposed to price changes and other loss risks as a result of the volatile financial market environment (L p. 55 f.). If these risks lead to a significant or prolonged decline in the fair value

of these assets, this needs to be recognised in the form of impairments on those securities affected. In the 2015 financial year, impairment losses stood at €35.2 million (previous year: €1.2 million). In terms of the market prices for financial investments, we currently identify a high level of opportunity and a high level of risk due to the increased volatility on the financial markets. The  value at risk determined per security as of the reporting date was €114.1 million (95%/10 days). This value stood at €70.5 million in 2014 (95%/10 days). This could have both a positive and negative impact on the key performance indicator dynamic leverage ratio in 2016 and 2017 through corresponding effects on adjusted net debt in the medium to high three-digit million euro range.


4 Discount rate applied to pension provisions: At the end of the 2015 financial year, the discount rate was 2.3%, which was up 0.1 percentage points on the interest rate at the end of the previous year (2.2%). This resulted in the present value of the defined pension benefit obligations falling by €113.1 million. The uncertain future development of interest rates with its impact on pension provisions may have either a positive or negative effect on the adjusted net debt. In this context, we currently identify a high level of opportunity and a high level of risk. This could have a negative or also positive impact on the key performance indicator dynamic leverage ratio in 2016 and 2017 through effects on the adjusted net debt in the mid to very high three-digit million euro range.

Impairment risks: For equity investments that are to be stated at market value using share prices, a risk of impairment exists if there is a negative trend in share prices. In contrast, there is a possible opportunity that the value of these investments will increase due to positive developments in share prices. Therefore, this could have a negative or also positive impact on the key performance indicator dynamic leverage ratio in 2016 where such equity investments are held within the reserve funds.

Rating: We identify a general risk that the rating agencies may downgrade the credit rating of EnBW if the economic and political conditions deteriorate further or EnBW cannot fulfil the expectations of the agencies ( p. 57). The credit standing of EnBW is measured using the key performance indicator dynamic leverage ratio.

Sales segment


Financial opportunities and risks

5 Competitive environment: Customers are very willing to switch suppliers. Price and margin risks exist in the low double-digit million euro range if energy costs (such as  EEG cost allocations) cannot be passed on to customers. In this context, we currently identify a low level of opportunity and a relatively high level of risk. As a result, this could have a negative effect on the key performance indicator adjusted EBITDA in 2016 and 2017. As part of its EnBW 2020 strategy, EnBW identifies good long-term opportunities in the development of customer segment-specific system solutions and complete solutions. Alongside the traditional supply of electricity and gas to customers, EnBW also sees future

opportunities in offering additional innovative solutions such as energy technology in the home, corporate energy efficiency and e-mobility, with corresponding earnings contributions for EnBW. This could also have a potentially positive impact on the key performance indicator adjusted EBITDA.

Grids segment



Strategic opportunities and risks

High-voltage DC transmission technology projects (HVDC): Our transmission system operator (TSO), TransnetBW GmbH, plans to set up new high-voltage DC transmission technology (HVDC) with other TSOs. In the projects ULTRANET and SuedLink, there is currently a generally high risk of potential delays and additional costs, as well as the risk that the necessity for these transmission lines might no longer be confirmed in a new  Network Development Plan (NDP).

Operative opportunities and risks

Water concession in Stuttgart: In the court proceedings dealing with the takeover of the water concession, the City of Stuttgart and EnBW are still striving to reach an amicable settlement. The responsible chamber of the Regional Court had presented a proposal to both sides in January 2015 to be used as the basis for the settlement negotiations. The court proceedings have been suspended for the duration of these negotiations. Therefore, there continues to be a general risk in 2016 of losing the concession without receipt of adequate compensation.

Financial opportunities and risks

Year-end balance on the  EEG bank account: As of the reporting date on 31 December 2015, a net surplus in the mid three-digit million euro range existed on the EEG bank account. This EEG bank account is a separately managed bank account in accordance with section 5 of the German Compensation Mechanism Ordinance (AusglMechV) and is thus kept separate from other areas of activity. In accordance with AusglMechV, a surplus or deficit on the account balance can have a temporary positive or negative effect on the calculation of the adjusted net debt of EnBW, respectively. Due to the  EEG cost allocations defined for 2016, we anticipate a positive value for the liquidity reserves for 2016 and thus a positive effect on the key performance indicator dynamic leverage ratio.

Generation and Trading segment

Strategic opportunities and risks

6 Final storage: The costs for identifying storage sites must be borne by the companies generating nuclear power such as EnBW. The legal obligation of operators to bear the costs of finding an alternative site to Gorleben is in dispute. Therefore, the possibility cannot be excluded that the costs for finding final storage sites and constructing the final storage itself could have negative effects after 2018 on the adjusted net debt and an associated impact on the key performance indicator dynamic leverage ratio. In this context, we currently identify a low level of opportunity and risk for the key performance indicators in the planning period.

7 Intermediate storage: As a result of the planned transfer of nuclear fuel rods from Obrigheim to Neckarwestheim, there is a risk, on the one hand, of delays to the implementation of the project and, on the other hand, of the possible failure of the project. In addition, there is a risk of a delay in the return of waste to the intermediate storage facilities with possible additional costs as a result of the waste being stored for a longer period of time in Great Britain and France, as well as the risk of further costs for approval and authorisation procedures. We currently identify a low level of opportunity and risk in this area. However, this could also have negative effects in 2016 and 2017 on the adjusted net debt in a mid double-digit million euro range with an associated impact on the key performance indicator dynamic leverage ratio.

Operative opportunities and risks

8 Availability of power plants: Exogenous and endogenous factors have an influence on the availability of power plants. We strive to counter these risks using preventive measures. Depending on their duration, interruptions to the operation of the power plants can significantly impact the operating result. We currently identify a relatively low to medium level of opportunity and risk in this area. This could result in both a positive or also negative effect in 2016 and 2017 on the key performance indicator adjusted EBITDA in the low double-digit million euro range.

Operation and dismantling of nuclear facilities: There are possible opportunities and risks in a wide range of different areas that could have an impact on the key performance indicators in the finance goal dimension. These include the risk of missed deadlines due to delays in receiving approval for transport and storage, as well as risks from delays to dismantling projects due to a change in conditions or planning premises. This is offset by opportunities arising from the potential to accelerate the completion of the work.

Nuclear fuel rod tax: After the nuclear fuel rod tax for the years 2011 to 2014 was announced, EnBW submitted lawsuits for each year to the Freiburg Finance Court on the basis that the tax breached German constitutional and European law. The European Court of Justice (ECJ) decided in its ruling of 4 June 2015 that the nuclear fuel rod tax does not contravene European law. The ruling by the German Federal Constitutional Court is independent of the ruling by the ECJ because it is examining whether the tax is compatible with German constitutional law. This ruling is expected during the course of 2016. If the German Federal Constitutional Court decides in favour of EnBW and judges the nuclear fuel rod tax to be unconstitutional, it would need to be repaid to EnBW. EnBW had paid €1.31 billion in nuclear fuel rod tax as of 31 December 2015.

Moratorium lawsuit: EnBW AG filed a lawsuit at the Regional Court in Bonn against the Federal State of Baden-Württemberg and the Federal Republic of Germany on 23 December 2014 for the payment of damages by liable public authorities. The background to the lawsuit is the order issued by the Ministry for the Environment of Baden-Württemberg on the request of and in agreement with the German Federal Ministry for the Environment for the temporary three-month suspension of operations at GKN I and KKP 1 in the aftermath of the events at Fukushima. In legal proceedings held in the State of Hesse, it was legally established that an identical order issued in that state was unlawful. The Regional Court in Bonn expressed doubts in the oral proceedings on 3 February 2016 about the substance of the EnBW lawsuit. The Regional Court has announced it will reach a decision at the beginning of April 2016. In the event of a negative judgement, there is still the legal option of appealing to the Higher Regional Court (OLG) in Cologne. If the claim for damages is then granted (the OLG Cologne will probably permit an appeal to the BGH), it could have a positive effect on the adjusted EBITDA.

Financial opportunities and risks

9 Changes to interest rates on nuclear provisions: The discount rate is a key factor influencing the present value of nuclear provisions. A reduction in the discount rate will have a negative effect on the level of adjusted net debt, while an increase in the discount rate could have a correspondingly positive effect on adjusted net debt. The discount rate stood at 4.7% on the reporting date (previous year: 4.8%) and thus the real interest rate level at 1.2% (previous year: 1.3%). This led to an increase in the nuclear provisions of €136.2 million. We currently identify a low to medium level of risk in this area. For this reason, there could be negative effects in 2016 and 2017 on net debt in the low three-digit million euro range with an associated impact on the key performance indicator dynamic leverage ratio.

Commission to examine the financing of the phasing out of nuclear power: A commission (KFK) appointed by the German government in the middle of October 2015 will issue recommendations for the amendment of the financing system for the phasing out of nuclear power by April 2016. It can be assumed that the current system of maintaining provisions will be (partially) replaced by a fund or foundation solution whose details still require clarification. Depending on the design of the new system, this will result in opportunities or risks for EnBW. The risks relate to the fact that the payments to be made into a fund or foundation solution could be higher than the current provisions due to the charging of a risk premium.

10 Hedging: Despite its hedging strategy, when selling generated electricity volumes, EnBW is exposed to the long-term risk of falling electricity prices and the risk of the unfavourable development of fuel prices in relation to electricity prices. The concept underlying the hedging strategy also involves the exploitation of opportunities. The hedging instruments utilised in 2015 were forwards, futures, swaps and options. The EnBW Group has exposure to foreign exchange risks from procurement and hedging of prices for its fuel requirements, as well as from gas and oil trading business. Where the hedge is concerned, we currently identify a relatively low level of opportunity and high level of risk due to the fact that electricity prices have fallen and remain low and due to lower fuel prices on the wholesale market. Therefore, this could result in a negative effect in 2017 on the key performance indicator adjusted EBITDA in the low three-digit million euro range. Further information can be found in the section “Accounting for financial instruments” in the notes to the consolidated financial statements (www.enbw.com/report2015-downloads).

11 Margin payments: As a result of unfavourable developments on the market, margin requirements for stock market transactions and bilateral margin agreements can lead to short-term cash outflows. These are settled again at the latest when the underlying futures transactions are fulfilled. This liquidity risk is constantly monitored using stress tests. We currently identify a low to medium level of opportunity and risk in this area. As a result, this could have corresponding effects in 2016 and 2017 on adjusted net debt in the low three-digit million euro range that may impact on the key performance indicator dynamic leverage ratio.

Electricity procurement agreements and power plants: As a result of the still unfavourable market prices at the present time and the considerably worsening expectations regarding long-term electricity prices, EnBW increased its provisions for onerous contracts for electricity procurement agreements

which no longer cover costs during the course of 2015. In addition, impairments have been carried out on our power plants. As well as these negative impacts on earnings, there is also the risk of other impairment losses stemming from the inspection of the profitability of conventional power plants that may result in the early decommissioning of individual plants.

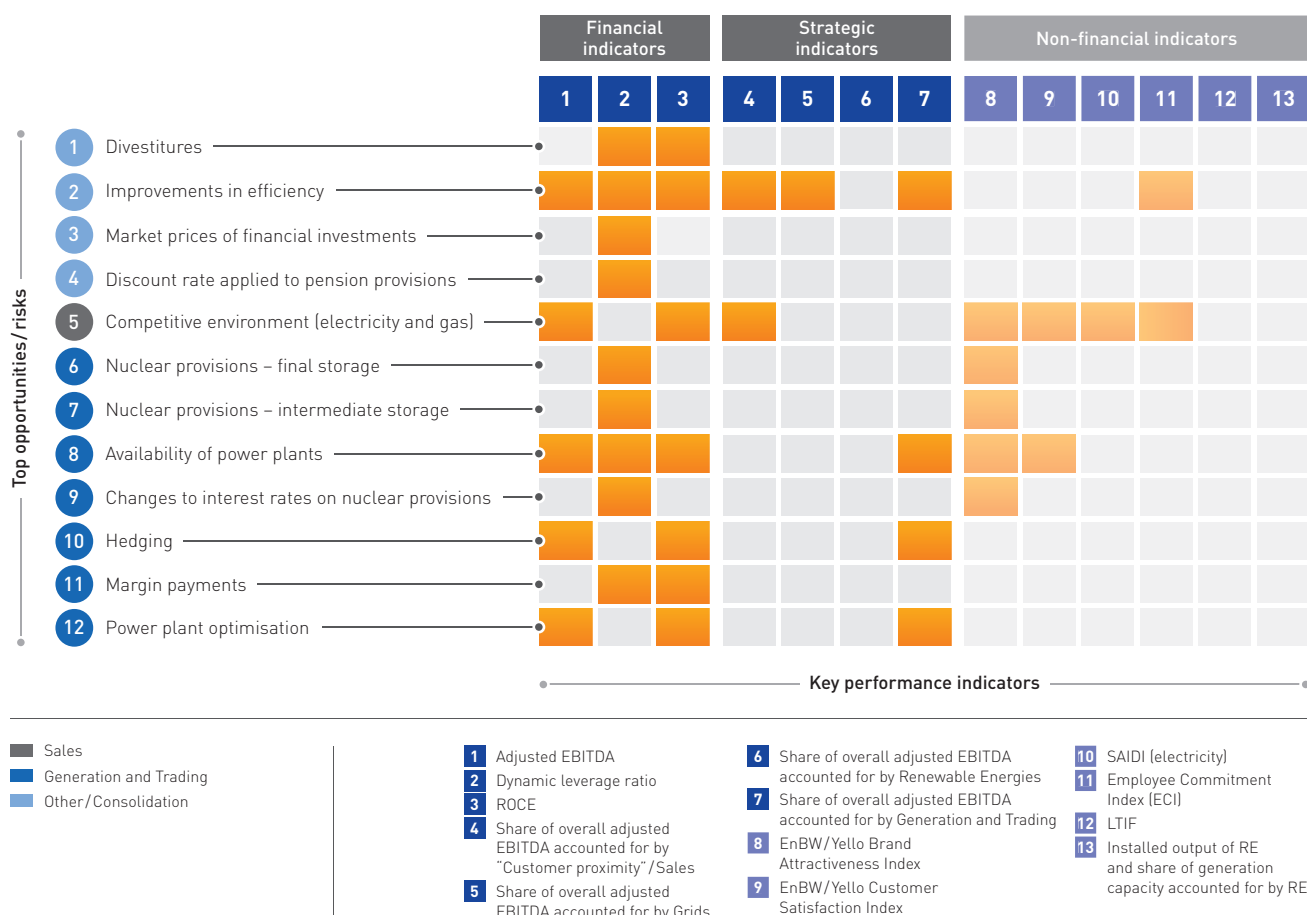
12 Power plant optimisation: Following the conclusion of the hedging of generation activities, the Trading business unit will continue to manage the further use of the asset. This is being carried out as part of power plant optimisation on the forward market, through the sale of system solutions and through placements on the spot and Intraday trading platforms. The result of these activities is dependent on price levels and volatility and could result in both a positive or also negative effect in 2016 and 2017 on the key performance indicator adjusted EBITDA in the mid double-digit million euro range. In addition, regulatory interventions continue to have a strong influence. We currently identify a medium level of opportunity and risk in this area.

Link to the key performance indicators

Alongside the top opportunities/risks, there are a wide variety of different opportunities and risks facing the Group that are allocated to relevant risk categories on the opportunity and risk map (p. 74) and evaluated with the aid of the iRM relevance filter. These items could also have an effect on the key performance indicators in the financial, strategy, customers, employees and environment goal dimensions. As a result of their relatively minor level of relevance in comparison to the top opportunities/risks, they are not, however, listed in the external reports for reasons of clarity.

Linking the top opportunities/risks with the key performance indicators illustrates any possible effects they may have on our key performance indicators.

Linking the top opportunities/risks with the key performance indicators



Compared with the previous year, the following opportunities and risks were either eliminated or were removed from the Group reports due to their low level of relevance:

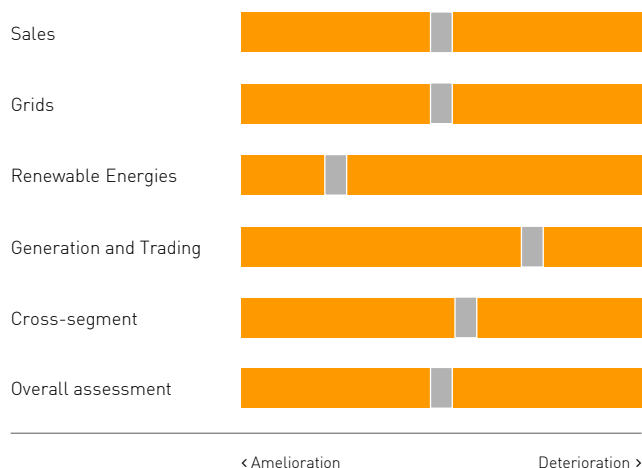
- > **Price adjustment regulations in the Basic Supply Ordinances for Electricity and Gas (GVV):** The European Court of Justice (ECJ) decided in 2014 that the previous price adjustment regulations in the Basic Supply Ordinances for Electricity and Gas (GVV) did not conform to European law because they violate the requirement for transparency in the European directives for the internal electricity and gas markets. The German Federal Court of Justice (BGH) clarified the consequences for German law and the impact at a customer level on 28 October 2015. According to this judgement, price adjustments, in which increases or decreases in costs due to external factors are passed on to customers, are actually legally binding adjustments to tariffs. The associated sales risks in the retail customer sector thus no longer exist.
- > **Price controls under cartel law:** In September 2014, EnBW received a price reduction order for the water prices in

Stuttgart from the energy cartel office with retroactive effect back to August 2007. The Baden-Württemberg antitrust authority and Netze BW GmbH agreed a settlement in July 2015 that removes the risk of any further negative effects. This risk thus no longer exists.

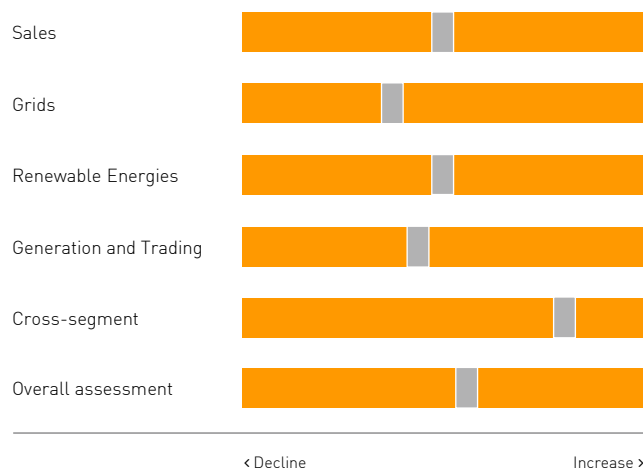
- > **New construction project EnBW Baltic 2:** The risk of increased costs and delays to the commissioning of the wind farm no longer existed at the end of 2015. The wind farm has been completed and placed into operation.
- > **Nuclear energy in France:** There was a general risk that EnBW must bear some of the costs for the dismantling of the French nuclear power plant in Fessenheim. In the opinion of EnBW, the power plant operator was not legally entitled, however, to claim for these costs. This risk no longer exists.
- > **Long-term gas agreements:** As part of its gas strategy, EnBW aims to establish a long-term gas procurement portfolio. The associated opportunities and risks fall short of the materiality threshold due to falling summer-winter spreads and lower volatilities.

Overall assessment by the Group management

Development of the risk situation in 2015



Development of the opportunity situation in 2015



The risk situation for the entire energy industry remained tense in 2015. Framework conditions are changing profoundly as a consequence of the Energiewende in Germany. As a result, in particular, of the persistently unfavourable market prices and the considerably worsening expectations regarding long-term electricity prices, the overall risk situation facing EnBW will remain considerably tense with regards to 2016. Numerous factors could jeopardise the achievement of our economic goals. At the same time, the Energiewende also offers a diverse range of opportunities to develop new models for future business segments, which we are pursuing through our EnBW 2020 strategy that was adopted in 2013. The implementation of this strategy aims to secure the future viability of the company and tap into this potential for growth. The political decision for Germany to phase out nuclear power has reduced planning certainty and harbours a large degree of risk in the future.

This has resulted in far-reaching consequences for the operating business of the EnBW Group and has had a negative effect on earnings. The euro debt crisis caused a period of sustained volatility on the international financial markets. For this reason, it may be necessary to recognise further impairment losses on financial and other assets. The persisting competitive and market risks could influence the operating result, financial position, net assets and liquidity situation of the EnBW Group.

Although some risks were reduced or eliminated during the course of 2015, additional risks for EnBW have either emerged or were exacerbated. No risks currently exist that might jeopardise the EnBW Group as a going concern.

Forecast

In our forecast we take a look, as far as possible, at the expected future growth and development of EnBW for the years 2016 to 2018.

The expected economic, political and regulatory conditions are presented in the chapter “General conditions” (p. 42 ff.).

Potential factors influencing the forecast are described in detail in the “Report on opportunities and risks” (p. 74 ff.).

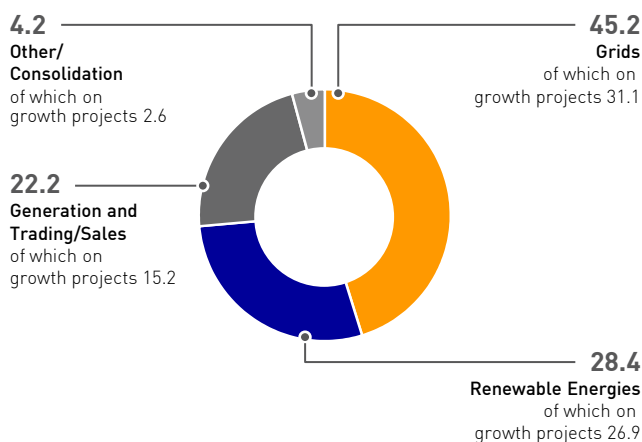
Expected trends in financial and strategic performance indicators

Implementation of the strategy for a three-year period

An extensive €6 billion investment programme is planned for the 2016 to 2018 period to ensure the company can continue to play an active role in structuring the Energiewende. €1.4 billion (24%) of this investments will be in existing projects and €4.6 billion (76%) in growth projects. 58% of the capital investment will be made on the regulated market. The volume of this investment programme exceeds that for the three year period 2015 to 2017 by €2 billion. This increase is primarily due to the Hohe See offshore wind farm and the planned acquisition of the shares in VNG-Verbundnetz Gas Aktiengesellschaft (VNG).

Total investments 2016–2018

in %



Around 45% of the total investments or 31% of the investments in growth projects will flow into the Grids segment. In order to make the transport of renewable energies from the north to the south of Germany possible, investment

will be made in the transmission grid to realise two corridors that are part of the Network Development Plan in which our subsidiary TransnetBW is involved. In the planning period, this primarily involves the ULTRANET project, whereas the investment in SuedLink will take place at the earliest from 2017. To ensure security of supply and in order to cope with the increased load due to the decentralised feed-in of electricity, extensive investments in the distribution grid for the expansion and upgrading of the existing network is also planned. In addition, 50% of the planned acquisition of shares in VNG will be allocated under the Grids segment.

Around 28% of the total investments or 27% of the investments in growth projects will be attributable to the Renewable Energies segment. This includes funds for the realisation of the Hohe See offshore wind farm and the erection of onshore wind farms that form part of our comprehensive project pipeline. The at-equity consolidated activities in Turkey are reflected in the investment programme based on their proportional share of equity.

Around 22% of the total investments or 15% of the investments in growth projects will be attributable to the Sales segment and the Generation and Trading segment. This includes 50% of the planned acquisition of shares in VNG. In contrast to the traditional business of energy supply companies that focuses intensively on centralised energy production in plants, less investment is required on sales to grow as a supplier offering decentralised solutions. A substantial proportion of the investment is earmarked for the universal introduction of smart meters. In accordance with our strategy, only around 6% of the overall investments will be attributable to the Generation and Trading segment. As a result of a lack of profitability, there will be no further investments in growth projects in this segment.

This investment programme thus reflects our strategy for massively expanding renewable energies, ensuring security of supply in the regulated areas of the transmission and distribution grids and strengthening the gas business (transmission grids and gas midstream).

In order to finance some of this volume of investments totalling around €6 billion, divestitures amounting to €2.2 billion are planned in the years 2016 to 2018. This includes the planned sale of 20% of our EWE shares in 2016, as well as the sale of EnBW Propower GmbH and the Eisenhüttenstadt CHP plant. The sale of the Eisenhüttenstadt CHP plant was completed on 31 December 2015, whereas the purchase price was only paid in January 2016. Divestitures in the onshore sector, which build on our already realised participation models, are also planned in future. The remaining divestitures will involve the sale of investment property, the receipt of construction cost subsidies and the disposal of subsidiaries.

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

Development in 2016 (adjusted EBITDA and the share of the 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 the adjusted EBITDA for the EnBW Group accounted for by the segments	
	2016	2015	2016	2015
Sales	less than -20%	€255.3 million	5% to 15%	12.1%
Grids	more than +20%	€747.4 million	45% to 55%	35.4%
Renewable Energies	+10% to +20%	€287.4 million	15% to 20%	13.6%
Generation and Trading	less than -20%	€777.3 million	15% to 25%	36.8%
Other/Consolidation	–	€42.2 million		2.1%
Adjusted EBITDA, Group	-5% to -10%	€2,109.6 million		100.0%

In the **Sales** segment, we expect a drop in earnings in 2016 in comparison to the previous year. A change in the consolidated companies due to the sale of EnBW Propower GmbH and the Eisenhüttenstadt CHP plant as of 31 December 2015 will have a negative impact in this segment. Earnings will also be placed under increasing pressure due to the challenging competitive environment. The desired improvement in earnings in the decentralised solution business and billing service will not be able to compensate for this development. Therefore, we expect a stable or a slight decrease in the share of the **E** adjusted EBITDA for the Group accounted for by this segment. There will also be a negative impact here from the effect of the change in consolidation.

The adjusted EBITDA for the **Grids** segment in 2016 is set to rise sharply and once again reach the levels achieved in 2013. As a result, it will become the segment with the highest earnings. This marked shift in earnings between the segments that was laid out in our 2020 strategy will thus already become clear in 2016. This positive development will, on the one hand, be attributable to the elimination of the high negative extraordinary items from 2015, and on the other hand, to an increase in the revenue cap for both the electricity and gas distribution grids. This increase is primarily due to higher pension provisions in accordance with the German Commercial Code (HGB) as a result of the low-interest phase. We expect a strong increase in the share of the adjusted EBITDA for the Group accounted for by this segment.

The adjusted EBITDA for the **Renewable Energies** segment will increase further in 2016. The negative earnings performance of our run-of-river power plants due to the further fall in wholesale market prices for electricity will be more than offset by the year-round earnings contributions from our offshore wind farm EnBW Baltic 2; EnBW Baltic 2 was only fully incorporated into our earnings figures in the second half of 2015. The wind farm will remain fully consolidated even after the sale of 49.89% of the shares.

Expansion in the onshore wind sector was only slight in comparison to the offshore wind sector. The next major leap in growth will be as a result of the commissioning of the Hohe See offshore wind farm, whereas expansion in the onshore wind sector will lead to a continuous rise over the coming years. As a result of this positive development, the share of the adjusted EBITDA for the Group accounted for by this segment will increase slightly in 2016.

The adjusted EBITDA for the **Generation and Trading** segment will fall very heavily in 2016. This is due primarily to the noticeably falling prices and **E** spreads on wholesale electricity markets during preceding periods in which we agreed on fixed sales prices for quantities of electricity to be supplied in 2016. Furthermore, an electricity procurement agreement in the nuclear sector that expired at the end of the third quarter of 2015 will also have a negative effect. The share of the adjusted EBITDA for the Group accounted for by this segment will fall significantly.


The adjusted EBITDA for the EnBW Group in 2016 will thus be between -5% and -10% below the 2015 level. This is mainly due to falling wholesale market prices and spreads. The positive development in the Grids segment and our offshore wind park EnBW Baltic 2, which was put into operation in 2015, will not be able to completely compensate for these negative effects.

The Group earnings performance in 2017 will depend decisively on the results of the **E** hedging process. Against the background of volatile energy policy conditions for 2017 and the resultant wholesale market prices, we are expecting – based on the status as of today – earnings in the range of between 0% and +5% above the 2016 level.

TOP Dynamic leverage ratio

Key performance indicator



in years	2016	2015
Dynamic leverage ratio	3.2–3.6	3.19

We expect an adjusted net debt of between €6.3 billion and €6.8 billion at the end of 2016, which will be at the same level as in the previous year. Based on the earnings forecast, we are expecting a  dynamic leverage ratio of between 3.2 and 3.6. We are thus confident that we can retain our current rating level as a result. We are adhering to our divestiture strategy, which is continuing to have a positive effect on our adjusted net debt. We expect our adjusted net debt to increase further in subsequent years. This will be attributable to our high level of investments, amongst other things in relation to the planned acquisition of VNG.

TOP ROCE

Key performance indicator

	2016	2015
ROCE in %	8.3–9.2	9.5

As a result of the expected fall in earnings in 2016, we expect – despite a slightly falling level of  capital employed – a slight drop in  ROCE to between 8.3% and 9.2% in comparison to the previous year. Based on our strategy, we also expect a high level of investment in subsequent years despite falling earnings. In general, investments lead at first to a fall in ROCE due to their low initial contribution to earnings.

Expected trends in non-financial key performance indicators

Expected trends in the customers dimension

Key performance indicators

	2016	2015
Brand Attractiveness Index for EnBW/Yello	40–45/ 35–40	43/35
Customer Satisfaction Index for EnBW/Yello	128–138/ 150–155	136/152
SAIDI (electricity) in min/year	15	15

TOP Brand Attractiveness Index: The attractiveness of the EnBW brand remained unchanged in 2015 compared to the previous year. The index value should also remain at this level in 2016 as planned. An image campaign that was postponed from 2015 to 2016 for organisational reasons could even lead to an increase in brand attractiveness. The attractiveness of the Yello brand should improve noticeably in 2016 based on our medium-term planning. Careful consideration is currently being given to the brand positioning of Yello.

TOP Customer Satisfaction Index: The satisfaction of the customers of EnBW grew pleasingly in 2015. Exogenous factors that influence the satisfaction of customers include, for example, discussions about various energy policy themes such as the future of coal-fired power generation or delays to the expansion of the grids. This could have a dampening effect on the development of the customer satisfaction index. Nevertheless, EnBW will also continue to offer innovative and sustainable energy solutions in 2016 and establish itself even more strongly as a partner for customers. This means that despite the difficult market conditions, EnBW aims to maintain customer satisfaction at the same level. The satisfaction of the customers of Yello reached a high in 2015, which Yello is set to maintain in 2016 through the further development and expansion of its product portfolio and corresponding media support.

TOP SAIDI: EnBW has always ensured a high supply reliability throughout its grid area and for its customers. The corresponding key performance indicator SAIDI, which states the average duration of supply interruptions per connected customer per year, reached a value of 15 minutes in 2015. In the 2016 financial year and also in subsequent years, we expect that this value will largely remain stable at this good level.

Expected trends in the employees dimension

Key performance indicators

	2016	2015
Employee Commitment Index (ECI) ¹	≥ 60	60
LTIF ¹	≤ previous-year figure	3.8

¹ Variations in the group of consolidated companies; see also the definition of key performance indicators on page 25.

TOP Employee Commitment Index: The Employee Commitment Index (ECI) increased significantly in 2015 compared to 2014. The task now is to stabilise this reversal in trends and make further improvements against a background of challenging framework conditions in the energy industry. This is reflected in a forecast of ≥ 60 points for 2016. The relatively high personal identification with EnBW and the comparatively good motivational climate reflects the willingness of the workforce to secure the future viability of the company together with the management team.

TOP LTIF: The key performance indicator LTIF (Lost Time Injury Frequency) measures the occupational safety in our company. Naturally, we are committed to the goal of continuously improving occupational safety within the company for both our own and third-party employees. Therefore, EnBW has implemented numerous accident prevention measures. In 2016, we are striving to reduce the value for this key performance indicator for occupational safety further to below the figure for the previous year.

Further significant developments: In view of the difficult conditions, it will be important over the coming years to realise further improvements in efficiency across the entire company. There will be a moderate increase in the number of personnel in the Renewable Energies and Grids segments as part of the restructuring of our business portfolio. This will be offset by further measures to optimise processes across the entire company with a focus on the functional units and the area of thermal power plants. One initiative that is part of the EnBW 2020 strategy is the “New Working Worlds” project, in which modern and open office structures are realised. The goal is to promote communication, interaction and networked styles of working. The first employees already moved into the redesigned office spaces in 2014. The project should be concluded during the course of 2016 by which time all employees will have moved into their new working worlds.

Expected trends in the environment dimension

Key performance indicator

	2016	2015
Installed output of RE in GW and the share of the generation capacity accounted for by RE in %	3.1/23	3.1/23.6

TOP Installed output of renewable energies (RE) and the share of the generation capacity accounted for by RE: Following the completion of the EnBW Baltic 2 offshore wind farm and the

onshore wind farm Harthäuser Wald, we only anticipate a slight increase in installed output from renewable energies in 2016 in the mid double-digit MW range as a result of the commissioning of smaller onshore wind farms. No inorganic growth is planned for 2016. The share of the generation capacity of the Group accounted for by renewable energies is anticipated to fall to around 23% due to the commissioning of the Lausward Combined Cycle Gas Turbine (CCGT) power plant.

The management's overall assessment of anticipated developments

We expect a slight fall in **E** adjusted EBITDA for the Group in 2016 compared to 2015, while our financial key performance indicators will continue to remain under pressure in 2016. The shift in earnings between the segments laid out in our strategy will become clear in 2016. We are well on the way to achieving our 2020 targets. We are adhering to the implementation of our divestiture programme, are able to continue to make sufficient investment funds available to enable us to play an active role in structuring the Energiewende and, at the same time, aim to reduce our net debt in order to retain our credit rating. With respect to our non-financial key performance indicators, we expect them to continue to develop positively in 2016 as a further step on the way to achieving our 2020 targets.

Remuneration report

The Remuneration report summarises the principles relevant for determining the remuneration of the members of the Board of Management and explains the structure and level of both Board of Management and Supervisory Board remuneration.

The Remuneration report takes the recommendations of the German Corporate Governance Code and the German Accounting Standard (DRS) 17 (amended in 2010) into consideration in this respect. It also contains disclosures required by German commercial law and the supplementary provisions of the German Act on the Appropriateness of Management Board Remuneration (VorstAG) included in the notes pursuant to section 314 of the German Commercial Code (HGB) and the management report pursuant to section 315 of the HGB.

Remuneration of the Board of Management

Based on a proposal by the personnel committee, the Supervisory Board passes a resolution on the remuneration of the Board of Management, including the main contract elements, and reviews it on a regular basis. The criteria for determining appropriate remuneration include the responsibilities and performance of the members of the Board of Management, the economic situation, the success and sustainable development of the company and the relationship between the remuneration of the Board of Management and the remuneration of senior management and the workforce as a whole, and its development over time.



The Supervisory Board of EnBW AG passed a resolution on 4 December 2014 on the second stage of the restructuring of the Board of Management remuneration system, effective as of 1 January 2015. This simplified the remuneration system, introduced an additional sustainability component in the case of the LTI (Long Term Incentive) and redefined the share of the total remuneration accounted for by the individual remuneration components. The purpose of this restructuring of the remuneration system was not to increase the target and maximum income of the members of the Board of Management. The remuneration for 2015 consists of the following essential components:



Fixed remuneration

This comprises fixed basic annual remuneration, of which only a part counts towards pension claims, and other earnings.

Variable remuneration

> **Performance bonus (Short Term Incentive – STI):** The level of the performance bonus depends on the extent to which the respective targets agreed for the financial year have been

achieved. These include financial targets at a Group level (corporate targets), which are measured relative to the two performance indicators  EBITDA and  ROCE, as well as individual targets. The amount of the performance bonus in the event of the 100% achievement of the targets, as well as the maximum and minimum values in the event of overachievement or underachievement of the agreed targets, can be found in the table “Target income of members of the Board of Management”. The performance bonus for the current assessment year is paid immediately. The delayed payments of the performance bonus from the previous years of 2013 and 2014 (deferral 1 and 2) are adjusted to reflect the extent to which the corporate targets were met in the two subsequent years. Interest of 3% per annum is paid on these shares, which are paid out following ratification of the respective financial statements for these subsequent years.

> **Value appreciation bonus (long-term incentive – LTI):** The value appreciation bonus consists of a basic LTI, a competition component and a sustainability component that was newly introduced as of 1 January 2015. The sum of the variable remuneration payments based on these three components give the total value appreciation bonus. As with the performance bonus, the Supervisory Board defines target values, lower limits and upper limits in advance. The basic LTI is determined by the accumulated contribution to value derived from the three-year mid-term planning. It is calculated from the difference between the performance indicators  ROCE and  WACC (weighted average cost of capital) multiplied by the average capital employed. The competition component measures the relative performance of the EnBW Group in the respective three-year performance period against a peer group of competitors on the basis of the value spread (= ROCE - WACC). The goal of the sustainable growth of the company in its strictest sense is also taken into account through the LTI sustainability components. In this component, the impact of the sustainable growth of the company on the areas of customers, employees and environment/society is taken into account. The extent to which the targets for all three components have been achieved is determined after the conclusion of the three-year planning period that acts as the basis for the calculations in each case. The amount of the value appreciation bonus in the event of the 100% achievement of the targets, as well as the maximum and minimum values in the event of overachievement or underachievement of the agreed targets, can also be found in the table “Target income of members of the Board of Management”. The amount based on the achievement of the relevant targets is paid out after the conclusion of the three-year measurement period. With a view to maintaining the previous level of target income, interest of 3% per annum is paid on the calculated bonus payment for two years after the conclusion of the three-year measurement period.

Remuneration of members of the Board of Management in the 2015 financial year

in €	Fixed remuneration		Variable remuneration		Total
(previous-year figures in brackets)	Basic remuneration	Other remuneration ¹	Without long-term incentive	With long-term incentive	
Dr. Frank Mastiaux, Chairman	990,000 (850,000)	11,872 (12,554)	978,060 (763,996)	1,014,032 ² (591,518)	2,993,964 (2,218,068)
Dr. Bernhard Beck, LL.M.	515,000 (500,000)	47,104 (47,111)	570,640 (429,167)	610,617 ² (365,161)	1,743,361 (1,341,439)
Thomas Kusterer	515,000 (450,000)	22,122 (21,374)	495,170 (382,000)	549,555 ² (530,537)	1,581,847 (1,383,911)
Dr. Dirk Mausbeck (until 30/09/2014)	0 (337,500)	0 (12,582)	7,763 (285,375)	484,218 ² (508,104)	491,981 (1,143,561)
Dr. Hans-Josef Zimmer	515,000 (450,000)	39,880 (39,769)	498,320 (379,750)	549,555 ² (530,537)	1,602,755 (1,400,056)
Total	2,535,000 (2,587,500)	120,978 (133,390)	2,549,953 (2,240,288)	3,207,977 (2,525,857)	8,413,908 (7,487,035)

¹ Other remuneration includes monetary benefits, particularly from the provision of company cars amounting to €120,307 (previous year: €132,886).

² Current deferrals and the preliminary value appreciation bonus for the performance periods 2014 to 2016 and 2015 to 2017 amount to €2,423,140 for Dr. Frank Mastiaux (previous year: €1,717,786), €1,350,673 for Dr. Bernhard Beck (previous year: €971,459), €1,186,921 for Thomas Kusterer (previous year: €876,313), €415,814 for Dr. Dirk Mausbeck (previous year: €712,097) and €1,186,921 for Dr. Hans-Josef Zimmer (previous year: €876,313). The exact level of the value appreciation bonus for the performance periods 2014 to 2016 and 2015 to 2017 can only be determined following the end of the 2016 financial year and the 2017 financial year, respectively, and can fluctuate within the LTI spread pursuant to the following table "Target income of members of the Board of Management".

Target income of members of the Board of Management¹

in €	Dr. Frank Mastiaux Chief Executive Officer				Dr. Bernhard Beck, LL.M. Chief Personnel Officer				Thomas Kusterer Chief Financial Officer			
	2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)
Fixed remuneration	850,000	990,000	990,000	990,000	500,000	515,000	515,000	515,000	450,000	515,000	515,000	515,000
Fringe benefits	12,554	11,872	11,872	11,872	47,111	47,104	47,104	47,104	21,374	22,122	22,122	22,122
Total	862,554	1,001,872	1,001,872	1,001,872	547,111	562,104	562,104	562,104	471,374	537,122	537,122	537,122
One-year variable remuneration performance bonus	620,500	748,000	0	1,089,000	365,000	455,000	0	628,000	328,500	390,000	0	546,000
Multi-year variable remuneration												
Deferral 1	238,000	–	–	–	140,000	–	–	–	126,000	–	–	–
Deferral 2	238,000	–	–	–	140,000	–	–	–	126,000	–	–	–
LTI	510,000	1,026,000	0	1,494,000	280,000	630,000	0	870,000	252,000	535,000	0	749,000
Total	2,469,054	2,775,872	1,001,872	3,584,872	1,472,111	1,647,104	562,104	2,060,104	1,303,874	1,462,122	537,122	1,832,122
Pension expenses	444,949	617,515	617,515	617,515	150,943	150,748	150,748	150,748	210,774	294,190	294,190	294,190
Total remuneration	2,914,003	3,393,387	1,619,387	4,202,387	1,623,054	1,797,852	712,852	2,210,852	1,514,648	1,756,312	831,312	2,126,312

¹ This table illustrates the remuneration in both the reporting year and previous year which arises given 100% achievement of the target (target income) and the potential minimum and maximum remuneration for the financial year. Remuneration is described for members of the Board of Management who were appointed at least on a part-time basis in either the reporting year or previous year to the Board of Management of EnBW AG.

Payments to members of the Board of Management¹

in €	Dr. Frank Mastiaux Chief Executive Officer		Dr. Bernhard Beck, LL.M. Chief Personnel Officer		Thomas Kusterer Chief Financial Officer	
	2015	2014	2015	2014	2015	2014
Fixed remuneration	990,000	850,000	515,000	500,000	515,000	450,000
Fringe benefits	11,872	12,554	47,104	47,111	22,122	21,374
Total	1,001,872	862,554	562,104	547,111	537,122	471,374
One-year variable remuneration performance bonus	756,333	755,667	410,667	444,283	363,750	395,650
Multi-year variable remuneration						
Deferrals from 2011	–	–	–	–	–	65,834
Deferrals from 2012	119,639	124,361	74,775	77,726	269,189	279,813
Deferrals from 2013	471,878	–	290,387	–	261,348	–
Total	2,349,722	1,742,582	1,337,933	1,069,120	1,431,409	1,212,671
Pension expenses	617,515	444,949	150,748	150,943	294,190	210,774
Total remuneration	2,967,237	2,187,531	1,488,681	1,220,063	1,725,599	1,423,445

¹ This table illustrates payments in both the reporting year and previous year pursuant to the German Income Tax Act (Einkommensteuergesetz). Earnings are described for members of the Board of Management who were appointed at least on a part-time basis in either the reporting year or previous year to the Board of Management of EnBW AG.

	Dr. Dirk Mausbeck Chief Commercial Officer (until 30/09/2014)				Dr. Hans-Josef-Zimmer Chief Technical Officer			
	2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)
	337,500	–	–	–	450,000	515,000	515,000	515,000
	12,582	–	–	–	39,769	39,880	39,880	39,880
	350,082	–	–	–	489,769	554,880	554,880	554,880
	246,375	–	–	–	328,500	390,000	0	546,000
	94,500	–	–	–	126,000	–	–	–
	94,500	–	–	–	126,000	–	–	–
	189,000	–	–	–	252,000	535,000	0	749,000
	974,457	–	–	–	1,322,269	1,479,880	554,880	1,849,880
	41,490	–	–	–	258,817	308,841	308,841	308,841
	1,015,947	–	–	–	1,581,086	1,788,721	863,721	2,158,721

	Dr. Dirk Mausbeck Chief Commercial Officer (until 30/09/2014)		Dr. Hans-Josef-Zimmer Chief Technical Officer	
	2015	2014	2015	2014
	–	337,500	515,000	450,000
	–	12,582	39,880	39,769
	0	350,082	554,880	489,769
	264,538	392,995	366,900	393,400
	–	19,506	–	–
	246,756	256,495	269,189	279,813
	261,348	–	261,348	–
	772,642	1,019,078	1,452,317	1,162,982
	–	41,490	308,841	258,817
	772,642	1,060,568	1,761,158	1,421,799

Compensation agreed with the Board of Management in the event of termination of service

During their first term of office, members of the Board of Management are generally not entitled to retirement benefits. As of his first term of office, Dr. Frank Mastiaux has a vested right to retirement benefits.

From the second term of office onwards, pension entitlements from the age of 63 or in the event of permanent disability are calculated as follows: Vested benefits rise in proportion to the period from first-time appointment to the Board of Management and are capped at 60% of the pensionable basic annual remuneration. Unless benefits have already become vested by operation of law, they become vested as of the second term of office. The rates of increase are generally set such that the maximum post-employment benefit is reached at the same time as the contractually agreed age limit. Other company pension entitlements earned are credited once the maximum pensionable basic annual remuneration has been exceeded.

When benefit obligations become due for payment, the payments are indexed in accordance with the German Company Pensions Act (Betriebsrentengesetz).

In the event of the death of a member of the Board of Management, the surviving dependants are entitled to continued payment of the remuneration for three months. For as long as they live, widows receive 60% of the benefit that the member of the Board of Management received or would have received on the day they died if the pension had been due for payment on that day. Children of the member of the Board of Management receive an orphan's allowance until they reach the age of 25 (20% if they have lost both parents, 12% if they have lost one parent). The benefits paid to surviving dependants are limited in total to 100% of the pension entitlements.

The following change of control regulation currently exists for all members of the Board of Management: If members of the Board of Management relinquish their office and resign due to a change of control, they are entitled to their outstanding annual basic remuneration until the expiry of the planned contractual duration (but limited to a maximum of three annual basic salaries) and to the deferrals already earned as part of the performance bonus. Such entitlements are restricted to one and a half times the severance cap, cannot

compensate for more than the residual term of the service contract and are due in the event of premature termination of the service contract.

Where Board of Management employment contracts are concluded or extended, in the event of the early termination of Board of Management activity due to a change of control, it is agreed that settlement or severance payments should not exceed the severance cap and should not compensate for more than the residual term of the service contract.

No severance benefit obligations exist above and beyond this in the event of premature termination of service on the Board of Management. However, severance benefits may be payable on the basis of a severance agreement made with the individual. For agreements in place as of the reporting date, it was agreed that payments made to a member of the Board of Management on premature termination of his or her contract without serious cause, including fringe benefits, will not exceed the value of two years' remuneration (severance cap) and compensate for no more than the remaining term of the contract. In concluding or extending management board contracts, care is taken to ensure that no payments will be made to a member of the Board of Management in the event of the premature termination of the contract due to an important reason for which the member of the Board of Management is responsible.

In the event of temporary unavailability for work on the part of a member of the Board of Management due to illness or any other reason for which the member of the Board of Management is not responsible, remuneration will be paid for the first six months. The amount of variable remuneration will be calculated from the average of the last three years, and basic remuneration will be paid for a further six months. However, payments in the event of unavailability for work will be made no longer than until the end of the term of the service agreement.

The disclosures for the 2015 financial year concerning post-employment benefits (previous-year figures in brackets) are presented below. This presentation satisfies the requirements of section 285 No. 9a HGB. The disclosures include the vested entitlement as of the reporting date, the annual expenses for pension obligations and the present value of the pension obligations earned as of the reporting date (including pension entitlements financed by the board members themselves by waiving part of their salary).

Post-employment benefits

(previous-year figures in brackets)	Vested benefit as of 31/12/2015	Annual expenses for pension obligations in € ¹	Present value of pension obligations (defined obligations) in €
Dr. Frank Mastiaux, Chairman	32.5% ² (30%)	617,515 (444,949)	1,820,911 (1,332,117)
Dr. Bernhard Beck, LL.M.	60% ³ (60%)	150,748 (150,943)	5,571,722 (5,677,345)
Thomas Kusterer	40% ³ (37.5%)	294,190 (210,774)	2,393,781 (2,252,937)
Dr. Dirk Mausbeck (until 30/09/2014)	– (8.5%) ⁴	– (41,490)	– (512,373)
Dr. Hans-Josef Zimmer	50% ³ (47.5%)	308,841 (258,817)	4,787,215 (4,748,713)

¹ Including an addition to capital for pension benefits totalling €105,901 (previous year: €124,188). This is a pension commitment financed through voluntarily waiving of part of the salary.

² Basis for entitlement in percentage of the pensionable annual basic remuneration, currently: €600,000.

³ Basis for entitlement in percentage of the pensionable annual basic remuneration, currently: €350,000.

⁴ Basis for entitlement in percentage of the pensionable annual basic remuneration, currently: €250,000.

Annual expenses for pension obligations include both service and interest costs. There are defined benefit obligations in accordance with IFRS of €14.6 million for the current members of the Board of Management (previous year: €14.5 million).

Former members of the Board of Management and their surviving dependants received total remunerations of €7.1 million in the 2015 financial year (previous year: €8.0 million). These pension payments are indexed to the percentage change in remuneration according to the collective bargaining agreement.

There are defined benefit obligations to former members of the Board of Management and their surviving dependants in accordance with IFRS of €94.4 million (previous year: €98.5 million).

As in the previous year, no loans or advances had been granted to members of the Board of Management at the end of the financial year.

Remuneration of the Supervisory Board

In response to a proposal of the Board of Management and Supervisory Board, the Annual General Meeting on 25 April 2013 revised the regulations for the remuneration of the Supervisory Board. Accordingly, members of the Supervisory Board receive fixed remuneration of €40,000 each payable at

the end of the financial year in addition to reimbursement of their expenses for the entire 2015 financial year. The Chairman of the Supervisory Board receives twice the above, while the Deputy Chairman of the Supervisory Board receives one and a half times the aforementioned amount.

Members of the Supervisory Board receive fixed remuneration of €5,000 each per financial year to offset the additional work involved in any activities in one or more Supervisory Board committees. The Chairperson of one or more committees receives twice the amount of the remuneration for the committee work, unless the respective committee has not met in the financial year concerned.

Members of the Supervisory Board who have only belonged to the Supervisory Board or a committee or acted as a Chairperson for part of the financial year are paid remuneration proportionate to the duration of their office or their position in that financial year.

In addition, members of the Supervisory Board receive an attendance fee of €500 for Supervisory Board meetings and committee meetings. Attendance at preliminary meetings is remunerated with €250 per meeting, but only for one preliminary meeting per Supervisory Board meeting.

According to this remuneration system, the members of the Supervisory Board will receive the following total remuneration for the 2015 financial year (including attendance fees and remuneration for offices held at subsidiaries):

Total remuneration for members of the Supervisory Board of EnBW AG 2015

in € (previous-year figures in brackets)	Fixed remuneration (incl. attendance fees)	Remuneration for offices held at subsidiaries	Total
Dr. Claus Dieter Hoffmann, Chairman	98,000 (81,500)	0 (0)	98,000 (81,500)
Dietrich Herd, Deputy Chairman	76,250 (61,000)	9,500 (11,213)	85,750 (72,213)
Lutz Feldmann (since 29/04/2015)	33,260 (0)	0 (0)	33,260 (0)
Stefan Paul Hamm ¹	46,476 (35,250)	9,301 (6,260)	55,777 (41,510)
Michaela Kräutter ¹ (since 20/11/2015)	5,353 (0)	0 (0)	5,353 (0)
Silke Krebs ²	50,500 (42,000)	0 (0)	50,500 (42,000)
Marianne Kugler-Wendt ¹	52,250 (41,500)	6,400 (7,647)	58,650 (49,147)
Wolfgang Lang	52,250 (42,000)	8,862 (7,935)	61,112 (49,935)
Dr. Hubert Lienhard	49,500 (39,500)	0 (0)	49,500 (39,500)
Sebastian Maier	45,250 (35,000)	6,915 (4,365)	52,165 (39,365)
Arnold Messner	55,250 (45,750)	7,813 (7,090)	63,063 (52,840)
Dr. Wolf-Rüdiger Michel ³	49,000 (19,534)	0 (4,607)	49,000 (24,141)
Gunda Röstel	57,000 (47,500)	0 (0)	57,000 (47,500)
Dr. Nils Schmid ²	52,000 (43,000)	0 (0)	52,000 (43,000)
Klaus Schörnich	51,250 (41,750)	14,375 (13,475)	65,625 (55,225)
Heinz Seiffert ³	53,000 (44,000)	0 (0)	53,000 (44,000)
Carola Wahl	43,500 (21,802)	0 (0)	43,500 (21,802)
Dietmar Weber	52,250 (41,750)	0 (2,287)	52,250 (44,037)
Lothar Wölfle ³ (since 01/07/2015)	25,020 (0)	0 (0)	25,020 (0)
Dr. Bernd-Michael Zinow	58,250 (48,250)	12,800 (11,620)	71,050 (59,870)
Dirk Gaerte ³ (until 30/06/2014)	0 (19,856)	0 (0)	0 (19,856)
Bodo Moray ¹ (until 30/09/2015)	37,658 (42,000)	5,244 (8,477)	42,902 (50,477)
Gerhard Stratthaus (until 29/04/2015)	16,171 (39,000)	0 (0)	16,171 (39,000)
Kurt Widmaier ³ (until 30/06/2015)	24,815 (42,500)	0 (0)	24,815 (42,500)
Total	1,084,253 (874,442)	81,210 (84,976)	1,165,463 (959,418)

¹ In accordance with the regulations of the German Federation of Trade Unions (DGB) on the transfer of supervisory board remuneration, the remuneration is transferred to the Hans Böckler foundation and ver.di GewerkschaftsPolitische Bildung gGmbH.

² The members of the state government and the state secretaries have agreed to transfer any remuneration received for membership of supervisory boards, advisory boards and all other comparable boards to which they have been appointed in connection with their office or to which they are assigned as a member of the state government, applying section 5 of the Ancillary Activities Ordinance (LNTVO) analogously, provided that the extent to which the remuneration received in the calendar year exceeds a gross total of €6,100 [council of ministers resolution dated 24/05/2011].

³ The obligation to pay remuneration to members of the administrative district (Landkreis) is regulated in sections 60-65 of the Civil Service Act (LBG) in conjunction with sections 2-6 of the Ancillary Activities Ordinance (LNTVO).

The above disclosures include attendance fees of the members of the Supervisory Board amounting to €130,500 (previous year: €139,250) and attendance fees totalling €21,190 in the remuneration for offices held at subsidiaries (previous year: €24,840). No other remuneration or benefits for services rendered personally, in particular consulting or mediation services, were paid to members of the Supervisory Board, nor did they receive any loans or advances in the reporting year.

The members of the Board of Management and the Supervisory Board are covered by adequate D&O insurance concluded in the interest of EnBW. An appropriate deductible was arranged for this D&O insurance, equivalent to three basic monthly salaries for members of the Board of Management and half of the annual remuneration for members of the Supervisory Board. Since 1 July 2010, the deductible for D&O insurance for both members of the Board of Management and the Supervisory Board has been 10% of the claims, but no more than one and a half times the fixed annual remuneration.

Disclosures pursuant to sections 289 (4) and 315 (4) German Commercial Code (HGB) and explanatory report of the Board of Management

In the following, the Board of Management provides the information prescribed by sections 289 (4) and 315 (4) German Commercial Code (HGB) and explains this in accordance with section 176 (1) sentence 1 German Stock Corporations Act (AktG). The composition of the subscribed capital is described and explained in the notes to the annual and consolidated financial statement in the section "Equity". Direct or indirect shares in capital which exceed 10% of the voting rights are described and explained in the notes to the annual financial statement in the sections "Shareholder composition" and "Disclosures pursuant to section 21 German Securities Trading Act (WpHG)" and the notes to the consolidated financial statement in section "Related parties (individuals)".

Restrictions relating to voting rights or transferability of shares

A shareholder agreement existed up to 22 December 2015 between, on the one hand, Zweckverband Oberschwäbische Elektrizitätswerke (Zweckverband OEW) and OEW Energie-Beteiligungs GmbH and, on the other, the State of Baden-Württemberg, NECKARPRI GmbH and NECKARPRI-Beteiligungsgesellschaft mbH. The shareholder agreement contained customary clauses governing the relationship between the two major shareholders of EnBW, as well as clauses relating to their relationship with EnBW and coordinating their influence on EnBW. These included but were not limited to clauses prescribing that voting rights were to be exercised in a coordinated and in some cases uniform manner, establishing a shareholders' committee for these purposes and clauses stipulating that each party shall consult with the other party on significant transactions and decisions. Furthermore, they included clauses relating to restrictions of authorisation over EnBW shares held by the main shareholders and a general

mutual obligation for both main shareholders to maintain parity investment relationships in EnBW with respect to each another. The aforementioned shareholder agreement was annulled on 22 December 2015.

An agreement existed up to 22 December 2015 between, on the one hand, NECKARPRI GmbH and NECKARPRI-Beteiligungsgesellschaft mbH and, on the other, Zweckverband OEW and OEW Energie-Beteiligungs GmbH which granted OEW Energie-Beteiligungs GmbH the right to purchase both the NECKARPRI-Beteiligungsgesellschaft mbH lines of shares acquired in EnBW AG arising from the voluntary takeover offer dated 7 January 2011 (3,852,236 shares) and from the capital increase implemented on 5 July 2012 (12,929,978 shares) if, as part of the request for arbitration by NECKARPRI GmbH against E.D.F. INTERNATIONAL S.A., Paris, France, the purchase of the EnBW shares acquired by this company with an agreement dated 6 December 2010 is unwound. However, it had been communicated to EnBW that the state government did not wish to unwind this transaction and that the agreement was intended to ensure that the ownership structure of EnBW remained stable at all times. This agreement was also annulled on 22 December 2015.

At the same time as the annulment of the two aforementioned agreements, new agreements were reached on 22 December 2015 between, on the one hand, Zweckverband OEW and OEW Energie-Beteiligungs GmbH and, on the other, the Federal State of Baden-Württemberg, NECKARPRI GmbH and NECKARPRI-Beteiligungsgesellschaft mbH, which include clauses relating to restrictions of authorisation over EnBW shares held by these parties and a general mutual obligation of both main shareholders to maintain parity investment relationships in EnBW with respect to each another.

Legal provisions and statutes on the appointment and dismissal of members of the Board of Management and amendments to the Articles of Association

Pursuant to section 84 German Stock Corporations Act (AktG) in conjunction with section 31 German Co-determination Act (MitbestG), responsibility for the appointment and dismissal of members of the Board of Management rests with the Supervisory Board. This competence is stipulated in section 7 (1) sentence 2 of the Articles of Association of EnBW. If under exceptional circumstances a required member of the Board of Management is missing, section 85 AktG requires that a member of the Board of Management be appointed by the court in urgent cases.

The Annual General Meeting has the right to make changes to the Articles of Association in accordance with section 119 (1) No. 5 AktG. The specific rules of procedure are contained in sections 179 and 181 AktG. For practical reasons, the right to amend the Articles of Association was transferred to the Supervisory Board where such amendments affect the wording only. This option pursuant to section 179 (1) sentence 2 AktG is embodied in section 18 (2) of the Articles of Association.

Pursuant to section 179 (2) AktG, resolutions by the Annual General Meeting to amend the Articles of Association require a majority of at least three quarters of the capital stock represented when passing the resolution, unless the Articles of Association stipulate that any amendment of the purpose of the company requires a higher majority of the capital stock. Pursuant to section 18 (1) of the Articles of Association, resolutions by the Annual General Meeting require a simple majority of the votes cast, unless legal regulations or the Articles of Association stipulate otherwise. If the law requires a larger majority of the votes cast or of the capital stock represented when passing the resolution, the simple majority suffices in those cases where the law leaves the determination of the required majority to the Articles of Association.

Authority of the Board of Management regarding the possibility to issue or redeem shares

Pursuant to section 5 (2) of the Articles of Association, the Board of Management is authorised, with the approval of the Supervisory Board, to increase the company's share capital until 25 April 2017 by up to €31,907,829.76 through issuing, either once or on several occasions, new ordinary bearer shares against cash capital contributions.

No authorisation of the Annual General Meeting pursuant to section 71 (1) No. 8 AktG for the purchase of treasury shares by the company exists at EnBW. Therefore, the company may only acquire treasury shares on the basis of other reasons justifying such purchases in accordance with section 71 (1) AktG. As of 31 December 2015, the company holds 5,749,677 treasury shares which were purchased on the basis of earlier authorisations in accordance with section 71 (1) No. 8 AktG. The company's treasury shares can be sold on the stock exchange or by public offer to all company shareholders. The use of treasury shares, in

particular their sale, in any other way can only occur within the scope of the resolution issued by the Annual General Meeting on 29 April 2004. The treasury shares held by EnBW do not grant the company any rights in accordance with section 71b AktG.

Material agreements of the company subject to the condition of a change of control as a result of a takeover bid and the resulting effects

The following EnBW agreements are subject to the condition of a change of control following a takeover bid as defined by sections 289 (4) No. 8 and 315 (4) No. 8 HGB:

Financing arrangements

A syndicated credit line of €1.5 billion, which had not been drawn by 31 December 2015, can be terminated by the lenders, thereby becoming due for repayment, given a change of control at EnBW. This does not apply if the purchaser of the shares is the State of Baden-Württemberg or Zweckverband OEW or another German state-owned public law legal entity.

A promissory note loan of €200 million, two bilateral bank loans together totalling €50 million and a syndicated loan, of which around €198 million was drawn as of 31 December 2015, taken out by the Group company Stadtwerke Düsseldorf AG (SWD) relating to the financing of their CCGT power plant could become due for repayment given a change of control at SWD, including an indirect change of control. This does not apply if, after the change of control, the majority of shares in SWD are held directly or indirectly by German government entities and the City of Düsseldorf holds at least 25.05% of the shares in SWD.

A bond of JPY 20 billion issued on 12 December 2008 under the Debt Issuance Programme can be terminated by the lenders and become due for repayment given a change of control. This does not apply if the purchaser of the shares is EDF (whose legal successor as shareholder is now the State of Baden-Württemberg) or Zweckverband OEW or another German state-owned public law corporation.

Two bilateral long-term bank loans, drawn to the value of €450 million and €500 million as of 31 December 2015, can be terminated by the lender and become due for repayment given a change of control at EnBW, provided the change of control has a negative effect on repayment of the loan in future. This does not apply if the purchaser of the shares is EDF (whose legal successor as shareholder is now the State of Baden-Württemberg) or Zweckverband OEW.

Corporate law agreements

In the event of a change of control at EnBW, EnBW is required to offer its shareholding in EWE Aktiengesellschaft (EWE) to EWE's municipal shareholders, Weser-Ems-Energiebeteiligungen GmbH (WEE) and Energieverband Elbe-Weser-Beteiligungsholding GmbH (EEW). This agreement became obsolete with the full execution of the contracts agreed on 16 October 2015 between EnBW and EWE and its municipal shareholders WEE and EEW, as well as with Ems-Weser-Elbe Versorgungs- und Entsorgungsverband and the Ems-Weser-Elbe

Versorgungs- und der Entsorgungsverband Beteiligungsgesellschaft mbh.

Compensation agreements

Compensation agreements pursuant to sections 289 (4) No. 9 and 315 (4) No. 9 of the HGB concluded with members of the Board of Management to cover any case of a change of control are described and explained in the remuneration report.

Nos. 4 and 5 of sections 289 (4) and 315 (4) German Commercial Code (HGB) were not relevant for EnBW in the 2015 financial year.

Significant events after the reporting date

No events which would be significant for assessing the net assets, financial position and results of operations of EnBW occurred after 31 December 2015.