

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.