Capital Markets Day

Frankfurt, 29 September 2016
Frankfurt, 29 September 2016
Frank Mastiaux, Chief Executive Officer
Business environment remains difficult – both from an economic and from a regulatory perspective

**Energy market**

Electricity wholesale market prices remain under pressure

**Capital markets**

Interest rate at continued low levels

**Energy policy**

Legal framework of funding of nuclear exit (KFK)
German Renewables Energy Act with new framework
EnBW 2020 strategy continues to be our framework for transforming our company.

- **Generation and Trading**
  - 2012: 1.2 € bn (−80%)
  - 2020: 0.3 € bn

- **Renewable Energies**
  - 2012: 0.2 € bn
  - 2020: 0.7 € bn (+250%)

- **Grids**
  - 2012: 0.8 € bn
  - 2020: 1.0 € bn (+25%)

- **Sales**
  - 2012: 0.2 € bn
  - 2020: 0.4 € bn (+100%)

In Adjusted EBITDA:
- €2.4 bn
- €2.4 bn
Operational efficiency continues to be a top element of our agenda

- Previous efficiency programs „FOKUS“ and „4 P“ delivered with material progress
- Based on the continued challenging environment additional cost savings of €250 m by 2020 have been added to the equation
  - Withdrawal from B2B Commodity Business, around 400 employees are affected
  - Additional measures focus on the areas of B2C, administrative functions and Generation and Trading

### Earnings 2010 to 2020 [adj. EBITDA in € bn]

<table>
<thead>
<tr>
<th>Year</th>
<th>External effects</th>
<th>Earnings 2020 (w/o counter measure)</th>
<th>Efficiency measures</th>
<th>Strategic Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
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<td>2.85</td>
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<td>-2.65</td>
<td>0.2</td>
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<td>1.4</td>
<td>0.25</td>
<td>0.4</td>
<td>0.75</td>
<td>≥2.4</td>
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<tr>
<td>1.0</td>
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<tr>
<td>≥2.4</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
Strategy execution EnBW 2020 on track (I) - areas of progress

Offshore wind

- Baltic 2 in operation (288 MW)
- Investment decision Hohe See (500 MW) in 2016, Offshore Pipeline: 1600 MW

Onshore wind in Germany

- Onshore pipeline with 1100 MW of secured areas, over 300 MW for approval in 2016
- Acquisition of „Connected Wind Services“

Onshore wind in Turkey

- Expansion of renewable energies, 374 MW* in operation

* EnBW: 50%
Expansion of the grids

- Highest investment in distribution grid in 2015
- Commissioning of the North Black Forest gas pipeline in 2016
- Transmission grids ULTRANET and SuedLink advancing
Strategy execution EnBW 2020 on track (III) - areas of progress

**EnBW gas business substantiated**

- EnBW / VNG: Top 3 player in German gas market
- >50% of VNG’s business regulated
- 20% contribution of EnBW’s future adj. EBITDA from Gas Business
Strategy execution EnBW 2020 on track (IV) - areas of progress

**Marketing, sales & innovation**

- Consistent innovation strategy in place
- Digitization is an integral part of future sales strategy

**Projects & products**

- Virtual Power Plant: €6.9 m total order quantity since May 2016
- Sm!ght: one year on the market with €1 m revenue in 2016
- E-Mobility: New cooperation with Hyundai and Tank & Rast with focus on extension and operation of charging infrastructure
Looking ahead: three clear priorities

Clear focus on delivering our EnBW 2020 goals

Intensifying efficiency measures to secure future profitability and competitiveness

Strategic considerations „beyond 2020“
The following aspects drive our strategic thinking beyond 2020

**EnBW strategy „beyond 2020“**

- Anticipating technology, consumer demand patterns and regulatory developments
- Matching strategic focus with robust capabilities and its development
- Strong role of innovation and digitization to fuel future growth
- A balanced portfolio with reliable returns
- Leadership and operational effectiveness of a modern organization
EnBW 2020 strategy will lead to high EBITDA contribution from low-risk business.

- **Clear investment focus on Grids and Renewable Energies**
  - Grids: 0.8 € bn → 1.0 € bn (+25%)
  - Renewable Energies: 0.2 € bn → 0.7 € bn (+250%)

- **70% EBITDA contribution from stable businesses**
  - Generation and Trading: 1.2 € bn → 0.3 € bn (-80%)
  - Grids: 0.8 € bn → 1.0 € bn (+25%)

- **Improved business risk profile**
  - Sales: 0.2 € bn → 0.4 € bn (+100%)

In Adjusted EBITTDA €2.4 bn → €2.4 bn
Expansion of low risk business guarantees stable CFs

**Investments and divestitures 2012 to 2020**

in € billion

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investments</td>
<td>14.1bn</td>
</tr>
<tr>
<td>Divestiture, Participation models, Disposal and other</td>
<td>5.1bn</td>
</tr>
<tr>
<td>Net investments</td>
<td>9.0bn</td>
</tr>
</tbody>
</table>

Total investment 2012 - 2020

- €14.1bn
  - 2012-2014
  - 2016-2020

Investment 2015

- €1.5bn
  - Grids 50%
  - Renewables 31%
  - G&T 12%
  - Sales 5%

1 Other investments 2015: 2%

Capital Markets Day 2016
Capex is optimised by participation models meeting EnBW’s strategic goals

100% equity financing with majority of EnBW and full consolidation

**Joint Venture model “Baltic 2”**

Transaction Closing after full commissioning

- Share Purchase Agreement / Partnership Agreement
- EnBW 50.1%
- Investor 49.9%

Service contracts

100% equity

Project company (LUX) ¹

- EnBW takes the full cost and delay risks of the construction
- EnBW sells operating CF

**Joint Venture model “Hohe See”**

Transaction Closing simultaneously with final investment decision

- Share Purchase Agreement / Partnership Agreement
- EnBW 50.1%
- Investor 49.9%

Service contracts

100% equity

Project company (GER) ¹

- Partner ² takes the full cost and delay risks of the construction pro rata
- EnBW receives a development premium

¹ General Partnership; ² Name of partner still undisclosed subject to FID

Capital Markets Day 2016
EnBW’s financial discipline is reflected in financial debt development

- **€ 29.7 bn**
  - Gross debt
  - 31 Dec 2011

- **€ 33.1 bn**
  - Gross debt
  - 31 Dec 2015

- **€ 33.8 bn**
  - Gross debt
  - 30 Jun 2016

Majority of EnBW’s debt with no cash interest expenses

1 Other liabilities contains a very minor part of €0.1bn cash related interest
€4 bn impact on net debt due to interest rate development since 2011

**Gross pension obligations incl. CTA**

in € million

thereof interest effect: **3,188**

**Nuclear provisions**

in € million

thereof interest effect: **1,084**

Discount rates

%
KFK¹: Payment of risk premium will lead to net debt increase, but de-risking

in € billion
Across all affected utilities

Intermediate storage
4.7

Final storage “Konrad”
3.1

Final storage site for highly radioactive waste
9.4

Provisions KFK 2014

35% risk premium

Total volume for externalisation

German state to become operationally and financially accountable for all nuclear waste storage related issues

Nuclear operators to deliver financing; EnBW would be responsible for around 20% of the payments

Being operationally responsible for decommissioning, EnBW can achieve cost reductions compared to provisions

¹ Legislative procedures ongoing
No additional impact of long-term obligations on OCFs

EnBW’s CF-based Asset Liability Management since 2005 in € million

- **72% Coverage**
  - 2015
  - Provisions
  - Cash outflows from provisions
  - Financial assets
  - Asset contribution

- **100% Coverage**
  - Projected 2028
  - OCF contribution
  - CF cap

OCF is adjusted for inflation

Before KFK

Capital Markets Day 2016
Limited impact of KFK proposal on OCFs

EnBW’s CF-based Asset Liability Management
in € million

55% Coverage
2015

Full coverage
4 years later

100% Coverage
Projected 2032

Scenario KFK proposal:
externalisation with 35% risk premium
full coverage

Provisions
Cash outflows from provisions

Financial assets
Asset contribution

OCF contribution

CF cap

OCF is adjusted for inflation
Assumptions: Model data as of end 2015, discount factor: 2.3% pensions, 4.7% nuclear, externalization assumed in 2015 completely from dedicated assets
Capital Markets Day 2016
Year-on-year operating performance affected by one-off effects

Adjusted EBITDA

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (€ million)</th>
<th>Change (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2015</td>
<td>1,277</td>
<td></td>
</tr>
<tr>
<td>H1 2016</td>
<td>968</td>
<td>-24%</td>
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</tbody>
</table>

Adjusted Group net profit

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (€ million)</th>
<th>Change (in %)</th>
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</thead>
<tbody>
<tr>
<td>H1 2015</td>
<td>1,028</td>
<td>-95%</td>
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<tr>
<td>H1 2016</td>
<td>52</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Value (€ million)</th>
<th>Change (in %)</th>
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</thead>
<tbody>
<tr>
<td>H1 2015</td>
<td>1,150</td>
<td>-59%</td>
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<tr>
<td>H1 2016</td>
<td>476</td>
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</table>

Adj. net debt

<table>
<thead>
<tr>
<th>Date</th>
<th>Value (€ million)</th>
<th>Change (in %)</th>
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<tbody>
<tr>
<td>31.12.2015</td>
<td>6,736</td>
<td>+32%</td>
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<tr>
<td>30.06.2016</td>
<td>8,870</td>
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</table>

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1 Of which profit/loss shares attributable to the shareholders of EnBW AG
Additional efficiency measures of €250m\(^1\) until 2020 are currently implemented

<table>
<thead>
<tr>
<th>Sales</th>
<th>Administrative functions</th>
<th>Generation &amp; Trading</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Withdrawal from B2B Commodity Business</strong>&lt;br&gt; › Unprofitable &amp; no growth perspective&lt;br&gt; › Ongoing customer contracts will be fulfilled&lt;br&gt; › 400 employees affected</td>
<td><strong>Considerable savings</strong>&lt;br&gt; › Corresponding structural effects (personal savings)&lt;br&gt; › Productivity improvements&lt;br&gt; › Reduction in scope of services&lt;br&gt; › Outsourcing</td>
<td></td>
</tr>
<tr>
<td><strong>Focused customer and competition-oriented approach</strong></td>
<td><strong>Concrete measures for each functional unit</strong></td>
<td><strong>Further cost reductions to be implemented</strong></td>
</tr>
</tbody>
</table>

\(^1\) Includes efficiency measures of shareholdings

Capital Markets Day 2016
EnBW successfully closed EUR 725m and USD 300m RegS bearer hybrid capital transactions

Hybrid rationale
› Important element of EnBW’s capital structure
› Equity credit supports IG rating
› Cost-efficient layer by combining equity- and debt-like features

EUR 725m + USD 300m deal highlights
› Taking advantage of constructive market conditions
› 3.375% EUR coupon
› 5.125% USD coupon translates into EUR yield of 3%
› Investor diversification
› Pre-funding of outstanding 7.375% hybrid
EnBW has a diversified funding policy

**Maturities of EnBW’s bonds**

€ million

- 1,000\(^1\)
- 1,000\(^3\)
- 842\(^2\)
- 500
- 500
- 500
- 100
- 175\(^4\)
- 700
- 50
- 1,000
- 1,000

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<th>Amount</th>
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<td>2076</td>
<td>500</td>
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<tr>
<td>2077</td>
<td>1,000</td>
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</tbody>
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1. First call date of hybrid maturing in 2072
2. Including CHF 100m converted as of the reporting date 30/6/2016
3. First call date of hybrid maturing in 2076
4. Nominal with conversion as of the reporting date 30/6/2016
5. First call date of hybrid maturing in 2077
EnBW is a strong partner in the capital markets

- Commitment to solid IG rating
- Dividend and capex flexibility
- Stable shareholder structure
- Solid funding policy – diversified, well-spread maturities, hybrid capital support

- Limited impact of long-term obligations on OCFs due to ALM model
- Clear investment focus on low-risk Grids and Renewable Energies
- Improved business risk profile with more than 50% EBITDA contribution from low-risk businesses

EnBW proves to be resilient
EnBW 2020 Strategy: In the Renewables segment we continue to deliver on growth investments

- Increase of Adj. EBITDA contribution from 8% (2012) to 29% (2020)
- Material share in offshore wind investments
- German Renewable Energy Act with new legislation as of 1 January 2017

<table>
<thead>
<tr>
<th>Segment</th>
<th>2012</th>
<th>2020</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation and Trading</td>
<td>1.2 € bn</td>
<td>0.3 € bn</td>
<td>-80%</td>
</tr>
<tr>
<td>Renewable Energies</td>
<td>0.2 € bn</td>
<td>0.7 € bn</td>
<td>+250%</td>
</tr>
<tr>
<td>Grids</td>
<td>0.8 € bn</td>
<td>1.0 € bn</td>
<td>+25%</td>
</tr>
<tr>
<td>Sales</td>
<td>0.2 € bn</td>
<td>0.4 € bn</td>
<td>+100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2.4 € bn</td>
<td>2.4 € bn</td>
<td></td>
</tr>
</tbody>
</table>

- **Wind 2015**: 580 MW
- **Offshore Pipeline**: 1,600 MW
- **Onshore Pipeline**: 1,100 MW
- **Wind 2020**: >3,000 MW

*in Adjusted EBITTDA*
Stakeholder analysis
Upcoming system change with EEG 2017 determines the current market environment

Political community and regulation
- **Switch in RE funding** Wind on- and offshore from fixed feed-in tariffs to invitations to tender from 2017
- Onshore wind: Transitional regulation for projects with concession to the end of 2016 and commissioning to the end of 2018
- **Offshore wind**: Switch in two phases, first compensation auction for projects with concession
- **Cap for the RE expansion and management** via volume of auctions

Market and environment
- **Continued growth** of renewable energies in Germany (and in Europe)
- **Repowering** potential will increase considerably until 2025 (funding will expire for 17 existing GW power plants), but only minor cost advantages compared to greenfield projects
- **Electricity production costs** continue to drop; need to fund wind energy gradually declines
- **Intensity of competition** will increase in the short term, but in the medium to long term a **consolidation** of the market is to be expected

Technology
- **Constant product improvements** (example onshore wind: rotor diameter and hub height; offshore wind: power class 8+ MW, XXL monopiles rather than jacket foundations)
- **Ability to control and shut off** to optimise efficiency
- Growing non-OEM market for services
- **Innovation drives cost and efficiency improvements**

Suppliers
- **Advancing process of concentration** (examples: Siemens/Gamesa, Vestas/Mitsubishi, Nordex/Acciona)
- At the same time **new players from the Far East are about to enter the market**, the market is increasingly globalised
- **Stable supplier environment for bulk buyers and key accounts**
Principle: cost reduction through competition

- Tenderers compete about their price (instead of uniform, legally guaranteed compensation) at auctions
- Those who can offer the lowest price are most likely to be awarded the contract.
- The crucial success factor is therefore the amount of the electricity production costs
System change EEG 2017: Future volume control caps the expansion from 2017

Gross electricity generation from renewable energies 2011–2015 (in TWh)

Source: Federal Ministry for Economic Affairs and Energy (BMWi), Feb 2016

Assumption for forecast: linear and equally distributed growth, gross electricity consumption –0.2% p.a. equals average 2006–2015

Extrapolation
(Expansion target: 45% of the gross electricity consumption by 2025)

Average growth 2011–2015 (in TWh/p.a.)

Average growth 2016–2025 (in TWh/p.a.)
System change EEG 2017: An overview of the implementation and changes

Onshore wind

May 2017: start of first auction (2,800 MW p.a.)

By 2018: transitional system

2020: Technology-neutral invitations to tender (400 MW p.a.).

Offshore wind

2017/2018: transitional system; 2 auctions for 1.55 GW each

COD 2021–2025

From 2021: central target system

PV

Since 2015: invitation to tender for ground-mounted PV plants

2020: technology-neutral invitations to tender (400 MW p.a.).

COD from 2026

Year

2016
2018
2020
2022
2024

1 Onshore wind figure is reduced by volume of awarded contracts
Update of business development RE
Offshore wind: 336 MW in operation, 609 MW in advanced stage of pre-construction

**EnBW Hohe See**  
71 x 7.0 MW = 497 MW  
(in pre-construction)

**Albatros**  
79 wind power plants  
(16 wind power plants in pre-construction)

**EnBW He Dreih**  
119 wind power plants

**EnBW Baltic 2**  
80 x 3.6 MW = 288 MW

**EnBW Baltic 1**  
21 x 2.3 MW = 48.3 MW

**Kriegers Flak (Denmark)**  
(pre-qualified tenderer)

- at the planning stage
- in operation

Capital Markets Day 2016
Update of business development RE OWF EnBW Hohe See: progress of project according to schedule

Key data
- Wind turbines: 71 at 7 MW each (Siemens AG)
- Gross output: 497 MW
- Annual yield: approx. 2,000 GWh
- Water depth: 40 m
- Distance: 98 km
- Planned FID: December 2016
- Planned COD: December 2019

Current project status
- Design phase started in Nov 2015
- Capacity for connection to the grid ensured
- Supply contracts awarded
- Process for the sale of a minority share in the project has advanced far
Update of business development RE
EnBW will handle building and management / O&M of OWF EnBW Hohe See as a service

1 Joint venture between Cofely Fabricom NV, lemants NV and CG Holdings Belgium NV Systems Division
2 Siemens Service and Availability Agreement for WTG for first 5 years

EnBW AG (operation)
- Commercial & technical management services (including Energy Direct Marketing)
- O&M services\(^2\)

EnBW AG (construction)
- Owner’s engineering
- Asset management
- O&M consulting

Partners
- 50.1%
- 49.9%

Siemens
- EPCI: WTG/FOU

Volker Wessels (VBMS)
- EPCI: IAG

FICG\(^1\)
- EPCI: OSS
Update of business development RE
For OWF Albatros, implementation in conjunction with OWF EnBW Hohe See in advanced testing stage

Key data
- Wind turbines: 16 at 7 MW each
- Gross output: 112 MW
- Annual yield: approx. 450 GWh
- Water depth: 40 m
- Distance: 105 km
- Planned FID: Q1 2017
- Planned COD: December 2019

Current project status
- Project acquired by EnBW in Dec 2014
- Capacity for connection to the grid ensured for 116 MW (maximum to the end of 2020)
- Realisation following OWF Hohe See in conjunction with IBN until the end of 2019 in an advanced testing stage
- Sale of a minority share (49%) planned for realisation
Update of business development RE
Onshore wind 187 MW in operation, pipeline offers solid basis for dynamic expansion from 2017

Forecast: MW in operation by end of year

- **2016**: ~1,100
- **2017**: 1,000
- **2018**: ~800

Expansion (cum.)
Update of business development RE
Pipeline expanded and regional presence consolidated for onshore wind

Since 2015 **nationwide market development** through 5 project development branches (Hamburg, Berlin, Trier, Erfurt and Stuttgart)

Currently about **80 employees decentrally** active in project development (main focus: securing sites, wind&site)

Expert and support functions (procurement, law, communication) provide central support from Stuttgart or Karlsruhe
Update of business development RE Acquisition of Connected Wind Services boosts competitiveness of EnBW

- Manufacturer-independent service provider (ISP) for wind turbines and large-scale components of wind turbines (gearboxes)
- Company founded: 1987
- Headquarters: Balle (Denmark), national subsidiaries in Sweden and Germany
- ISP service portfolio: approx. 1,640 WTG (of them 270 in Germany); manufacturer: Vestas (with NEG Micon), Siemens (with AN Bonus), Fuhrländer, Senvion (with Repower), Gamesa, Suzlon
- Employees: 190 (of them 45 in Germany)
- Markets, market position: Service business in Denmark, Sweden and Germany #1 as ISP in Denmark and Sweden and #6 as ISP in Europe
Preparation for EEG2017
For auction systems, focus is on further efficiency increase (example: offshore wind)

Necessary average earnings from electricity [€/MWh] to achieve the target returns:

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<th>Baltic 2</th>
<th>Hohe See</th>
<th>Estimated future amount</th>
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<td>Value drivers:</td>
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<td>Regulatory conditions</td>
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<td>Leaps in technology and decreasing costs. Examples:</td>
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<td>WTG capacity 3.6 MW at Baltic 2 vs 7 MW at Hohe See and 8+ MW in current projects</td>
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<td>Efficiency increases, esp. in the supply chain and in O&amp;M</td>
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<td>With increasing industrial maturity, assessment of project risks is adjusted</td>
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<td>Capital market expectation and financing strategy</td>
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<td>Margins</td>
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Preparation for EEG2017
Four work streams in preparation for the start of the auction in 2017 (example: onshore wind)

Onshore wind auction project

1. Target costing
   Defining and generating efficiency requirements for submitting competitive bidding behaviour

2. Tenderer strategy
   Developing a strategy for bidding behaviour (over several rounds of tenders) and defining validation process

3. Auction process
   Creating operational and process-related requirements for tendering capacity

4. Adjustment of operational processes
   Identifying repercussions for operational processes and suitable implementation
Preparation for EEG2017
Organisation in production geared towards synergies through process orientation

**KPI (selection):**
- MW ramp-up
- DEVEX, CAPEX targets
- HSSE (construction)

- Availability
- OPEX targets
- HSSE (operation)

- Direct marketing / trading
- Controlling
- M&A
- tbc
Outlook: Main RE targets to the end of 2016

Offshore wind
- OWF Hohe See – sale of minority share (49%) and FID to the end of 2016
- OWP Albatros – completion of project assessment and preparation of FID (planned: Q1 2017)

Onshore wind
- Receiving approvals of at least 300 MW; FID and realisation immediately upon approval; further expansion of the pipeline
- Completing acquisition of Connected Winds Service and starting to expand to become O&M service provider for EnBW projects

PV (ground-mounted): Expansion of the project pipeline by being awarded further contracts, successive project implementation

EEG 2017: Completion of the preparatory work for ensuring our competitiveness in the new auction system
Capital Markets Day

Questions & Answers

Frankfurt, 29 September 2016
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