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.).

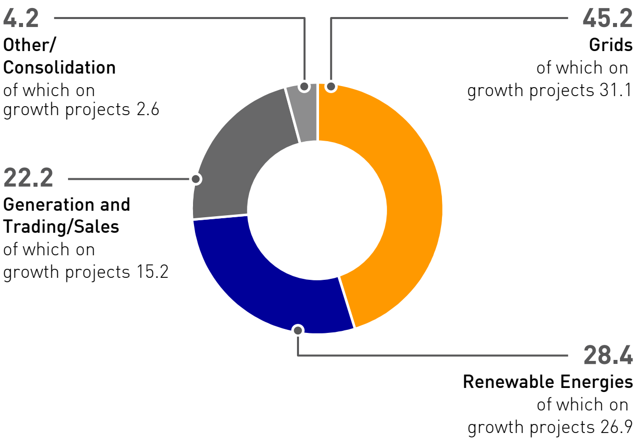
Expected trends in financial and strategic performance indicators

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 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 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 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 E 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 E capital employed – a slight drop in E 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.