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Annual Report 2007

Shaping the future with energy

EnBW Energie
Baden-Württemberg AG

Brief portrait

With some six million customers, EnBW Energie Baden-Württemberg AG with headquarters in Karlsruhe is the third-largest energy company in Germany. In 2007, EnBW generated annual revenue in excess of € 14 billion with more than 20,000 employees. Our core activities focus on the segments electricity, gas as well as energy and environmental services.

Traditionally, we are firmly rooted in Baden-Württemberg. We also operate throughout Germany and in other markets of central and eastern Europe. We will continue to focus on our core competencies in future and supply our customers reliably and competently with energy and energy-related services.

We operate conventional power stations and nuclear power plants. But that is not all. Hydroelectric power has always played an important role for us. For the other renewable sources of energy such as wind, geothermal power and biomass there is still development potential. We see them as opportunities for economic growth and for the environment and will make use of these opportunities. The gas business will also play an important role in future, as will local generation and heat generation. EnBW aims to reinforce its position in all these areas. Whatever we tackle, we want to play a trailblazing and leading role.

At a glance

EnBW group[1]		2007	2006	Variance %
Revenue				
Electricity	€ millions	11,539.7	9,509.0	+21.4
Gas	€ millions	2,479.3	2,757.9	-10.1
Energy and environmental services	€ millions	693.2	592.6	+17.0
External revenue, total	€ millions	14,712.2	12,859.5	+14.4
EBITDA	€ millions	2,336.4	2,273.8	+2.8
EBIT	€ millions	1,559.2	1,451.2	+7.4
Result of continuing operations	€ millions	1,416.1	1,114.7	+27.0
Group net profit[2]	€ millions	1,364.1	1,001.8	+36.2
Adjusted group net profit[2]	€ millions	821.0	739.6	+11.0
Earnings per share from group net profit[2]	€	5.58	4.10	+36.1
Cash flow from operating activities	€ millions	1,558.7	1,466.6	+6.3
Free cash flow	€ millions	853.2	1,027.1	-16.9
Net financial debt	€ millions	2,972.3	3,592.8	-17.3
Capital expenditures on intangible assets and property, plant and equipment[3]	€ millions	816.1	630.1	+29.5
Return on capital employed (ROCE)	%	16.4	16.9	-3.0
Weighted average cost of capital (WACC) before tax	%	9.0	9.0	–
Average capital employed	Number	11,391.7	10,325.0	+10.3
Value added	€ millions	839.1	814.6	+3.0

Energy sales of the EnBW group		2007	2006	Variance %
Electricity	billions of kWh	139.5	119.4	+16.8
Gas	billions of kWh	75.2	83.5	-9.9

Employees of the EnBW group[4]		2007	2006	Variance %
Employees (annual average)	Number	20,499	20,259	+1.2

[1] Adjusted prior-year figures.
[2] In relation to the profit shares attributable to the equity holders of EnBW AG.
[3] From continuing operations.
[4] Number of employees without apprentices/trainees and without inactive employees.

Five-year summary

EnBW group[1]		2007	2006	2005	2004	2003
Earnings						
Revenue	€ millions	14,712	12,860	10,769	9,124	9,952
EBITDA	€ millions	2,336	2,274	2,054	2,045	1,014
EBIT	€ millions	1,559	1,451	1,335	1,243	-190
EBT	€ millions	1,373	1,190	1,087	759	-1,094
Earnings from continuing operations	€ millions	1,416	1,115	598	410	-1,183
Earnings per share from group net profit[2]	€	5.58	4.10	2.21	1.40	-5.40
Balance sheet						
Non-current assets	€ millions	20,731	20,903	18,867	18,304	20,732
Total net assets	€ millions	28,414	28,148	24,942	23,928	25,220
Equity/minority interests	€ millions	6,002	4,492	3,068	2,399	1,544
Equity ratio	%	21.1	16.0	12.3	10.0	6.1
EnBW share						
Operating cash flow per share	€	6.4	6.0	5.5	6.8	4.01
Distribution	€ millions	369[3]	279	215	171	–
Dividends per share	€	1.51[3]	1.14	0.88	0.70	–
Finance and capital expenditures						
Cash flow from operating activities	€ millions	1,559	1,467	1,330	1,546	887
Amortisation and depreciation	€ millions	777	823	720	802	1,204
Capital expenditures on intangible assets and property, plant and equipment[4]	€ millions	816	630	547	418	435
Short-term capital resources	€ millions	1,001	1,517	1,415	1,999	1,089
Financial liabilities[5]	€ millions	3,973	5,110	4,699	5,938	8,049
Net financial debt[5]	€ millions	-2,972	-3,593	-3,284	-3,939	-6,960
Energy sales of the EnBW group in its core business in billions of kWh[6]						
Electricity	billions of kWh	140	119	107	101[7]	95[7]
Gas	billions of kWh	75	84	89	83[7]	78[7]
Provision of electricity by the EnBW group in its core business by primary source of energy[8]						
Fossil and other energies (formerly: coal, oil, gas)	%	16	19	24	23	24
Nuclear power	%	27	34	36	39	42
Renewable energies (formerly: water and other renewable energies)	%	17	16	14	16	15
Primary energy of unknown source	%	40	30	26	22	19
Annual average of employees in the EnBW group[9]	Number	20,499	20,259	17,926	19,881	33,224

[1] The 2006 figures have been adjusted.
[2] In relation to the profit shares attributable to the equity holders of EnBW AG.
[3] As proposed to the annual general meeting.
[4] From continuing operations.
[5] Adjusted for valuation effects from interest-induced hedging transactions.
[6] Net disclosure of electricity and gas trading.
[7] Electricity and gas unit sales figures adjusted to the segment structure as of 31 December 2005.
[8] The 2005 figures were adjusted; since 2005, the classification by primary source of energy is disclosed as in Sec. 42 EnWG.
[9] Number of employees without apprentices/trainees and without inactive employees.

Mathematical rounding in the sums may give rise to apparent differences throughout the annual report.

Annual Report 2007

Shaping the future with energy

Important note

No offer or investment recommendation
This report has been prepared for information purposes only. It does not constitute an offer, an invitation or a recommendation to purchase or sell securities issued by EnBW Energie Baden-Württemberg AG (EnBW), a company of the EnBW group or any other company. This report does not constitute a request, instruction or recommendation to vote or give consent. All descriptions, examples and calculations are included in this report for illustration purposes only.

Future-oriented statements
This report contains future-oriented statements that are based on current assumptions, plans, estimates and forecasts of the management of EnBW. Such future-oriented statements are therefore only valid at the time at which they are published for the first time. Future-oriented statements are indicated by the context, but may also be identified by the use of the words "may", "will", "should", "plans", "intends", "expects", "believes", "assumes", "forecasts", "potentially" or "continued" and similar expressions.

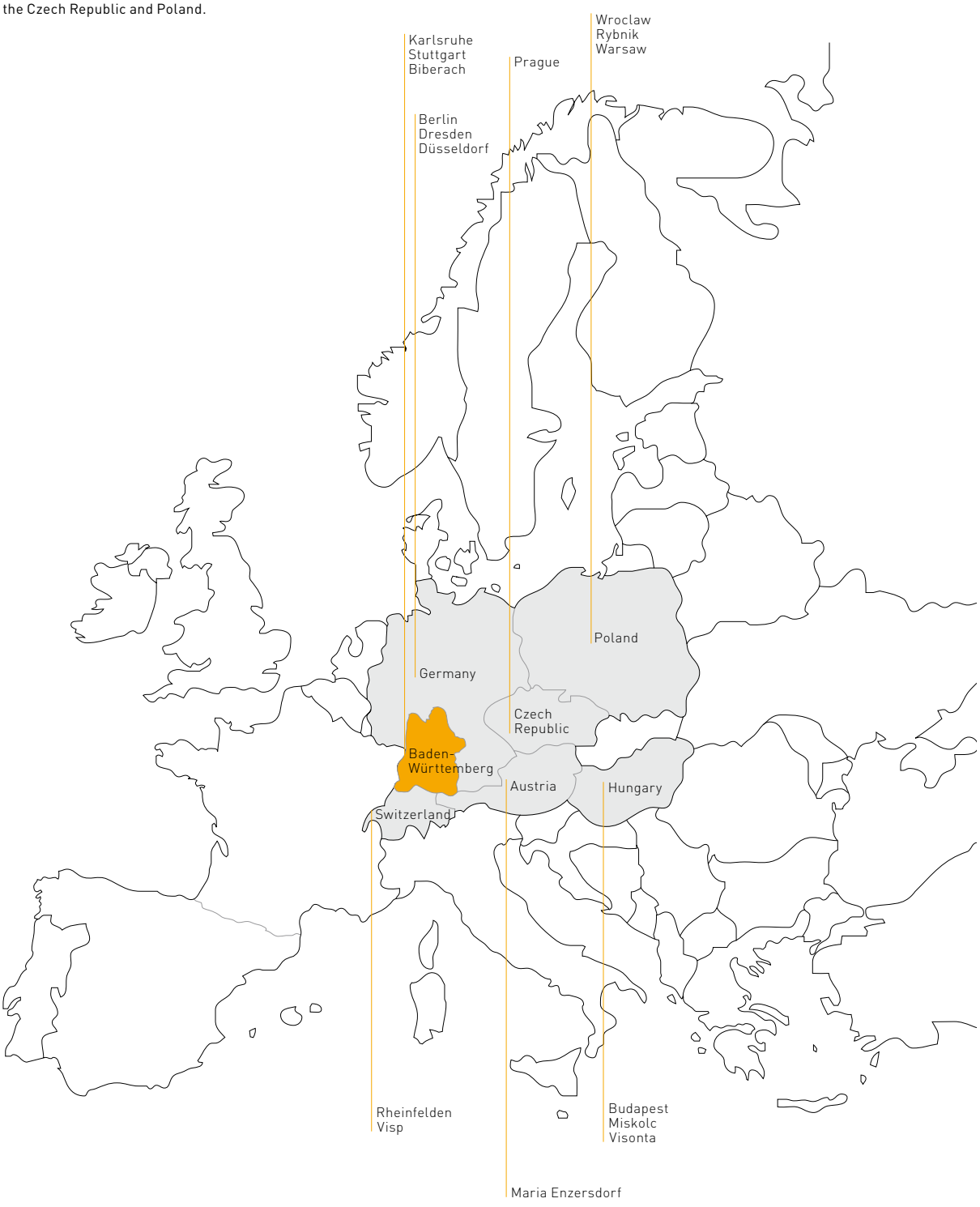
By nature, future-oriented statements are subject to risks and uncertainties that cannot be controlled or accurately predicted by EnBW. Actual events, future results, the financial position, development or performance of EnBW and the companies of the EnBW group may therefore diverge considerably from the future-oriented statements made in this report. Therefore it cannot be guaranteed nor can any liability be assumed otherwise that these future-oriented statements will prove complete, correct or precise or that expected and forecast results will actually occur in the future.

No obligation to update the information
EnBW assumes no obligation of any kind to update the information contained in this report or to adjust or update future-oriented statements to future events or developments. The annual report in German, English and French can also be downloaded from the internet. In case of doubt, the German version shall prevail.

Contents

Our locations

The major locations of the EnBW group, our power stations, distribution plants, regional and district centres as well as sales offices and processing centres are spread over the whole of Baden-Württemberg. We also have sales offices throughout Germany. In addition, EnBW has shareholdings in Germany, Switzerland, Austria, Hungary, the Czech Republic and Poland.



[1] Operations ceased on 11 May 2005 as a result of the nuclear energy consensus.

Top issues

2007

January 2007

EnBW Kernkraft GmbH
On 1 January 2007, EnBW Kernkraft GmbH takes over the operation of the nuclear power plants in Neckarwestheim, Philippsburg and Obrigheim.

Shares of regional suppliers
EnBW acquires shares in Erdgas Südwest GmbH (ESW), ENSO Energie Sachsen Ost GmbH (ENSO) and GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG (GSWK) from Thüga AG. The acquisition increases EnBW AG's indirect shareholding in ESW from 51% to 79%, in ENSO from 50.4% to 64.8% and in GSWK from 23.5% to 100%.

Rheinfelden run-of-the-river power station
A small ground-breaking celebration marks the official start of the construction of the powerhouse of the new Rheinfelden run-of-the-river power station. EnBW subsidiary Energiedienst Holding AG is the building principal.

Innovation prize
For the third time, EnBW funds the innovation prize of German industry in the start-up segment. Cytonet GmbH & Co. KG wins the prize. In the large company segment, EnBW itself reaches the last round with its "EnBW EnyCity" project for an energy city of the future.

EnBW in virtual 3D world
EnBW is the first energy supplier to support a virtual 3D environment.

February 2007

Prof. Dr.-Ing. Hartkopf leaves EnBW
On 8 February 2007, Prof. Dr.-Ing. Thomas Hartkopf, Chief Technical Officer of EnBW, leaves the company of his own volition and on amicable terms.

Dispute about overhead line noise settled
Citizens of Grünkraut living in the direct vicinity of a 380 kV overhead line and EnBW reach agreements before the Stuttgart higher regional court which provide for retrofitting the lines in the areas affected by the end of 2008. Residents had filed an action against the noise made by the 380 kV overhead lines in certain weather conditions.

March 2007

Ratings confirmed
The rating agency Standard & Poor's confirms the long-term rating A- and the short-term rating A-2 of EnBW. The outlook is 'stable'.

Best corporate investor 2007
The journal 'portfolio institutionell' confers prizes on Germany's best investors in the 'portfolio institutionell Awards 2007'. EnBW is awarded the title 'Best Corporate Investor 2007'.

Near-surface geothermal network
EnBW Regional AG and the municipality of March-Hugstetten sign an agreement for the construction and operation of a near-surface geothermal network in the new housing estate in Neumatten.

Top employer for 2007
EnBW receives top ranking in the 'Top Arbeitgeber 2007' listing issued by the business magazine 'karriere' in collaboration with the geva-Institut and the Corporate Research Foundation.

April 2007

Foundation stone laid for EnBW City
In the Fasenhof-Ost industrial estate in Stuttgart-Möhringen, the foundation stone is laid for the central administration complex EnBW City. With pioneering techniques such as concrete core cooling and the use of geothermal power in combination with light domes, window shading, ventilation and cooling, the project sets new standards in energy efficiency.

IAEA: Philippsburg is a very good plant
At the presentation of the final report of the OSART Mission in the Philippsburg nuclear power plant, the International Atomic Energy Association confirms that, benchmarked against international standards, Philippsburg is a very good plant at which nuclear safety is accorded highest priority.

New waste boilers commissioned
Two new, highly efficient waste boilers are commissioned at the EnBW residual waste CHP plant in Stuttgart-Münster. The power station now has the capacity to treat 420,000 t of waste annually.

Innovations at the Hanover trade fair
At the 2007 Hanover Trade Fair, EnBW presents itself as pioneer and forerunner of the energy industry. With innovative exhibits and models, EnBW's key message is energy efficiency. EnBW is also the first energy company to open a virtual 3D environment, the EnBW EnergyPark.

New electricity products
As part of an initiative of the Federation of German Industries (BDI), EnBW offers new, long-lasting electricity products for industry. For example, collaboration with Deutsche Edelstahlwerke GmbH, the world market leader in the field of long stainless steel products, is reinforced by the conclusion of a long-term contract for a base load band. EnBW has been offering its household customers the "EnBW AktivPrivat online" product, one of the lowest tariffs in Baden-Württemberg, since February.

Customers receive award
In the Energy Efficiency Award conferred by Deutsche Energie-Agentur für Unternehmen for the first time, EnBW customers make the first three places.

Intelligent electricity meter
EnBW is the first energy provider in Germany to start testing the use of an intelligent electricity meter with internet connection as of April, with a total of 2,000 household customers. In September, Bad Schussenried (Biberach district) and Ostfildern (Esslingen district) are the first municipalities in Germany to test this new generation of meters. Via its new online portal, EnBW offers its customers the possibility of inspecting their invoice data, requesting information and dealing with the formalities that arise when moving house.

May 2007

Ratings confirmed
By confirming its A2/Prime-1 rating, the rating agency Moody's rates EnBW as a financially robust and efficient company with positive development potential and financial latitude.

Ground-breaking ceremony in Biberach
The foundation stone for the new administration building of EnBW in Biberach is laid. The new central location combines EnBW's real estate in Biberach.

Usage rights for subterranean gas storage facilities
EnBW signs an agreement for long-term usage rights for salt caverns for subterranean gas storage in the Etzel region (Lower Saxony).

Sale of U-plus
The German Antitrust Office approves the sale of the U-plus group to ALBA AG, a Berlin-based waste disposal company, thus giving legal effect to the decision of the EnBW Board of Management in April. EnBW has thus accomplished the last big step in its portfolio grooming.

On-the-spot energy advice
The EnBW Energy Truck starts on an energy advisory tour in Baden-Württemberg. Until year end, the people in 40 towns and communities will have the opportunity to find out more about saving energy and the electricity products of EnBW.

Great success for strip sponsor EnBW
VfB Stuttgart wins the German premier football league and is also the runner-up in the cup final. Karlsruher SC tops the second division table and is promoted to the premier division again for the first time in nine years.

June 2007

First biogas feeder
EnBW subsidiary Erdgas Südwest GmbH launches a pilot project which will put into operation Baden-Württemberg's first plant to feed processed biogas into the natural gas grid. The plant is scheduled to start operations in early 2008.

2007

Gas project: LNG terminal
EnBW signs a joint memorandum of understanding with 4Gas concerning the establishment of a strategic partnership in the LNG terminal project LionGas in Rotterdam. The declaration pertains to capacity rights and capital participation.

Family-friendly personnel policy
The charitable Hertie foundation awards EnBW the basic 'berufundfamilie®' certificate for its family-friendly personnel policy. The basic certificate is awarded following a company-wide audit of the compatibility of family and work.

EnBW TV ad launched
The new TV ad with Franz Beckenbauer is launched. The campaign aims to position EnBW as a pioneer and forerunner in the energy industry in the topics environmentally friendly energy, innovative ideas and energy-efficient cities.

July 2007

Personnel changes on the Board of Management
The EnBW Supervisory Board appoints Hans-Peter Villis CEO for a period of five years commencing 1 October 2007. Prof. Dr. Utz Claassen and the EnBW Supervisory Board had previously come to a mutual agreement that Prof. Dr. Utz Claassen's term of office as member of the Board of Management and CEO of EnBW would end as of 30 September 2007. Prof. Dr. Utz Claassen had declared in June 2007 that he would not be available for reappointment as of 1 May 2008 or for a renewal of his contract. Chief Operating Officer Pierre Lederer, who has been appointed member of the Board of Management until 2010, is appointed deputy chairman of the Board of Management of EnBW effective 1 October 2007. The Supervisory Board also reappoints Chief Human Resources Officer Dr. Bernhard Beck as a regular member of the Board of Management from 1 October 2007. Chief Financial Officer Dr. Christian Holzherr is reappointed as a regular member of the Board of Management, effective 1 January 2008.

Excellent customer service
The Verivox consumer portal gives the customer service of EnBW and Yello the top marks.

Successful conclusion of contracts: municipal customers
In a bid for tenders of the Association of the Municipalities of Baden-Württemberg, EnBW is awarded the contract to supply some 200 municipalities with more than 600 GWh of electricity in the period from 2008 to 2010. The state capital of Baden-Württemberg, Stuttgart, once again opts for electricity from EnBW; 25% of its electricity supplies will be generated from renewable energies.

August 2007

EnBW Klenk Holzenergie GmbH established
Klenk Holz AG and EnBW Energy Solutions GmbH establish EnBW Klenk Holzenergie GmbH as a joint venture. The company will operate the biomass CHP station at Klenk's Oberrot plant. The development and operation of further biomass-fired plants in the industrial environment is also planned.

September 2007

Vocational training
For the year 2007, EnBW again has considerably more trainees and apprentices than it needs. 334 young people start their vocational training in technical and office jobs as well as in combined courses of study at vocational colleges and universities of applied science. In early 2007, 164 young people successfully completed their training at EnBW; they were all offered employment agreements for at least twelve months. EnBW offered permanent positions to at least 20% of the apprentices and trainees who successfully completed their training. EnBW will provide 334 trainee positions and apprenticeships again in 2008, thus making an active contribution to the federal government's vocational training pact with industry

EnBW 2007 World Artistic Gymnastics Championships
The EnBW World Artistic Gymnastics Championships take place from 1 to 9 September for which EnBW is title and main sponsor.

Yello on expansion course
Yello evolves into an international electricity provider by launching an electricity product on the Swedish electricity market on 3 September 2007. Back in February, Yello had already successfully raised its number of customers to 1.3 million in Germany in the face of fierce competition.

Successful conclusion of contracts: industry
In the framework of Europe-wide cooperation within the EDF group, EnBW wins the German plants of the Riva group as new electricity customers. The delivery volume for 2008 to 2009 is around 3,500 GWh. As a continuation of the successful cooperation with DaimlerChrysler AG to date, EnBW signed an electricity supply agreement in August for the period from 2008 to 2010. Back in June, EnBW had already concluded comprehensive electricity supply agreements with Gesellschaft für Stromwirtschaft mbH, an amalgamation of energy-intensive industrial companies from the steel industry, and several companies from the Georgsmarienhütte group. EnBW had been awarded a contract by VW Kraftwerk GmbH for the energy supply of the Audi plants in Neckarsulm and Ingolstadt and the VW plants in Dresden and Zwickau in February.

October 2007

New Board of Management
Hans-Peter Villis takes up office as new CEO of EnBW on 1 October 2007. Chief Operating Officer Pierre Lederer is made deputy chairman of the Board of Management. Effective 1 October 2007, Dr. Hans-Josef Zimmer is appointed Chief Technical Officer by the Supervisory Board of EnBW.

Successful networks
EnBW continues the success story of the energy efficiency networks in 2007: the Franconia-Upper Palatinate, Weser-Ems and Donau-Alb networks are set up in Nuremberg, Hanover and Ulm. Each network consists of between 12 and 16 companies that want to develop sustainable measures together with EnBW to reduce their energy costs. This brings the total to five networks with 64 participating companies. Taking stock in the Ravensburg energy efficiency network shows how successful the work has already been. In the course of one year, the nine participating companies have reduced their annual energy consumption by 9 million kWh, thus avoiding 2.3 million t of CO_2 emissions per year.

Energy-efficient schools
Another part of the EnBW pilot project "Energy-efficient school renovations" was successfully brought to conclusion with the ceremony in which the building's energy pass was handed over to the Rheinstetten-Mörsch school centre. EnBW and the city of Stutensee successfully completed the modernisation of the school centre in Stutensee back in February. The innovative cooperation model promises savings potential of around 80% for electricity and 20% for heating energy.

Second German climate congress
EnBW holds the second German climate congress in Berlin. Under the title 'The economics of climate change', experts from science, politics and business address the implications of climate change. Nobel Peace Prize Laureate and former US Vice President Al Gore attends alongside Federal Foreign Minister Frank-Walter Steinmeier, the Prime Minister of the state of Baden-Württemberg Günther Oettinger and high-profile representatives from China, India and the USA.

Yello enters the gas market
Yello offers a truly innovative, unique product on the pilot markets Essen and Nuremberg: low-priced gas in conjunction with an online gas meter.

2007

OSART mission in the Neckarwestheim nuclear power plant
Upon completion of the three-week OSART mission, the head of the mission, Dominique Dubois, already confirmed ahead of publication of the official report that the Neckarwestheim nuclear power plant had achieved an excellent result measured against international standards.

November 2007

Competition simplified on the electricity market
By launching an internet platform for awarding intraday capacities, EnBW Transportnetze AG facilitates cross-border electricity trading between Germany, the Austrian Vorarlberg region and Switzerland. Authorised electricity brokers can obtain information from this platform about free transmission capacities in the extra-high voltage lines in the border area and book capacity that is available free of charge directly via the internet platform. This new automatic booking system is the first of its kind in Europe in terms of performance and flexibility.

Energy efficiency for companies
EnBW reinforces its lead in comprehensive corporate energy efficiency services ('360 degrees energy efficiency check') with a nationwide campaign in quality and business journals.

EnBW supports students and university chairs
EnBW launched a further cooperation programme with university chairs of selected universities and institutes of tertiary education in Stuttgart. The purpose of EnBW's research and subsidy programme is to seek innovative solutions and technical possibilities through intensive cooperation with university institutes. At the same time, it is seen as a way of recruiting high potentials.

No damages payable to Thermoselect
The Karlsruhe Higher Regional Court rejected Thermoselect's claim for damages of € 581 million.

December 2007

Karlsruhe city council gives the all-clear for RDK 8
The city council of Karlsruhe approves the local development plan for the hard coal power station planned on the Rheinhafen site by a large majority. The approval is one key condition for construction of this state-of-the-art power station unit. Intensive talks were held between EnBW and the city committees and a much lower emission load than originally planned was agreed ahead of the approval. EnBW will cut the annual loads for nitrogen oxides, particulate matter and carbon monoxide roughly by half through cost-intensive optimisation of flue gas dust collection plants when building the new hard coal unit.

Test plant for highly efficient CO_2 capture
In close cooperation with the University of Stuttgart, EnBW also promotes the development of an innovative process for capturing carbon dioxide from flue gases at power stations using ordinary lime as a carbon dioxide carrier. Work has already started on the four-year research project. Construction of the test plant is scheduled for completion with a thermal output of 200 kW by the end of 2008. More efficient carbon dioxide capture processes constitute a necessary and significant expansion of research activities for climate-friendly conventional power stations. The development of this new process gives EnBW the lead in this field.

Rapeseed oil CHP unit built in Herbolzheim
EnBW Regional AG and EnBW Energy Solutions GmbH commission a combined heat and power (CHP) unit in Herbolzheim. With an output of 150 kW_{el} and 210 kW_{th}, the CHP unit will generate 675 MWh of electricity and 954 MWh of heat a year in the efficient cogeneration process. Rapeseed oil from local production will be used as fuel. This sustainable energy concept will help to save some 600 t CO_2 each year.

2008

GKM 9 construction project initiated
The supervisory board of Grosskraftwerk Mannheim AG, in which EnBW Kraftwerke AG has a shareholding of 32%, has decided to continue the new hard coal construction project GKM 9. This includes the approval process and initiating the corresponding preparatory measures for the construction work.

Third regional office opened
With regional offices in Tübingen and Friedrichshafen, EnBW Vertriebs- und Servicegesellschaft mbH opens its third office in Ravensburg, offering its customers central ports of call in key distribution territories.

Top positions for EnBW and Yello
EnBW and Yello make first place by a wide margin in the TeleTalk journal's ranking of customer service.

Successful franchise negotiations
Since the start of franchise negotiations with the municipalities in 2005, more than half of the franchises have successfully been renewed by the municipalities in the face of increasing competition. The regional roots and presence of EnBW Regional AG throughout Baden-Württemberg as well as the model franchise agreement concluded with the Association of Municipalities, the Association of the Cities and Towns in Baden-Württemberg and the municipal shareholder associations form an important basis for the successful negotiations.

January 2008

Innovation prize
For the fourth time in a row, EnBW funds the innovation prize of German industry, this year in the SME segment. The prize is awarded to LIMO Lissotschenko Mikrooptik GmbH. In the large company segment, EnBW itself reaches the last round with its project on intelligent systems platforms for energy services of the future.

Innovative CO_2 geothermal ground probe commissioned
EnBW officially commissions a 250 metre CO_2-filled geothermal ground probe in Triberg in the Black Forest. It is the longest geothermal ground probe of its kind. The aim of this project is to enable the use of near-surface geothermal heat even in those places where the use of conventional geothermal ground probes is currently not permitted for groundwater protection reasons.

Important award for EnBW's sponsoring activities
EnBW 2007 World Artistic Gymnastics Championships came second in the 2008 marketing prize for sport, which is awarded for outstanding projects in the sports business.

Bond issued on the Swiss capital market
Via its subsidiary EnBW International Finance B.V., EnBW issues a bond totalling CHF 300 million with a fixed term of five years. The date of issue will be 25 February 2008.

Integrated energy supply in Stade
Dow Deutschland Anlagengesellschaft mbH (Dow Stade), Werk Stade and EnBW want to collaborate in the development of an integrated energy concept for Stade. The collaboration will include the development, construction and operation of an integrated energy supply consisting of the combination of a state-of-the-art hard coal power station and a gas and steam turbine power station with a total output of 1,000 MW.

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Board of Management and Supervisory Board

Letter to our shareholders

Dear shareholders, investors and friends of EnBW,

For EnBW Energie Baden-Württemberg AG, 2007 was a positive fiscal year. We not only achieved the targets we had set ourselves; in some respects, we even exceeded them. Revenue rose by 14.4 per cent to € 14,712 million. Earnings performed very well. Despite the, in some cases, dramatic changes in the regulatory environment in the grid area and a drop in unit sales of gas, mainly due to the weather, the key performance indicators improved.

- EBITDA increased compared to 2006 by 2.8 per cent to € 2,336 million. EBIT rose in the same period by 7.4 per cent to € 1,559 million.

- Group net profit improved by 35.1 per cent to € 1,514 million. The adjusted group net profit, in relation to the profit shares attributable to the equity holders of EnBW AG, rose year-on-year by 11 per cent to € 821 million.

- Capital expenditures on intangible assets and property, plant and equipment totalled € 816 million; this is an increase of € 186 million or 29.5 per cent. Some 69.7 per cent of these capital expenditures was made in the electricity segment. Spending here focused on the expansion of the power stations and distribution plants.

- As a result of the improvement in EBITDA and the reduction in working capital, the cash flow from operating activities rose by 6.3 per cent to € 1,559 million. The increase in capital expenditures on intangible assets and property, plant and equipment reduced the free cash flow by € 174 million to € 853 million.

- ROCE reached 16.4 per cent in 2007, exceeding our pre-tax WACC of 9 per cent. The value added increased by € 839 million or 3 per cent. We were pleased to see that all of EnBW's segments – electricity, gas and energy and environmental services – made a positive contribution to value added in 2007.

Hans-Peter Villis
Chairman of the Board of Management

The positive development also improved the group's balance sheet composition. The equity ratio, including minority interests, rose from 16 per cent (as of 31 December 2006) to 21.1 percent as of year-end 2007. In addition, net financial liabilities were reduced further. In a year-on-year comparison, they decreased by 17.3 per cent to € 2,972 million.

I am delighted that the good performance in the past year allows us to propose to the annual general meeting that a dividend of € 1.51 per share be distributed. For our shareholders, this means that the dividend will be 32.5 per cent higher than in the prior year.

The basis for this continuing success story of EnBW's is that our corporate culture is characterised by an entrepreneurial mindset. EnBW is all for competition and plays an active role in it. This is demonstrated by the way we have continually expanded our position on the German market, despite fiercer competition. Our Yello electricity brand, for instance, won 200,000 new customers (net) in the past fiscal year. Yello now has more than 1.4 million customers in total. We want to continue along this course for growth. We are aiming to win another 200,000 new customers (net) in the next few years. And besides Yello, our other brands have also held their own very well in the face of competition.

Expansion is also the prime target for our gas segment. We experienced fiercer competition in the gas business in 2007, a development to which the two-contract model for gas grid access within the market territories largely contributed. We expect conditions on the gas market to continue to change.

In order to seize the opportunities for growth as they arise, we have started to bring our gas business into line with the changed market environment. The downstream business was reinforced, among other things, by our purchasing more shares in Erdgas Südwest GmbH. Moreover, we are planning to expand the midstream business. Our efforts here will focus on expanding storage capacity and concluding import contracts. EnBW's long-term targets are to achieve independence in procurement and reliable access to the necessary transmission and storage infrastructure. Securing the long-term usage rights for salt caverns for subterranean gas storage in the Etzel region (Lower Saxony) is another part of our strategy, which we will implement in cooperation with our major shareholder Electricité de France.

On aggregate, we have budgeted a spending volume of € 7.6 billion for the period 2008 – 2010: € 4.6 billion for capital expenditures on intangible assets and property, plant and equipment, and € 3 billion for financial investments. Capital expenditures will focus on generation, gas and grids. Despite the increasingly adverse climate for capital investments, we want to retain and expand our value added in Germany. We are investing in supply reliability and thereby also securing jobs in Germany and assuming responsibility for ensuring the efficient generation of energy and energy supply.

> The RDK 8 hard coal unit planned by EnBW at the Rheinhafen thermal power station in Karlsruhe demonstrates that CO_2 emissions per ton of coal used can be reduced considerably by increasing energy efficiency, for example by district heating extraction.

> Cooperation with industrial partners will play a greater role to compensate for generation capacities lost. One good example could be the cooperation and the power station project planned with Dow Deutschland Anlagengesellschaft mbH (Dow Stade), Werk Stade and EnBW.

> The share of renewable energies used to generate electricity at EnBW will be increased significantly in the next few years.

> EnBW will continue to advocate the use of nuclear power as a technology of the future. For us, nuclear power is a reliable, safe and climate-friendly form of generating electricity. Accordingly, EnBW filed an application for transfer of the residual electricity quantities to our Neckarwestheim nuclear power plant in December 2006.

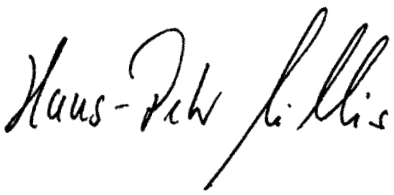
Climate change has triggered a public debate on the way to go in energy policy. Yet it must also be clear that we will still need conventional large power stations to achieve an energy mix geared towards supply reliability and competitiveness. This also applies for grid technology reasons. And we cannot do without nuclear power, at least not in the interim, without jeopardising the ambitious climate protection targets in Germany. Our objective is to achieve a balanced energy mix, and it will remain this way.

Even if the public debate is not always rational, EnBW must participate in it. The Third Energy Liberalisation Package presented by the European Commission is a case in point. This package provides for extensive changes on the single electricity market and the single gas market. The proposals focus on further unbundling provisions for vertically integrated companies. In this way, the European Commission favours segregation of the transmission grids via ownership unbundling. We do not agree with this approach.

The energy industry is facing great challenges. And our growth and investment goals are also ambitious. The focus is on Germany, although other European countries, including in particular eastern and south-eastern Europe, will be potential targets for investments. We are aiming to achieve alliances in Turkey, where hydro-electric power plays a major role. The strategy in coming years will thus be to prioritise investments involving a high capital outlay. These are subject to the condition that they will contribute to the long-term, value-based growth of EnBW.

We are looking to the new fiscal year 2008 with optimism. We want to continue to improve on all key operating indicators. For 2008, we have set ourselves the target of adjusted EBIT above prior-year level and a further increase in value added. EnBW has a motivated and competent team, who also see the current political and regulatory risks as an opportunity. I would like to thank this team for all their good work and commitment. The good result for 2007 could not have been achieved without EnBW's employees.

Yours sincerely,



Hans-Peter Villis
Chairman of the Board of Management

Karlsruhe, February 2008

Board of Management

Hans-Peter Villis
Born 1958 in Castrop-Rauxel
Chairman of the Board of Management
Chief Executive Officer
since 1 October 2007
Appointed until 30 September 2012
Castrop-Rauxel

Pierre Lederer
Born 1949 in Paris
Deputy chairman of the Board of
Management since 1 October 2007
Member of the Board of Management
since 1 June 2000
Chief Operating Officer
since 1 May 2003
Appointed until 31 May 2010
Karlsruhe

Dr. Bernhard Beck, LL.M.
Born 1954 in Tuttlingen
Member of the Board of Management
and Chief Human Resources Officer
Chief Human Resources and Information
Officer since 1 October 2002
Appointed until 30 September 2012
Leonberg

Prof. Dr. Utz Claassen
Born 1963 in Hanover
Chairman of the Board of Management
Chief Executive Officer
from 1 May 2003 to 30 September 2007
also Chief Financial Officer
from 4 July 2003 to 31 December 2004
Hanover/Stuttgart

Prof. Dr.-Ing. Thomas Hartkopf
Born 1948 in Solingen
Member of the Board of Management
Chief Technical Officer
from 1 November 2002 to
8 February 2007
Leimen

Dr. Christian Holzherr
Born 1963 in Tübingen
Member of the Board of Management
Chief Financial Officer
since 1 January 2005
Appointed until 31 December 2010
Stuttgart

Dr. h. c. Detlef Schmidt
Born 1944 in Döbern
Member of the Board of Management
Chief Marketing and Sales Officer
since 1 July 2003
Appointed until 30 June 2008
Gifhorn/Karlsruhe

Dr. Hans-Josef Zimmer
Born 1958 in Merzig
Member of the Board of Management
Chief Technical Officer
since 1 October 2007
Appointed until 30 September 2010
Steinfeld (Rhineland-Palatinate)

As of 8 February 2008

Report of the Supervisory Board

Dr. Claus Dieter Hoffmann
Chairman of the Supervisory Board

In the fiscal year 2007, the Supervisory Board performed the tasks required of it by law and the articles of incorporation and bylaws. It advised the Board of Management and monitored the company's management. The Supervisory Board was involved directly in all decisions of fundamental importance for EnBW. It was kept informed regularly, promptly and comprehensively by oral or written reports from the Board of Management of the current development of business, all significant aspects of corporate strategy and planning, the economic situation of the company and the group as well as the risk situation, risk management and compliance. The Board of Management also reported on variances between the actual business development and the previously formulated plans and targets and explained the reasons in each case.

Key topics of the board meetings

At five ordinary meetings held on 19 February, 25 April, 5 July, 26 September and 6 December 2007, two extraordinary meetings on 24 August and 15 October 2007 and four circulation resolutions, the Supervisory Board dealt in depth with oral and written reports as well as draft resolutions of the Board of Management. In addition, it requested reports and details from the Board of Management on specific topics. These were provided immediately and comprehensively in each case. The key topics of the discussions and resolutions passed at board meetings were:

- Regular in-depth reports of the Board of Management on the current development of sales and earnings as well as the financial position of the group;
- Approval of the acquisition of shares in Erdgas Südwest GmbH, Energie Sachsen Ost GmbH, Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG and its general partner, as well as DREWAG Stadtwerke Dresden GmbH from Thüga AG;
- Further expansion of the gas segment in the midstream area, and in particular approval for implementation of the natural gas storage project in Etzel as well as discussion of the next steps in the LionGas LNG terminal project in Rotterdam;
- Various strategic growth projects of EnBW, and in particular participation in the invitation to tender for a shareholding in Stadtwerke Leipzig GmbH;
- Approval of the sale of the minority interests held in DIW Deutsche Industriewartung AG;
- Closure of the ISKA® plants in Buchen and Heilbronn, approval of the conclusion of the requisite substitute disposal agreements and approval of the sale of the U-plus group to ALBA AG;
- Progress made in the approval process for the construction of the new RDK 8 hard coal power station in Karlsruhe and other projects initiated as part of the energy generation strategy;

- Approval of the sale of a large piece of real estate in Stuttgart, of modernisation measures for an administrative building in Esslingen and the construction of an office building in Heilbronn;

- Approval of the adjustment of the strategic asset allocation and of a global facility for short-term bank lines;

- Composition of the Board of Management: appointment of two new board members, appointment of a new chairman and deputy chairman of the Board of Management and extension of the terms of office of two board members;

- Competitive environment in Germany and on the company's home market Baden-Württemberg, in particular the positioning of the range of EnBW brands and products as part of the sales strategy;

- Current topics relating to the generation of nuclear power, EnBW's petition for transfer of residual electricity quantities to the GKN I nuclear power plant and the action filed against the Federal Ministry for the Environment for failure to act in this context;

- Number of suggested reforms discussed in Germany and at European level in the field of energy, environmental and antitrust policy, and their impact on EnBW's strategic orientation;

- Introduction of a programme for continuous optimisation of the operating process within the EnBW group;

- Status of major court cases, in particular the legal proceedings involving EnBW and the Thermoselect group as well as actions filed subsequent to the annual general meeting on 26 April 2007, for the provision of information, in particular, contesting resolutions passed by the annual general meeting and a petition for declaratory judgment of the invalidity of the separate and consolidated financial statements as of 31 December 2006;

- Approval of the budget for the 2008 fiscal year and acknowledgement of the mid-term planning PR0810 consisting of income statement, balance sheet, investment planning and the cash flow statement.

Between its meetings, the Supervisory Board was kept informed by the Board of Management in writing of major decisions and business developments. In addition, the chairman of the Supervisory Board maintained regular contact with the Board of Management, above all with its chairman, and discussed key aspects of strategy, business development, major individual measures and risk management topics.

A large majority of the supervisory board members attended all supervisory board meetings. Only supervisory board members Gerhard Stratthaus and Dr.-Ing. Gérard Wolf attended less than half of the supervisory board meetings in fiscal 2007.

Prof. Joachim Bitterlich, Executive Vice President International Affairs at Veolia Environnement SA, has been a member of EnBW's Supervisory Board since 25 April 2003. One of the business units of Veolia participated in EnBW's invitation to tender for the sale of the U-plus group, on the one hand, and, on the other, alongside EnBW and other competitors in the tender process for the acquisition of a shareholding in Stadtwerke Leipzig GmbH. In order to prevent any conflict of interests arising temporarily in the course of these tender processes, Prof. Bitterlich issued a statement to the Supervisory Board declaring that, as a member of the Supervisory Board, he would not participate in the Supervisory Board meetings or resolutions on these topics or their preparation and asked not to be sent any draft resolutions, reports or the relevant sections of minutes of meetings as long as Veolia was involved in the tender process. This procedure was adopted. In addition, he declared that he would come to an agreement with the chairman of the Supervisory Board on how to deal with any concrete conflicts of interest should they arise. However, this was not necessary as no concrete conflict of interests arose. The sale of the U-plus group has been completed in the meantime; ALBA AG is the new owner. The invitation to tender for the shares in Stadtwerke Leipzig GmbH was also closed because a local referendum initiated against the city of Leipzig's plans to sell the shares was successful.

Work of the committees

The committees established by the Supervisory Board met regularly in the past year, assisting it in the efficient performance of its duties. The members of the committee are listed in the annual report on page 29. At the start of each Supervisory Board meeting, the committee chairs reported extensively on the work of the committees.

At six meetings and in two circular resolutions, the committee for management board matters dealt with the future composition of the Board of Management and the board remuneration system in particular. The committee members prepared a basis for the appointment decisions of the Supervisory Board and adopted resolutions on the conclusion of new or the extension of existing service contracts for members of the Board of Management.

The finance and investment committee met five times in the fiscal year 2007. It took an in-depth look at EnBW's financial, liquidity and earnings situation, discussed the budget and mid-term planning and prepared a basis for the Supervisory Board's investment decisions.

The audit committee had three meetings, concentrating on questions relating to accounting, risk management, compliance and cooperation with the independent auditor. In the presence of the auditor, the committee took an in-depth look at the interim financial report and analysed the separate and consolidated financial statements, in preparation for the meeting of the Supervisory Board to discuss the financial statements. It had previously obtained the independence declaration required by the German Corporate Governance Code from the auditor, engaged it to audit the financial statements, negotiated the fee volume and determined the focal points of the audit.

The ad-hoc committee for the review of board liability claims against former members of the Board of Management met once in the fiscal year 2007. The committee was asked to check whether the acquisition of the 29.9% stake in Stadtwerke Düsseldorf AG in 2001 had been in contravention of a Supervisory Board resolution. To prevent any claim becoming statute-barred, an action for declaratory judgment was filed against the former member of the Board of Management Gerhard Jochum in June 2006. At their meeting for the fiscal year 2007, committee members debated the current status and further steps.

In light of the new recommendation set forth in para. 5.3.3 of the German Corporate Governance Code, the Supervisory Board set up an additional nomination committee. The committee is made up of six shareholder representatives and will meet for the first time ahead of the 2008 annual general meeting to suggest candidates for the Supervisory Board to propose to the annual general meeting for election. The committee was also entrusted with the task of passing the resolutions under Sec. 32 of the German Co-determination Act (MitbestG) on behalf of the shareholder representatives on the Supervisory Board.

The mediation committee created in accordance with Sec. 27 (3) of the German Co-determination Act did not have to be convened in the reporting period.

Corporate governance

The Supervisory Board again dealt with corporate governance questions on several occasions in the fiscal year 2007. The details are given in the corporate governance report on pages 30 – 39 of the annual report.

The annual efficiency inspection of the Supervisory Board was on the agenda for the meeting in April, which was held in the absence of the members of the Board of Management. At length, the Supervisory Board discussed various ways of optimising its work further.

At its meeting in December, the Supervisory Board studied the amendments of the German Corporate Governance Code as of 14 June 2007, and their implications for EnBW. One of the major decisions was to establish a nomination committee within the Supervisory Board in compliance with the new recommendation set forth in para. 5.3.3 of the Code.

At its meeting on 6 December 2007, the Supervisory Board received the report of the corporate governance officer and issued the declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 of the German Stock Corporations Act (AktG). The Board of Management had previously issued an identical declaration at its meeting on 20 November 2007. In the fiscal year 2007, EnBW complied with all the recommendations of the amended Code in full and intends to continue to do so in future.

The most recent declaration of compliance is made available permanently to the shareholders on EnBW's internet pages together with the declarations of prior years and is reprinted in full in the corporate governance report on page 39 of the annual report.

Audit of the separate and consolidated financial statements

The annual general meeting elected Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart (Ernst & Young AG), as auditor for the separate financial statements and the consolidated financial statements and as independent auditor for the review of the condensed financial statements contained in the six-monthly financial report. The audit committee then engaged the independent auditor in writing to audit the separate and the consolidated financial statements as well as to review the condensed financial statements, and interim management report contained in the six-monthly financial report and determined the focal points for the audit of the separate financial statements and the consolidated financial statements.

As requested, Ernst & Young AG reviewed the condensed financial statements and interim management report contained in the six-monthly financial report as of 30 June 2007, and issued an unqualified review report thereon in accordance with the provisions of the German Securities Trading Act (WpHG). Having made their presentation available in time ahead of the meeting of the audit committee on 7 August 2007, the auditor reported on its audit work and the results of the audit and answered questions from the committee members. No objections were raised by the committee members against the report.

Based on the audit focus defined by the audit committee and including the accounting records, Ernst & Young AG audited the financial statements of EnBW Energie Baden-Württemberg AG as of 31 December 2007 prepared by the Board of Management in accordance with the German Commercial Code (HGB) and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as well as the combined management report. The audits did not give rise to any objections and an unqualified opinion was rendered in each case. The auditor also subjected the monitoring system established by the Board of Management for the early detection of risks to a thorough review in accordance with Sec. 91 (2) of the German Stock Corporations Act (AktG). The auditor confirmed that it fulfils its purpose.

The draft audit reports issued by the independent auditor on the separate financial statements and on the consolidated financial statements (including the combined management report) – each containing a copy of the financial statements – as well as the proposal put forward by the Board of Management for the appropriation of profits were initially sent to the members of the audit committee in advance of the committee meeting of 8 February 2008. At that meeting, the auditor reported on the main results of its audit and was available to answer questions from committee members. The audit committee took an in-depth look at the documents provided relating to the financial statements and the audit reports, did not raise any objections and recommended that the Supervisory Board ratify the financial statements and the combined management report, and approve the proposal of the Board of Management for the appropriation of profits.

Following the detailed examination by the audit committee, the audit reports issued and related documents as well as the proposal for the appropriation of profits were made available to all Supervisory Board members in good time before the Supervisory Board's closing meeting on 18 February 2008. At the meeting, the auditor reported on the main results of its audit and was available to answer questions from board members. In addition, the chair of the audit committee gave a detailed report on the deliberations and outcome of the audit committee meeting. He was also available to answer any questions from the other board members. The Supervisory Board took the findings of the auditor and the audit committee into account in its subsequent work.

Having thus performed its own review of the separate and consolidated financial statements as of 31 December 2007, the combined management report and the Board of Management's proposal for the appropriation of profits, the Supervisory Board did not have any objections to raise. It agreed with the audit results presented by the independent auditor, approved the separate financial statements prepared by the Board of Management as of 31 December 2007 – which have thus been ratified – and the consolidated financial statements as of 31 December 2007, and agreed with the Board of Management's proposal for the appropriation of profits.

The report prepared by the Board of Management pursuant to Sec. 312 of the German Stock Corporations Act on the relations of the company to affiliated companies (dependent company report) was reviewed by Ernst & Young AG. The independent auditor issued the following opinion on 8 February 2008:

"Based on our audit and assessment in accordance with professional standards, we confirm that

> 1. the actual disclosures contained in the report are correct,

> 2. the payments made by the company in connection with transactions detailed in the report were not unreasonably high."

The draft dependent company report was sent to the members of the audit committee together with the other audit reports in good time before their meeting on 8 February 2008, and was reviewed by them. At that meeting, the audit committee discussed the dependent company report in detail. The independent auditor presented its report on the main results of the audit and was available to answer questions from committee members. Having conducted its own review, the audit committee did not raise any objections against the dependent company report. The dependent company report was made available for inspection by the Supervisory Board members in good time. The auditor also participated in the discussion of the report – which took place at the closing meeting on 18 February 2008 – and reported on any significant audit findings. The Supervisory Board acknowledged the assessment of the independent auditor and also conducted its own review of the dependent company report for completeness and accuracy. Based on the results of its own review, the Supervisory Board came to the conclusion that it was in agreement with the findings made by the auditor and there were no objections to the declaration of the Board of Management made at the end of the report on the relations to affiliated companies.

Personnel changes on the Board of Management and the Supervisory Board

Board of Management

There were various changes concerning individual members of the Board of Management over the past fiscal year. Prof. Dr.-Ing. Thomas Hartkopf, who had been a member of the Board of Management and Chief Technical Officer since 1 November 2002, stepped down on 8 February 2007. The segments and group companies allocated to his portfolio were passed on to the five other members of the Board of Management. At its meeting on 26 September 2007, the Supervisory Board elected Dr. Hans-Josef Zimmer as member of the Board of Management effective 1 October 2007 for a period of three years. Dr. Zimmer had previously been on the management board of EnBW Kraftwerke AG and chaired the management of EnBW Kernkraft GmbH, and assumed responsibility for the technology portfolio on EnBW's Board of Management.

In addition, Prof. Dr. Utz Claassen, chairman of the Board of Management since 1 May 2003 as well as Chief Financial Officer from 4 July 2003 to 31 December 2004, stepped down on 30 September 2007. The Supervisory Board appointed Hans-Peter Villis, previously deputy CEO and CFO of E.ON Nordic AB in Sweden, member and chairman of the Board of Management effective 1 October 2007 for a period of five years. The Supervisory Board would like to thank Prof. Dr. Claassen and Prof. Dr.-Ing. Hartkopf for their great personal commitment and the work they have done in the interest of the company and express its particular appreciation of the success achieved by Prof. Dr. Claassen in the corporate restructuring.

The Supervisory Board decided at its meeting on 5 July 2007 to extend Dr. Bernhard Beck's appointment until 30 September 2012 and Dr. Christian Holzherr's appointment until 31 December 2010. In addition, Pierre Lederer, member of the Board of Management since 1 June 2000 and Chief Operating Officer, was appointed deputy chairman of the Board of Management effective 1 October 2007 for the term of his office ending on 31 May 2010.

Supervisory Board
There were also several personnel changes to the Supervisory Board in the course of the fiscal year 2007. Siegfried Tann, district administrator of the Lake Constance district, retired and therefore stepped down as Supervisory Board member at the close of the annual general meeting on 26 April 2007. At the annual general meeting, Heinz Seiffert, district administrator of the Alb-Donau district, was elected as his successor, and the court appointment of Kurt Widmaier and Dr.-Ing. Gérard Wolf as substitute Supervisory Board members was confirmed by election.

Rolf Gillé, former chairman of the central works council of the former group company U-plus Umweltservice AG, left the Supervisory Board at the close of the day on 16 May 2007 after EnBW had sold the company. Klaus Schörnich, chairman of the works council of the group company Stadtwerke Düsseldorf AG, was appointed member of the Supervisory Board by resolution of the Mannheim district court effective 13 June 2007.

Having reached retirement age, Alfred Wohlfart, former deputy regional director at ver.di in Baden-Württemberg, and Willi Fischer, district administrator of the Zollernalb district, retired from the board on 5 July 2007 and 26 September 2007, respectively. By resolution of the Mannheim district court, Werner Vorderwülbecke, regional department head at ver.di for Baden-Württemberg, and Dirk Gaerte, district administrator of the Sigmaringen district, were appointed to the Supervisory Board effective 6 July 2007 and 27 September 2007, respectively. The appointment of Dirk Gaerte was limited in time until the next annual general meeting.

The Supervisory Board would like to thank all members who have left the board for their valuable work and the constructive working relationship over the past years.

The Supervisory Board would like to thank the Board of Management and all employees of the EnBW group for their great personal commitment and the successful work in the fiscal year 2007.

Karlsruhe, 18 February 2008
The Supervisory Board

Dr. Claus Dieter Hoffmann
Chairman

Supervisory Board

Dr. Claus Dieter Hoffmann, Stuttgart
Managing partner of H + H Senior Advisors GmbH
Chairman

Dietrich Herd, Philippsburg
Chairman of the central works council of EnBW Kraftwerke AG
Deputy chairman

Prof. Joachim Bitterlich, Paris
Directeur des Affaires Internationales at Veolia Environnement SA

Marc Boudier, Sèvres
Directeur Europe at Electricité de France SA

Dr. Daniel Camus, Croissy-sur-Seine
Directeur Général Délégué Finances at Electricité de France SA

Dirk Gaerte, Sigmaringendorf
District administrator of the Sigmaringen district
Member since 27 September 2007

Josef Götz, Stuttgart
Chairman of the central works council of EnBW Regional AG

Reiner Koch, Glienicke/Nordbahn
Responsible for supply and waste disposal divisions at ver.di head office

Marianne Kugler-Wendt, Heilbronn
Regional director at ver.di, Heilbronn-Neckar-Franconia district

Wolfgang Lang, Karlsruhe
Chairman of the central works council of EnBW Systeme Infrastruktur Support GmbH

Gérard Roth, Bois d'Arcy
Directeur Allemagne at Electricité de France SA

Klaus Schörnich, Düsseldorf
Chairman of the works council of Stadtwerke Düsseldorf AG
Member since 13 June 2007

Heinz Seiffert, Ehingen
District administrator of the Alb-Donau district
Member since 26 April 2007

Gerhard Stratthaus MdL, Brühl
Finance minister of the state of Baden-Württemberg

Werner Vorderwülbecke, Stuttgart
Regional department head at ver.di, Baden-Württemberg
Member since 6 July 2007

Christoph Walther, Langebrück
Deputy chairman of the works council of ENSO Strom AG

Dietmar Weber, Esslingen
Chairman of the central works council of EnBW Vertriebs- und Servicegesellschaft mbH

Kurt Widmaier, Ravensburg
District administrator of the Ravensburg district

Dr.-Ing. Gérard Wolf, Paris
Directeur Général Adjoint Filiales et Développement à l'International at Electricité de France SA

Dr. Bernd-Michael Zinow, Pfinztal
Responsible for regulation and compliance at EnBW Energie Baden-Württemberg AG

Willi Fischer, Meßstetten
Former district administrator of the Zollernalb district
Member until 26 September 2007

Rolf Gillé, Stuttgart
Former chairman of the central works council of U-plus Umweltservice AG
Member until 16 May 2007

Siegfried Tann, Friedrichshafen
Former district administrator of the Lake Constance district
Member until 26 April 2007

Alfred Wohlfart, Ulm
Former deputy regional director at ver.di, Baden-Württemberg
Member until 5 July 2007

As of 8 February 2008

Committees of the Supervisory Board

Committee for management board matters

Dr. Claus Dieter Hoffmann
Chairman

Marc Boudier

Josef Götz

Dietrich Herd

Finance and investment committee

Dr. Claus Dieter Hoffmann
Chairman

Marc Boudier

Dr. Daniel Camus

Josef Götz

Dietrich Herd

Werner Vorderwülbecke
Member since 6 July 2007

Kurt Widmaier

Alfred Wohlfart
Member until 5 July 2007

Dr. Bernd-Michael Zinow

Audit committee

Dr. Daniel Camus
Chairman

Marc Boudier

Willi Fischer
Member until 26 September 2007

Marianne Kugler-Wendt

Wolfgang Lang

Heinz Seiffert
Member since 26 April 2007

Siegfried Tann
Member until 26 April 2007

Christoph Walther

Dietmar Weber

Kurt Widmaier
Member since 27 September 2007

Nomination committee (since 6 December 2007)

Dr. Claus Dieter Hoffmann
Chairman

Marc Boudier

Dr. Daniel Camus

Gérard Roth

Heinz Seiffert

Kurt Widmaier

Ad-hoc committee for the review of board liability claims against former members of the Board of Management

Prof. Joachim Bitterlich

Willi Fischer
Member from 26 April 2007
until 26 September 2007

Dietrich Herd

Siegfried Tann
Member until 26 April 2007

Kurt Widmaier
Member since 27 September 2007

Dr. Bernd-Michael Zinow

Mediation committee (committee pursuant to Sec. 27 (3) German Co-determination Act (MitbestG))

Dr. Claus Dieter Hoffmann
Chairman

Marc Boudier

Rolf Gillé
Member until 16 May 2007

Dietrich Herd

Klaus Schörnich
Member since 6 July 2007

As of 8 February 2008

Corporate governance report

At EnBW, great importance is attached to responsible and transparent management and control geared to adding value in the long term. The German Corporate Governance Code provides guidance on how to build the trust placed in the company by shareholders, customers, employees as well as the general public. Corporate governance topics thus figured on the agenda of the Board of Management and Supervisory Board on various occasions throughout the past fiscal year, including above all the amended version of the German Corporate Governance Code, published 14 June 2007.

As in past years, the corporate governance officer at the level of the Board of Management, Dr. Bernhard Beck, monitored compliance at EnBW with the German Corporate Governance Code and reported extensively on relevant corporate governance topics to the Board of Management and the Supervisory Board. Both boards acknowledged his report and thereupon issued an unconditional declaration of compliance for the fiscal year 2007 that is reprinted on page 39.

Management and control structure

Close cooperation between the Board of Management and the Supervisory Board in the interest of the company is a central part of EnBW's corporate culture. The Board of Management has sole responsibility for steering the company and in regular, in-depth reports keeps the Supervisory Board up to date with current business developments as well as all issues relevant to the planning, performance, risk situation and risk management. In the interest of good compliance, the Board of Management ensures that the law and corporate guidelines are observed within the EnBW group and reports to the Supervisory Board on major compliance topics.

In line with the dual management and control structure prescribed by the German Stock Corporations Act (AktG), the main duty of the Supervisory Board is to continuously advise and monitor the Board of Management in the governance of the company. The Supervisory Board provides detailed information about the focus of its work and deliberations in the past fiscal year in its report on pages 22 – 27.

Due to the changes in its composition, the Supervisory Board again dealt with the independence criteria of the German Corporate Governance Code in the fiscal year 2007 and reached the conclusion that these are satisfied, as in the past. Importantly, EnBW does not have any former members of the Board of Management on the Supervisory Board. In addition, there were no consulting or other service agreements between members of the Supervisory Board and the company in the reporting year.

In the interest of enhancing the efficiency of its work and when dealing with complex matters, the Supervisory Board created committees with appropriately qualified members; for their composition please refer to page 29. Alongside the mediation committee, the committee for management board matters, the finance and investment committee and an ad-hoc committee, EnBW also has an audit committee that was set up to deal with compliance issues some years ago. This committee is chaired by Dr. Daniel Camus who, as the CFO of EDF and acknowledged finance expert, possesses specific knowledge and experience with the application of accounting principles and internal control systems.

In accordance with a new recommendation of the Code, the shareholder representatives on the Supervisory Board set up a nomination committee. It consists of the Supervisory Board chairman and five other shareholder representatives and is responsible for proposing suitable candidates to the Supervisory Board for its proposal to the annual general meeting as well as for adopting the resolutions under Sec. 32 of the German Co-determination Act (MitbestG) on behalf of the Supervisory Board's shareholder representatives. When proposing candidates, the Supervisory Board pays attention to the fact that they are not older than 70 years when elected. This age limit can be disregarded in individual cases if the Supervisory Board does not have any doubts as to that person's suitability and the election appears to be in the interest of EnBW.

An age limit of 63 years was set for the members of the Board of Management. The term of office may not exceed five years, and it is usually less for members of the Board of Management when appointed for the first time. Based on the preparatory work by the committee for management board matters, the Supervisory Board appointed Hans-Peter Villis as member and chairman of the Board of Management and Dr. Hans-Josef Zimmer as Chief Technical Officer in the past fiscal year. Hans-Peter Villis was appointed for a five-year term in respect of his 20 years' experience in executive positions of various companies in the energy industry and his appointment as CEO. Dr. Hans-Josef Zimmer was elected for a term of three years in line with the relevant recommendation of the Code; the same applied for Dr. Christian Holzherr in 2004. Furthermore, the Supervisory Board adjusted the company's management structure by appointing Board of Management member Pierre Lederer deputy chairman of the Board of Management.

The D&O insurance arranged by EnBW provides for an appropriate deductible amounting to three basic monthly salaries for members of the Board of Management and half of the annual remuneration for members of the Supervisory Board.

Members of the Supervisory Board are elected individually by the annual general meeting. Any motion by the shareholders for court appointment of a Supervisory Board member is limited in time until the next annual general meeting. In accordance with this provision, the Board of Management applied for court appointment of the substitute Supervisory Board member Dirk Gaerte in August 2007 for a limited period of time until the end of the next annual general meeting. Following the application by the Board of Management for court appointment of the substitute Supervisory Board members Kurt Widmaier and Dr.-Ing. Gérard Wolf for a limited period of time in 2006, the latter two then stood for election at the annual general meeting on 26 April 2007. They were elected in individual elections, as was Heinz Seiffert who also stood for election.

Prior to the annual general meeting, EnBW publishes the agenda and all reports and documents of relevance for an assessment, including the annual report, in readily accessible form on its internet pages. Countermotions received before the deadline are also made available on the website together with a statement by management.

Our shareholders have the possibility of delegating their rights to proxies appointed by the company if they are not able to attend the annual general meeting in person. The last annual general meeting was broadcast live via the internet until the end of the CEO's speech.

Remuneration report

The remuneration report summarises the principles applied in determining the remuneration of members of the Board of Management and explains the structure and amount of the remuneration of the Board of Management and of the Supervisory Board.

The remuneration report takes account of the recommendations of the German Corporate Governance Code and contains the disclosures required by German commercial law and the supplementary provisions of the German Directors Remuneration Disclosure Act (VorstOG) in the notes to the financial statements in accordance with Sec. 314 HGB and the management report in accordance with Sec. 315 HGB. The remuneration report is included in the management report and is reprinted in the annual report as part of the corporate governance report.

Remuneration of the Board of Management

The remuneration of the members of the Board of Management of EnBW is determined and reviewed regularly by the committee for management board matters. The criteria for determining appropriate remuneration include the responsibilities and performance of the members of the Board of Management, the economic situation, the company's performance and its long-term prospects.

The Board of Management's remuneration comprises three main components:

> **Fixed remuneration**

This is the fixed basic annual salary payable in equal monthly instalments, of which only a part counts towards pension claims, as well as remuneration in kind and lump-sum compensation for committee work in the interest of the group. Any compensation actually paid for committee work is generally transferred to the group. The other remuneration components are based on the basic annual salary.

In addition, the minimum bonus (30% of the basic annual salary) agreed as part of the short-term incentive (STI) is also disclosed as fixed remuneration.

> **Variable remuneration**

The variable component of the STI is disclosed as variable remuneration. The total amount of the STI depends on the level of target achievement by the group for the fiscal year. Adjusted EBITDA and ROCE are the decisive performance indicators for this component. The STI cannot exceed 200% of the fixed annual basic remuneration.

> **Long-term incentive (LTI)**

The LTI depends on the relative increase in value of the group. This is determined by reference to the increase in value of net equity. This is determined by comparing the mean averages of net equity for two three-year periods.

The LTI can range between 0% and 85% of a member of the Board of Management's fixed annual basic remuneration and between 0% and 100% for the chairman of the Board of Management. This is supplemented by a component that measures the relative performance of the group against a peer group of competitors based on the net equity. This can lead to a change of ±20% on the LTI determined by reference to the net equity value.

For the fiscal year 2007, the members of the Board of Management will receive the following remuneration (prior-year figures in brackets):

Amounts in €	Fixed remuneration			STI	Fixed and variable remuneration	Long-term incentive (LTI)[1]	Total
	Basic salary	Other remuneration[2]	Minimum bonus	Variable remuneration			
Hans-Peter Villis, Chairman (since 1 Oct. 2007)	187,500 (–)	788,771 (–)	56,250 (–)	318,750 (–)	1,351,271 (–)	187,500 (–)	1,538,771 (–)
Pierre Lederer, deputy chairman	544,338[3] (341,874)	62,922 (59,167)	124,200 (105,300)	703,800 (596,700)	1,435,260 (1,103,041)	296,426 (296,426)	1,731,686 (1,399,467)
Dr. Bernhard Beck, LL.M.	412,206 (341,874)	57,689 (59,588)	124,200 (105,300)	703,800 (596,700)	1,297,895 (1,103,462)	296,426 (296,426)	1,594,321 (1,399,888)
Dr. Christian Holzherr	412,206 (341,874)	67,305 (68,595)	124,200 (105,300)	703,800 (596,700)	1,307,511 (1,112,469)	296,426 (296,426)	1,603,937 (1,408,895)
Dr. h.c. Detlef Schmidt	465,059[3] (341,874)	81,514 (75,301)	124,200 (105,300)	703,800 (596,700)	1,374,573 (1,119,175)	296,426 (296,426)	1,670,999 (1,415,601)
Dr. Hans-Josef Zimmer (since 1 Oct. 2007)	100,000 (–)	4,054 (–)	30,000 (–)	170,000 (–)	304,054 (–)	85,000 (–)	389,054 (–)
Prof. Dr. Utz Claassen (until 30 Sept. 2007)	775,447[3] (798,680)	58,522 (74,242)	184,500 (246,000)	891,750 (1,394,000)	1,910,219 (2,512,922)	563,227 (768,227)	2,473,446 (3,281,149)
Prof. Dr.-Ing. Thomas Hartkopf (until 8 Feb. 2007)	45,159 (341,874)	7,686 (65,448)	0 (105,300)	0 (596,700)	52,845 (1,109,322)	0 (296,426)	52,845 (1,405,748)
Total	**2,941,915 (2,508,050)**	**1,128,463 (402,341)**	**767,550 (772,500)**	**4,195,700 (4,377,500)**	**9,033,628 (8,060,391)**	**2,021,431 (2,250,357)**	**11.055,059 (10,310,748)**

[1] The exact LTI for the fiscal year 2007 is determined and paid out in the spring of 2008. The amount disclosed is the addition to the provision for the fiscal year 2007. Since the data were not yet available, it was assumed that the competition component would not lead to any changes in the LTI.

[2] Other remuneration includes fringe benefits from company cars of € 55,891 (prior year: € 56,526) and from expense allowances of € 24,255 (prior year: € 8,362). In addition, this includes lump-sum compensation for committee work in the interest of the group of € 273,317 (prior year: € 337,453) (this does not concern the new members who joined the Board of Management in the course of the year).
The other remuneration reported for Mr. Villis includes a special payment made to partially compensate for the pro rata loss of variable remuneration from his previous position as a result of changing jobs.

[3] This figure includes a one-time additional payment not eligible for pension entitlements for the assumption of tasks from Prof. Dr. Ing. Hartkopf's area of responsibility for the period from 9 February 2007 to 30 September 2007.

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

The members of the Board of Management are covered by a comprehensive benefit arrangement.

Except for the new members who joined the Board of Management in the course of the year, it includes a pension entitlement according to which the board members have a claim for payment upon termination of their employment agreement. The payment amount is based on the percentage of pensionable annual basic salary that they have reached upon termination (maximum of 60%). In the fiscal year 2007, the pensionable basic annual salary of Mr. Lederer, Dr. Beck, Dr. Holzherr and Dr. h.c. Schmidt amounted to € 319 thousand. The board members' post-employment benefits rise annually; the rate of increase is generally set such that the maximum post-employment benefit is reached at the same time as the contractually agreed age limit. Other remuneration is credited until they reach the retirement age of 63. After that, any other pension benefits acquired are credited once the maximum pension benefit has been exceeded. When the benefit obligations become due for payment, the payments are indexed to the percentage change in remuneration under the collective bargaining agreement.

The employment contracts of the members of the Board of Management provide for survivor's pensions. In the event that a member of the Board of Management dies, the surviving dependants are entitled to continued payment of the remuneration or pension of the deceased for three months. After that period, they receive widows' or orphans' pensions in accordance with the provisions applicable for civil servants in the state of Baden-Württemberg.

A modified benefit arrangement was agreed for the new members who joined the Board of Management in the course of the year (Mr. Villis and Dr. Zimmer):

During their first term of office, these members of the Board of Management have a reduced benefit entitlement compared to the old-age pension should they become permanently disabled, or upon reaching the age of 63. For Dr. Zimmer, the amount of his benefit entitlement is derived from his employment in the group to date. In the case of Mr. Villis, it is a fixed annual amount of € 130 thousand. For Mr. Villis, it was also agreed that this fixed amount be paid if the contractual relationship is terminated or not extended before he reaches the age of 63, provided the reason for the termination or non-extension is not related to his person. Half of any other remuneration is credited until the retiring age is reached.

From the second term of office onwards, the benefit entitlements (from the age of 63) are as follows: The vested benefits rise in proportion to the term of office on the Board of Management and are capped at 60% of the pensionable basic annual salary. 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 acquired are credited once the maximum pensionable basic annual salary has been exceeded.

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

In the event that a member of the Board of Management dies, 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 benefits that the member of the Board of Management received or would have received on the day they died if the pensions 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 surviving dependants' benefits are limited to 100% of the pension entitlements.

The disclosures for the fiscal year 2007 concerning post-employment benefits (prior-year figures in brackets) are as follows:

	Percentage of pensionable basic remuneration acquired (%)	Addition to pension provision (€)
Hans-Peter Villis[3], Chairman (since 1 October 2007)	0.0 (–)	0 (–)
Pierre Lederer, deputy chairman	1.0 (1.0)	398,691[1] (347,388)
Dr. Bernhard Beck, LL.M.	1.0 (1.0)	287,168[2] (209,587)
Dr. Christian Holzherr	1.0 (1.0)	165,301 (94,131)
Dr. h.c. Detlef Schmidt	3.0 (3.0)	929,149 (713,593)
Dr. Hans-Josef Zimmer[3] (since 1 October 2007)	0.4 (–)	25,373 (–)
Prof. Dr. Utz Claassen (until 30 September 2007)	0.0 (0.0)	290,461 (406,130)
Prof. Dr.-Ing. Thomas Hartkopf (until 8 February 2007)	0.1 (1.0)	54,802 (400,169)

[1] Including an addition to capital for pension benefits of € 16,751 (prior year: € 16,061). This is deferred compensation.
[2] Including an addition to capital for pension benefits of € 17,544 (prior year: € 15,862). This is deferred compensation.
[3] From the second term of office, the percentage of pensionable basic salary acquired each year is 2.5%.

All benefit entitlements are vested.

The addition to the pension provision includes the service cost as well as interest cost. There are pension obligations in accordance with IFRS of € 9.6 million (prior year: € 11.3 million) for the current members of the Board of Management (defined benefit obligation).

There are no termination benefit obligations in the event of premature termination of service. However, termination benefits may be payable on the basis of a cancellation agreement made with the individual.

Individual cancellation agreements were signed in the course of the early termination as of 30 September 2007 and 8 February 2007 of the board offices held by Prof. Dr. Utz Claassen and Prof. Dr.-Ing. Thomas Hartkopf, respectively.

Prof. Dr. Claassen's service agreement will remain in effect until it expires (30 April 2008). In line with his entitlements under the service agreement Prof. Dr. Claassen thus receives an amount of € 1.6 million following his retirement from the Board of Management. This amount is composed of the basic salary and compensation for rights to variable remuneration components (STI/LTI) and to benefits in kind. Effective 1 May 2008, Prof. Dr. Claassen has a right to termination benefits in accordance with the regulations contained in his service agreement. These may not exceed € 398 thousand per year. Should he receive any other future remuneration under contractual agreements, that would be deducted from this entitlement.

Prof. Dr.-Ing. Thomas Hartkopf was released from his duties as of 9 February 2007. His service agreement ended as of 31 October 2007. He therefore received a basic salary and an allowance in lieu of fringe benefits until 31 October 2007 totalling € 378 thousand. Effective 1 November 2007, Prof. Dr.-Ing. Thomas Hartkopf has a right to termination benefits of € 175 thousand per year in accordance with the regulations contained in his service agreement unless he receives other remuneration in future that is deducted under the contractual agreements.

The remuneration of former members of the Board of Management and their surviving dependants amounted to € 4.2 million (prior year: € 3.4 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 of EnBW AG and their surviving dependants in accordance with IFRS of € 46.7 million (prior year: € 43.1 million).

No loans or advances were granted to members of the Board of Management in the fiscal year 2007.

Remuneration of the Supervisory Board

Pursuant to the resolution of the annual general meeting on 29 April 2004, the Supervisory Board members receive fixed remuneration of € 5,000 payable at the end of a fiscal year in addition to reimbursement of their expenses. In addition, for every dividend of € 0.01 per share distributed to the shareholders in excess of a dividend amount of € 0.50 per share for the past fiscal year, they receive a variable remuneration component of € 300. The variable remuneration of the Supervisory Board members currently does not include any components linked to the long-term performance of the company. The chairman of the Supervisory Board receives twice the above amounts and the deputy chairman receives one and a half times the above amounts. The chairman of a committee also receives one and a half times the amounts and each committee member one and a quarter times the amounts, providing the committee met at least once in the fiscal year. If a member of the Supervisory Board holds several offices on the Supervisory Board at the same time, he/she only receives remuneration for the highest office. Remuneration paid to Supervisory Board members who only belong to the Supervisory Board or a committee or acted as chairman for part of the fiscal year is proportionately lower.

Total remuneration may, however, not exceed € 30,000 for the chairman of the Supervisory Board, € 22,500 for his deputy and the chairman of a committee, € 18,750 for a committee member and € 15,000 for the other Supervisory Board members.

In addition, the Supervisory Board members receive an attendance fee of € 300 for supervisory board meetings and committee meetings. Attendance at preliminary meetings is remunerated with € 150 per meeting; this remuneration is however only paid for one preliminary meeting per Supervisory Board meeting. To the extent that the Supervisory Board remuneration is subject to VAT, the members of the Supervisory Board are reimbursed for the VAT levied on their remuneration.

Assuming that the annual general meeting approves the proposed dividend, total remuneration of the Supervisory Board members in fiscal 2007 (including attendance fees and remuneration for offices held in subsidiaries) will be as follows:

Amounts in €	Fixed remuneration	Variable remuneration[1]	Board remuneration of subsidiaries	Total
Dr. Claus Dieter Hoffmann, chairman	15,400	20,000	0	35,400
Dietrich Herd, deputy chairman	14,250	15,000	12,100	41,350
Prof. Joachim Bitterlich	8,050	12,500	0	20.550
Marc Boudier[2]	11,950	12,500	0	24,450
Dr. Daniel Camus[2]	10,500	15,000	0	25,500
Willi Fischer[3], member until 26 Sept. 2007	6,706	14,144	0	20,850
Dirk Gaerte[3], member since 27 Sept. 2007	1,615	7,969	0	9,584
Rolf Gillé, member until 16 May 2007	2,763	11,290	1,618	15,671
Josef Götz	11,950	12,500	9,510	33,960
Reiner Koch[4]	7,700	10,000	920	18,620
Marianne Kugler-Wendt[4]	9,850	12,500	8,600	30,950
Wolfgang Lang	10,000	12,500	8,283	30,783
Gérard Roth[2]	7,100	10,000	0	17,100
Klaus Schörnich[4], member since 13 June 2007	4,717	12,233	2,631	19,581
Heinz Seiffert[3], member since 26 April 2007	6,081	14,469	0	20,550
Gerhard Stratthaus[5]	5,900	10,000	0	15,900
Siegfried Tann[3], member until 26 April 2007	2,886	12,037	0	14,923
Werner Vorderwülbecke[4], member since 6 July 2007	5,465	15,685	8,447	29,597
Christoph Walther	10,300	12,500	11,360	34,160
Dietmar Weber	10,000	12,500	8,900	31,400
Kurt Widmaier[3]	9,550	12,500	0	22,050
Alfred Wohlfart[4], member until 5 July 2007	5,435	15,565	5,819	26,819
Dr.-Ing. Gérard Wolf[2]	5,900	10,000	0	15,900
Dr. Bernd-Michael Zinow	11,200	12,500	0	23,700
Total	**195,268**	**305,892**	**78,188**	**579,348**

[1] The variable remuneration for the fiscal year 2007 is not paid out until the annual general meeting has passed a resolution on the dividend amount in fiscal year 2008.
[2] The remuneration is transferred to EDF.
[3] Pursuant to Secs. 82 – 88 Civil Service Act (LBG) in conjunction with Sec. 5 Ancillary Activities Ordinance (LNTVO), remuneration is transferred to the district.
[4] 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.
[5] Applying Sec. 5 Ancillary Activities Ordinance (LNTVO) by analogy, remuneration is transferred to the state of Baden-Württemberg.

Attendance fees of the members of the Supervisory Board of € 70,950 and € 13,339 are included in the fixed remuneration and in the board remuneration of subsidiaries respectively.

No other remuneration or benefits for services rendered personally, in particular consulting or mediation services, were paid to members of the Supervisory Board. They did not receive any loans or advances in the reporting year.

Transparency

EnBW informs its shareholders, the capital market, financial analysts, shareholder associations as well as interested members of the general public promptly and regularly about any major business changes in the company, thus ensuring that the transparency required by the German Corporate Governance Code is in place at all times. The internet is used as the preferred means of communication to ensure that all the interested parties are informed on a timely basis.

Information on the company's business development is mainly provided in the annual report, the quarterly financial reports, at the press briefing on annual results, in conference calls in connection with the results for the quarter and for the year as well as at events with analysts. The company's financial calendar, which gives an overview of the dates for the main regular publications, is published on EnBW's webpages sufficiently in advance. The company also made all information that has been provided to financial analysts and comparable addressees available to all shareholders without delay via its website.

If details of unexpected events become known at EnBW between the regular reporting dates that relate to the EnBW share and could potentially have a significant influence on the market price of the EnBW share, such insider information is announced in ad-hoc reports. This was the case three times last year in connection with personnel changes on the Board of Management.

The company did not receive any notices from persons with executive duties or closely related parties of these persons on transactions with EnBW shares in the fiscal year 2007. There were no notifiable shareholdings of members of the Board of Management or the Supervisory Board.

Financial reporting and annual audit

The financial reporting of EnBW is prepared according to International Financial Reporting Standards (IFRS). After the annual general meeting elected Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart as independent auditor for the separate financial statements and the consolidated financial statements for the fiscal year 2007, and as independent auditor for the review of the condensed financial statements contained in the six-monthly financial report, the audit committee engaged the audit firm accordingly. There were no doubts as to the auditor's independence.

It was agreed with the auditor that the chairman of the Supervisory Board and the chairman of the audit committee would be informed without delay of any grounds for disqualification or any factors affecting impartiality if they arise during the audit, unless they are remedied immediately. It was also agreed that the auditor would report without delay on any findings or events material for the tasks of the Supervisory Board and audit committee which arise during the audit. Moreover, the auditor will inform the audit committee and the Supervisory Board and report in the audit report if facts are discovered during the audit which indicate that the declaration of compliance with the Corporate Governance Code issued by the Board of Management and the Supervisory Board is not correct.

There are currently no stock option plans or similar securities-based incentive programmes at EnBW.

Declaration of compliance

The Board of Management and Supervisory Board of EnBW Energie Baden-Württemberg AG declare in accordance with Sec. 161 AktG (German Stock Corporations Act):

Since its last declaration of compliance on 8 December 2006, EnBW Energie Baden-Württemberg AG has without exception complied with the recommendations made by the government commission on the German Corporate Governance Code as amended on 14 June 2007 and published in the electronic German Federal Gazette (Bundesanzeiger) and will continue to comply with them without exception.

Comments on the recommendations of the Corporate Governance Code

Pursuant to No. 3.10 of the German Corporate Governance Code, the Board of Management and Supervisory Board state the exceptions with which EnBW complied with the recommendations of the Code in the past year and the exceptions with which it will in future comply with them:

No. 2.3.4 of the Code: Transmission of the annual general meeting via modern communication media

EnBW transmits the annual general meeting via the internet until the end of the report of the CEO. In view of the small free float of the EnBW share and the fact that a large number of shareholders are usually present, the high costs involved in broadcasting the entire annual general meeting would not be justified.

No. 4.2.3 of the Code: Arrangement of severance payment caps in management board contracts

Once the recommendation to arrange severance payment caps in management board contracts had entered into force, the committee for management board matters promptly considered its implementation at EnBW and decided to provide for severance payment caps as defined by the Code in future management board contracts. The severance payment cap was implemented in a contract concluded thereafter with a new member of the Board of Management. Because contract negotiations were already ongoing in an earlier case when the amendment to the Code came into force, the recommendation could however not be implemented in that particular case. There are no plans to introduce severance payment caps when extending existing management board contracts.

No. 5.4.6 of the Code: Election or re-election of Supervisory Board members by the shareholders on different dates and for different terms of office.

EnBW has not yet made use of this option because, due to the specific shareholder structure, the shareholder side of the Supervisory Board is largely determined by the two large shareholders Electricité de France SA (EDF) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW). This allows occasional changes in office holders on the shareholder side between the election dates, while continuity is ensured beyond the election period by reappointment of some of the shareholder representatives.

No. 5.4.7 of the Code: Components of the remuneration of the Supervisory Board based on the long-term performance of the company

The incentive-based remuneration of the Supervisory Board members does not include any components based on the long-term performance of the company. In contrast to the remuneration system for the Board of Management, such components would make the remuneration system for the Supervisory Board excessively complex.

The listed subsidiary ZEAG Energie AG also implements the German Corporate Governance Code. Deviations from the recommendations of the Code are set forth in ZEAG Energie AG's declaration of compliance, which can be viewed on its website (www.zeag-energie.de).

Karlsruhe, 6 December 2007
EnBW Energie Baden-Württemberg AG

The Board of Management The Supervisory Board

Because we want to grow, a total of € 7.6 billion has been budgeted for the coming years: 4.6 billion has been earmarked for non-nuclear plants to compensate for the impending loss of nuclear power, for new business segments as well as the expansion of existing business segments and 3 billion for financial investments.

The EnBW share

The EnBW share

The EnBW share is listed on the regulated market at the Frankfurt stock exchange and the Stuttgart stock exchange. As of the start of the fiscal year 2007, Landesbank Baden-Württemberg was commissioned as designated sponsor for the share in the XETRA electronic trading system. The tradeability of the EnBW share has increased as a result.

The EnBW share closed the past fiscal year at a price of € 60.16, a rise of around 20% over the year. The price of the EnBW share thus followed the positive overall trend on the German stock market. Including the dividend of € 1.14 distributed in the fiscal year 2006, a shareholder purchasing the share at the 2006 closing rate and holding it until year-end 2007 achieved a return of around 23%.

Development of the capital market

The German stock exchange index (DAX) closed the year at 8,067. This represents a rate of increase of around 22%, achieved primarily on the back of the positive performance in the first half of the year. The second half of the year was far more volatile and did not make any material contribution to the increase in value.

The German utility shares also developed positively in 2007. The same held true in a European context. The DJ EURO STOXX Utilities industry index closed the 2007 reporting period at 637; this is an increase of just under 25%.

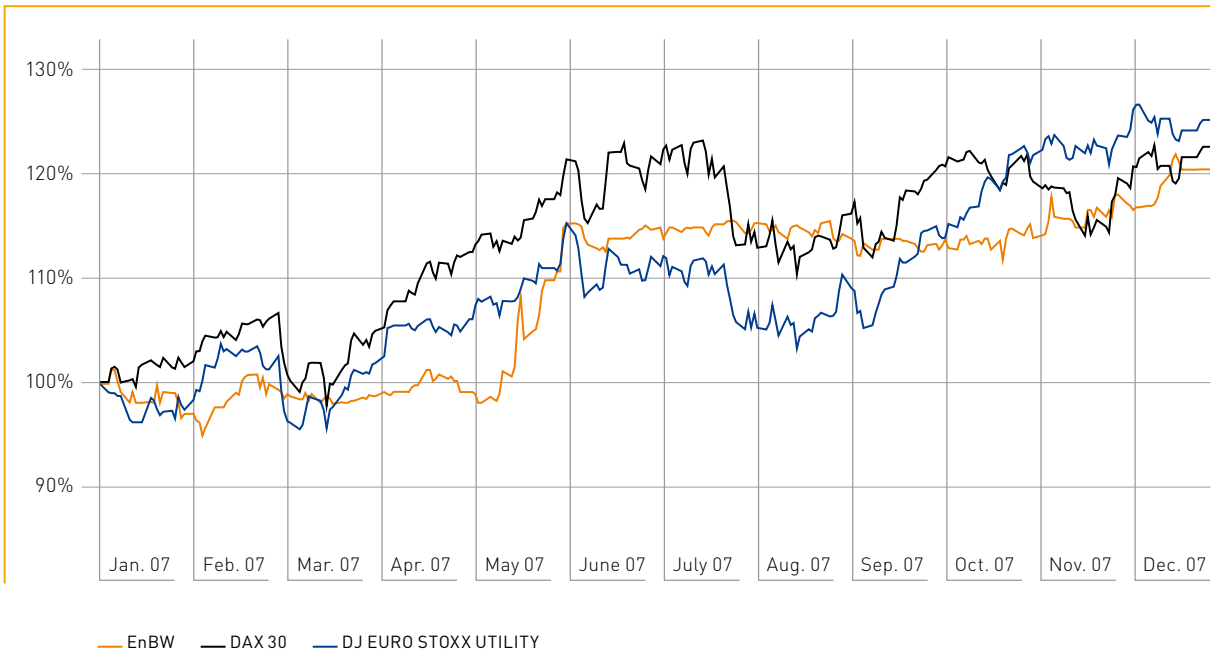
Development of the EnBW share

The EnBW share closed the prior fiscal year 2006 at a price of € 50.55[1] and fell to an annual low of € 48.01[2] at the start of February. Having recovered, the share moved sideways in the following months at opening price level. In May and June, the price of the EnBW share caught up with the positive development on the German stock market and rallied strongly to close the first six months at € 57.40[2]. Throughout most of the third and fourth quarter, the share price remained roughly at this level, before gaining in value towards the end of the year, in the wake of the DAX, and closing the year at a price of € 60.16[2].

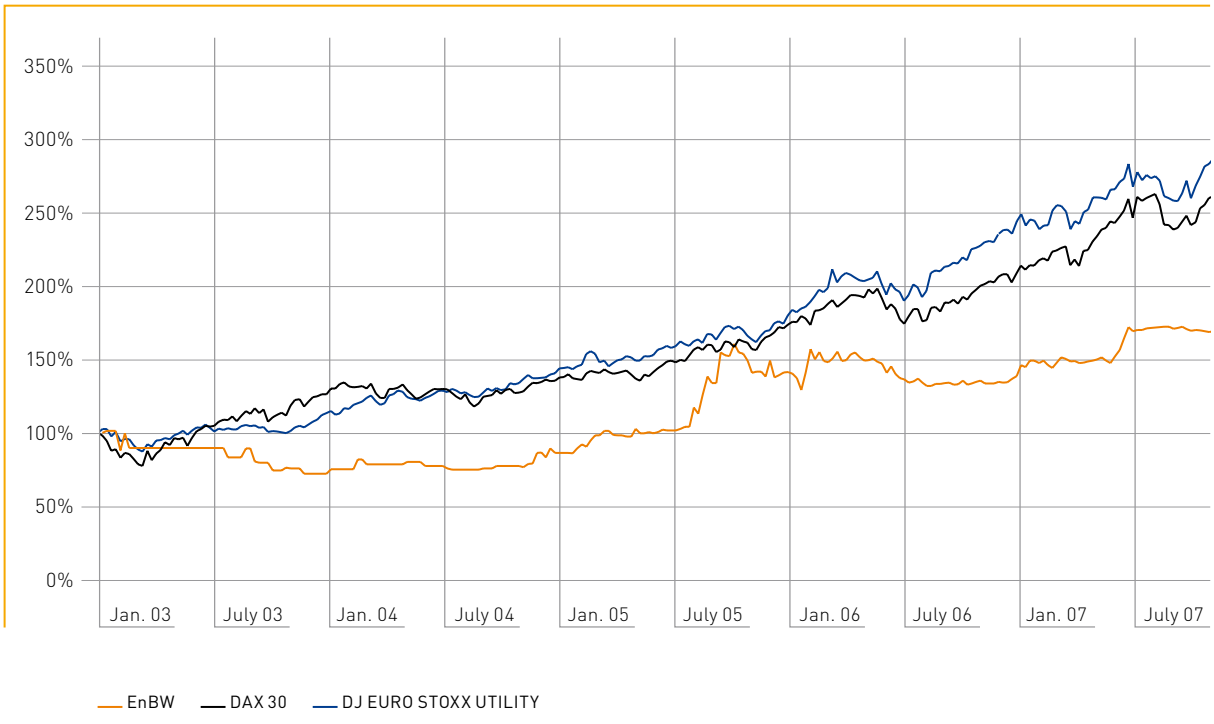
ISIN	DE0005220008
Securities identification number	522 000
Stock exchange abbreviation	EBK
Stock markets	Official listing on the stock exchanges in Frankfurt a. M. and Stuttgart
Index	CDAX utilities
Number of shares	250,006,200 registered no-par value shares

[1] The price information for 2006 relates to floor trading on the Frankfurt stock exchange.
[2] The price information for 2007 relates to the XETRA prices.

Performance of the EnBW share in 2007



Performance of the EnBW share in the past five years



EnBW share in figures[1]		2007	2006	2005	2004	2003
Number of shares outstanding as of 31 December[2]	million shares	244.257	244.257	243.957	231.974	220.711
Annual high	€	60.84	52.66	55.88	30.00	34.44
Annual low	€	48.01	43.80	29.11	24.20	24.96
Closing price	€	60.16	50.55	45.80	29.10	25.15
Stock exchange trade (total)	shares	1,112,602	566,187	902,000	260,700	113,300
Stock exchange trade (daily average)	shares	4,769	2,220	3,537	1,109	567
Dividends per share	€	1.51[3]	1.14	0.88	0.70	–
Earnings per share from group net profit[4]	€	5.58	4.10[5]	2.21	1.40	-5.40
Operating cash flow per share	€	6.38	6.01	5.52	6.80	4.01
Distribution	€ millions	368.8[3,6]	278.5	214.9	170.8	–
Number of shares outstanding (weighted average)	million shares	244.257	244.232	240.961	227.281	220.711
Market capitalisation as of 31 December[7]	€ billions	14.7	12.3	11.2	6.8	5.6

[1] The price information for the period 2003 – 2006 relates to floor trading on the Frankfurt stock exchange. The price information for 2007 relates to the XETRA prices.
[2] Total number of shares: 250,006 million.
[3] Dividend proposal for the fiscal year 2007, subject to the approval of the annual general meeting on 25 April 2008.
[4] In relation to the profit shares attributable to the equity holders of EnBW AG.
[5] Prior-year figures adjusted.
[6] Distribution in terms of the shares entitled to dividends as of 31 December 2007.
[7] Number of shares outstanding at the end of the fiscal year multiplied by the closing price.

Long-term performance of the EnBW share

An investor with long-term plans holding EnBW shares in the last five years has seen them increase in value by around 79%. This represents an annual return of approximately 12%.

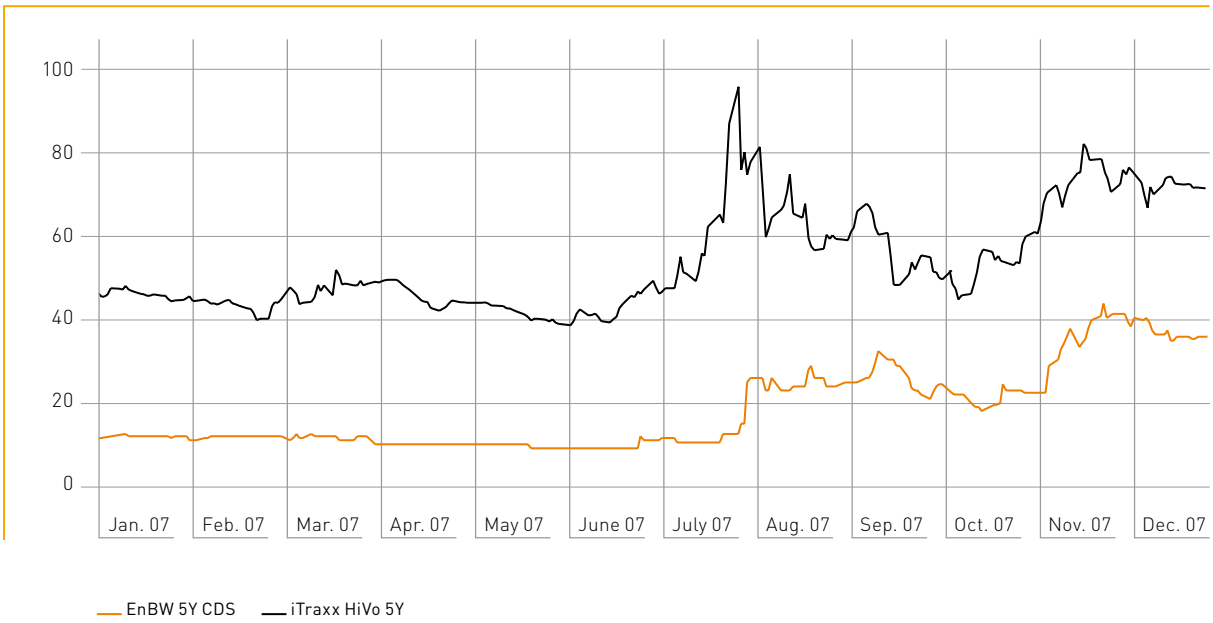
Dividends

For the fiscal year 2007, a proposal will be submitted to the annual general meeting to distribute a dividend of € 1.51. This is an increase of 32.5% on the prior year (€ 1.14).

As of 31 December 2007, a total of 244,256,523 shares were entitled to dividends. The amount distributed by EnBW AG for fiscal 2007 will total € 368.8 million if the annual general meeting adopts the corresponding resolution.

In relation to the 2007 closing price (€ 60.16) the dividend yield is 2.5% and the distribution level, related to the adjusted group net profit, comes to 44.9% (prior year: 37.7%).

Development of the EnBW spread



Development of the spread market

The premiums for credit risks rose sharply in the past fiscal year 2007. Caused by the problems on the U.S. mortgage market and the associated bank crisis, credit spreads increased substantially on a global scale at the start of the second half of the year. The iTraxx Europe HiVol index for five-year terms peaked in July at around 94 base points. Volatility caused the index to drop to approx. 71 base points by year-end. In relation to the opening figure of approximately 46 base points, this is an increase of around 25 base points.

Development of the EnBW spread

The premiums for EnBW's credit risks did not remain unaffected by the general development in the past fiscal year. The EnBW Credit Default Swap with a five-year maturity started the year at 11 base points and stagnated at that level throughout the first six months. Following the general trend, the premium increased in the course of the banking crisis, closing the fiscal year at approximately 35 base points. This is an increase of 24 base points.

Investor relations

With a series of publications and events, we once again provided the transparency required for institutional and private investors in the fiscal year 2007.

Publications

- Annual report 2006: 20 February 2007
- Quarterly financial report January to March 2007: 10 May 2007
- Six-monthly financial report January to June 2007: 8 August 2007
- Quarterly financial report January to September 2007: 9 November 2007

Company events:

- Conference calls and analyst conferences: on the publication dates of the financial reports
- Road show from 1 to 16 March 2007 with stops in
  - Frankfurt
  - London
  - Paris
  - Zurich
  - Madrid
  - Vienna
  - Helsinki
  - Copenhagen
  - Edinburgh
- Bankers' day on 30 March 2007 as well as investor conferences, other events and seminars

Presentations were used as visual aids at all the events. These have been published on the internet.

In accordance with the Corporate Governance Code, the conference calls were broadcast live on the internet without access restrictions. A recording was then made available free of charge on our website for three months.

Our 2007 road show focused on the strategic alignment of EnBW and above all on issues relating to the energy market such as the second National Allocation Plan (NAP II) and regulation of network user charges.

The dates for publication of our 2008 financial reports are given on page 220.

Because we want to grow, a total of € 7.6 billion has been budgeted for the coming years: 4.6 billion has been earmarked for non-nuclear plants to compensate for the impending loss of nuclear power, for new business segments as well as the expansion of existing business segments and 3 billion for financial investments.

Contents

Editorial

We are publishing a special edition with reports and additional information as a supplement to this year's annual report. The topics are climate change and growth, or rather, how our customers and we are addressing them. This supplement also attempts to identify the opportunities for growth that arise from the challenges posed by climate change.

All business is local. The same applies for the fight against global climate change. The way we live, how we generate and consume energy – all this has a serious impact on the development of the global climate; it might even be decisive. Experts may still be debating one aspect or another, but there is no doubt about it: we need to take action.

Politicians and experts adopted resolutions in Rio and Kyoto and in Bali at the end of 2007. The resolutions may be global, but the legwork involved in their implementation will have to happen nationally and locally. This is where it affects every single one of us. The onus is on each of us to do something and we can all do our bit. Companies that generate and consume energy must also shoulder a large part of the responsibility.

It is public knowledge what and how much EnBW is doing for environmental protection and to combat the consequences of climate change. We are top of the list in Germany in the use of renewable energies and the development of new, low climate impact power stations. We already supply more than 1.5 million households with CO_2-free electricity. But we also see the consumption side of things. This is in the interest of EnBW as a company and not self-contradictory in any way: we help to save energy and we support all efforts geared towards using energy more efficiently.

Independent journalists went out on our behalf to report on projects being implemented at our customers. They describe what they saw and learned.

As important as they are, global challenges are always somewhat abstract. Only action is tangible. Something has to be done. Actually taking action, on a daily basis, will bring about the necessary solutions and help us make progress. For this action to become tangible for each and every one of us, it needs to be communicated – including any problems and ideas. The medium of journalistic reporting comes closest to reality, to concrete action.

The companies described in the reports and the measures they have taken are exemplary. Their willingness to face an independent 'inspection' by the reporters does them credit. This openness earns them popularity and respect and will, hopefully, encourage many to follow suit. EnBW is proud of its partners.

The electricity grows outside the mill gates

Something to lean on: Board member Martin Klenk does not need to worry about obtaining supplies of raw materials. More timber grows in Germany than is cut down each year.

EnBW and Klenk Holz AG
co-generate heat and power in Oberrot.
With the help of regrowing tree bark.

Grinding along with a heavy load, the 40-tonne truck slowly turns off the L 1050 main road into Eugen-Klenk-Strasse. Only 300 metres to go now until this pale green wood platform truck with a cargo of 80 spruce logs reaches its destination: Klenk Holz AG's saw mill in Oberrot.

Compared to the distances trucks usually travel, it did not have far to go. Most of the 1.3 million cubic metres of timber processed each year in the direct vicinity of the company's headquarters grows in the surrounding area. Exceptions are only made when areas further afield have been devastated by pests or storms. Forest owners then have diseased wood or trees felled by a storm on offer in such large quantities and at such cheap prices that long-distance haulage and storage become a viable proposition. The most recent example is Hurricane Kyrill, which felled 25 million trees in the German state of North Rhine-Westphalia alone in January 2007.

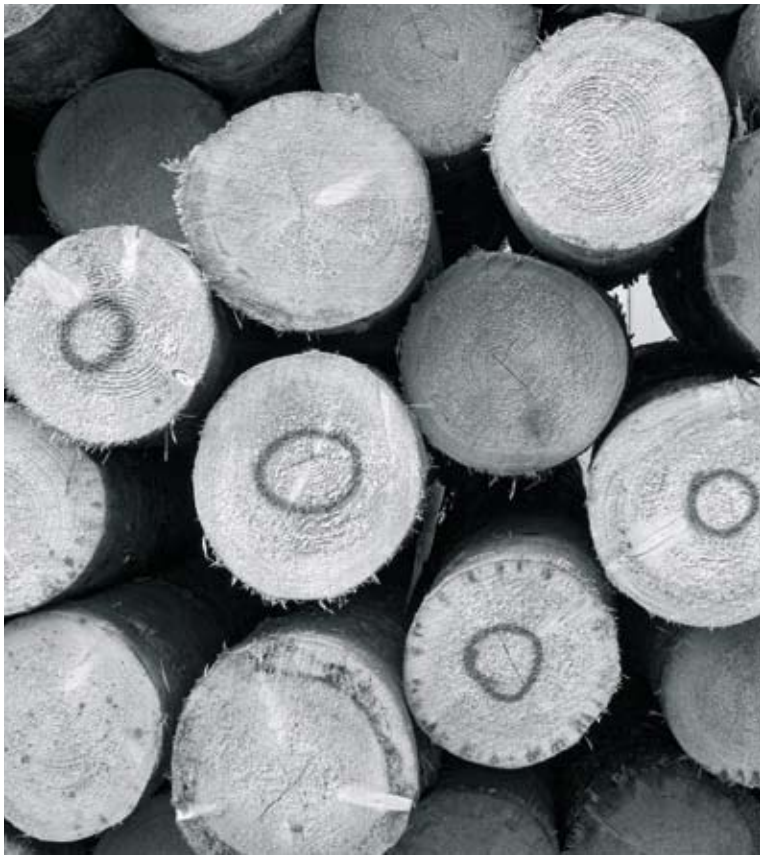
No more is felled than regrows

Klenk Holz AG has adopted the principle of 'proximity to raw materials', as the specialists at the headquarters put it. Its sourcing territory covers trees within a radius of 150 to 180 kilometres of the plant. To work to capacity, the plant in Oberrot needs about 150,000 hectares of forest from sustainable forestry – that's an area seven times the size of a city like Stuttgart.

To avoid any misunderstanding: this does not mean that 150,000 hectares of forest are cut down each year, but that a forest of this size serves as a basis to sustainably harvest the 1.3 million cubic metres of spruce needed for the annual production in Oberrot. No more is felled than regrows. This means that 80 years later – this is the time a spruce tree needs to grow from a sapling to a tree that can be harvested – the forest is still the same size, but has been renewed once over. And because the trees cut down are not all next to each other in the same area, but selected individually by the forester, the amount of wood felled is hardly noticeable.

The success of sustainable forestry

Compared to other types of trees, spruce firs grow fast, which makes them the number one choice for timber within Baden-Württemberg and beyond. The Klenk plant in Oberrot also processes fir trees and Douglas firs, but most of the logs delivered to the plant by the 180 trucks a day are spruce trees. They grow so well that it has been possible over the past 15 years to put a stop to the once successful attempts by the Scandinavians to take over the German market, indeed the trend has now even been reversed.



German timber and associated products are in demand on the world market. This is a success story that does not have to come to an end – thanks to sustainable forestry. On the contrary, according to a survey by the German Federal Ministry of Consumer Protection, Food and Agriculture, which covered not only spruce, but the tree population as a whole, 80 million cubic metres of timber are ready for felling each year. The volume felled, however, is just under 50 million. So there is no need to worry that Klenk in Oberrot may one day be without the raw material it needs.

Not a toy – this joystick moves tonnes.

The log sorters gauge the quality. Peeling and measuring is done by machine.

Watching the two log sorters in the plant's hall to which the logs are yarded, you could be forgiven for thinking you were in an amusement arcade: The men sitting at the controls look quite relaxed; baseball caps and chewing gum match the absolutely laid-back impression they give as they manipulate the joystick located at the end of their seat's armrest. The expression on their faces resembles that of someone playing computer games. This is what one hundred per cent concentration looks like.

Outside the hall, there is a never-ending line-up of truck trailers, and all are stacked high with logs to well above the driver's cab. Inside, the 'Svetruck' – a cross between a fork-lift and a crane, designed in the Swedish town of Ljungby – is ready and waiting. Weighing more than 38 tonnes itself, the machine grips the logs by the dozen – with the ease of a person taking a fist-full of pretzel sticks out of a bag. The Svetruck moves back and forth three or four times over the couple of metres between one of the trucks and the conveyor belt, then that lorry is done and work starts on the next one.

Sensors, screens, joysticks – but the decisions are made by a human

The logs are automatically turned the right way round in the concrete vat at the bottom of the conveyor belt and towed up one after the other like cars in a car wash. One log after the other is pulled up to the sorting station. Now the log sorters' abilities are put to the test: they must gauge the quality of each log at one glance. There are sensors to support their assessment – the data appear on screens – but it is the expertise of the men at the controls that is crucial for the further course of the wood production process. They make sure that the logs always have the thick end pointing downwards. Using the joystick, they operate the grapple, which grips any logs lying the wrong way round and turns them round in a split second. There is a playful element to this; it has something of a game in an amusement arcade where you try to grab a soft toy using a small crane. Usually you miss it. Here at Klenk's, everything is on a somewhat larger scale. And every move is spot on.

Then the machines take over. The logs are peeled automatically and measured to the nearest millimetre. They then leave the hall on a conveyor belt spanning 400 metres or more. To the left and right, there are 80 containers made of concrete posts. The logs file swiftly past these containers. A computer has stored how they were classified by the log sorters. It makes sure that steel wedges push each log into the right container. These light-coloured logs fall into place with a heavy thud. But the rest is only brief. For the containers fill up quickly. When a container is full, a Svetruck zooms up and extends its crane arm. Swinging through mid-air, the logs reach their final storage place, on one of the 80 piles. Allocation is made according to type, quality and circumference. Each pile measures between 3 and 5 metres in width, is 70 metres long and an awe-inspiring 7 metres high. The scent of fresh wood hangs in the air.

Finally, it is time to calculate the price of the lumber. For the price is not determined when the timber is collected. The forest owners rely on the sorters' assessment of the quality and the volume in cubic metres that is determined at the plant. It is rare for photos and computer printouts documenting the incoming timber process to be needed or for a wood supplier to decide to check up on the log sorters. Klenk has earned a lot of trust in the more than 100 years of its existence.

The revolution in the timber industry opened up new opportunities

Eugen Klenk was 17 years old when he took over the running of the Klenk saw mill together with his brother Hermann in 1945. He has been managing Klenk Holz AG as the CEO ever since; and such an experienced manager also has the answer to revolutions. For a revolution it was that the wood industry saw in the early seventies. Until then, the trees had been peeled directly where they were felled. A time-consuming, back-breaking job.

It was not such a big step to shift that job to the saw mill and have it carried out by machines, but the logistics were not so easy to handle: until then the bark had been left to rot in the forest. Now large quantities of bark were starting to pile up at the mill and had to be disposed of – or a possibility had to be found to put it to good use.

It should perhaps be mentioned that Eugen Klenk is from Swabia. And Swabians have a reputation for being practically minded and resourceful. It was nothing new that tree bark burns well and that a wood mill needs enormous quantities of heat to dry the wood. All that was missing was the technology to combine one with the other. Swabians are also known for their perseverance. In this tradition, Klenk did not relent until he had found a boiler maker who could construct a boiler for the first bark-fired heating plant. The power station was commissioned in 1976 – a pioneering feat.

While the oil crisis involving the 1973 Sunday driving ban had proved just how problematic the dependency on oil as an energy source was, hardly anyone thought that we might have energy virtually on our doorstep in the form of tree bark. Naturally, bark is currently not available in such quantities as oil, but it does have one outstanding advantage: it regrows. So Klenk was already using renewable energies before the word for it had been created; if at all, the term 'biomass' was only known in expert circles. Another advantage that has emerged and is of great value these days is that bark burns CO_2-neutrally.

Bark is currently not available in such quantities as oil.
But it has one outstanding advantage: it regrows.

Combined heat and power generated from biomass. Technical specifications of the plant in Oberrot.

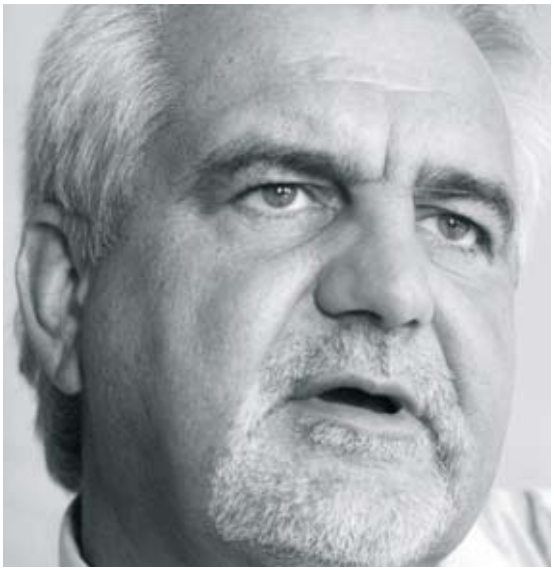
Unit I	2 bark-fired steam boilers built in 1993 and 1996
Manufactured by	Weiss GmbH, Dillenburg, Germany
Details	2 x 18 t/h of steam at 43 bar and 410° C
Use	Generation of heat for the wood-drying kilns Uncoupling process steam (to produce particle board pallets, for example) Generation of electricity 5 turbines made by the Bielefeld-domiciled manufacturer Dresser-Rand Nadrowski drive 4 generators, producing 5 MW of electricity. The electricity is all fed into the EnBW grid. The quantity roughly equals that needed to cover the demand for 3,500 households.

Unit II	2 bark-fired steam boilers built in 2006
Manufactured by	Urbas, Völkermarkt, Austria
Details	2 x 12 t/h of steam at 30 bar and 240° C
Use	Generation of heat for the wood-drying kilns Process steam supply for wood particle processing Using a MAN turbo-turbine to generate electricity that is then fed into EnBW's grid (probably as of 2008) 6.5 MW of electricity are produced. The electricity is all fed into the EnBW grid. The quantity roughly equals that needed to cover the demand of 5,500 households.

Here, energy is generated from bark.

A pioneering feat: combined heat and power (CHP) generated from biomass

The pioneering feat in the mid-seventies was followed by another in 1993. This time, it was achieved in close collaboration with one of the predecessor companies of EnBW, Energie-Versorgung Schwaben AG (EVS). The idea was that steam for the drying kilns in Oberrot could be channelled to a turbine to generate additional electricity. This electricity was initially made available to the two partners, i.e. Klenk and EVS. This marked the first time that an industrial company and an energy company had entered into cooperation in Baden-Württemberg with the aim of using biomass in a local CHP unit.



Martin Klenk, member of the management board of Klenk Holz AG and general manager of EnBW Klenk Holzenergie GmbH (EKH)

Interview with Martin Klenk

»There's nothing left over when you use wood.«

What made you, a woodworking business, enter into cooperation with an energy company?
It turned out that our interests are very similar. That is to say, we make a perfect team. The energy company knows its way around energy markets, plant engineering and media supply, and can contribute its knowledge in that respect. We have experience with plant engineering, too. We have been in the bark-burning business since 1977. And above all, we are in a position to provide fuels to produce a consistent process mix of the two.

Why did you choose EnBW/ESG as your partner?
There were various reasons. EnBW has been our electricity supplier in this area for many years, basically ever since we needed electricity. The relationship has always been a good one, from the outset, and also considering our size and the volume of electricity that we consume. Their interest of EnBW had already been aroused back in 1993 when we built the first power station. Their interest was not always quite as close as it is now, but it has grown over the years.

What is your forecast for the future development of bark as an energy source?
As an energy source, bark will experience extremely strong growth. Especially if the Renewable Energies Act is amended in Germany as planned. If bark is classified as a renewable resource, that will add another two or three cents to what one can earn with electricity generated from renewables. In that respect, I think there is some serious potential here.

Does bark qualify as an environmentally friendly energy source from a political perspective?
Yes, of course it does! Bark is one factor that was missing in the process chain. You know that 100 per cent of the wood is processed, there is nothing left over, no 'waste'. The wood is sawn and wood chips and sawdust are by-products that are used in the pulp and paper industry or the timber industry. The bark we use to produce energy – also 100 per cent. All that is left over is ash from burning the bark. And even that is used as a fertiliser additive, it's not dumped.

Talking to Sven Kraus

»You have to fill cooperation with life.«

Sven Kraus, head of investment management at ESG and general manager of EnBW Klenk Holzenergie GmbH (EKH)

Why did you choose a joint venture for your co-operation with Klenk Holz AG?
A joint venture makes it easier to fill cooperation with life. For contracting projects of a long-term nature, it is very important that cooperation is actually lived. We are speaking of a period of maybe 15 or 20 years here. The two partners both benefit from each other. In this case, Klenk Holz AG provides biomass as a fuel for energy supply purposes, and we operate the plants. We have also agreed to expand the business. This is done with the support of EnBW. And this extended form of collaboration can only work if there is a team spirit.

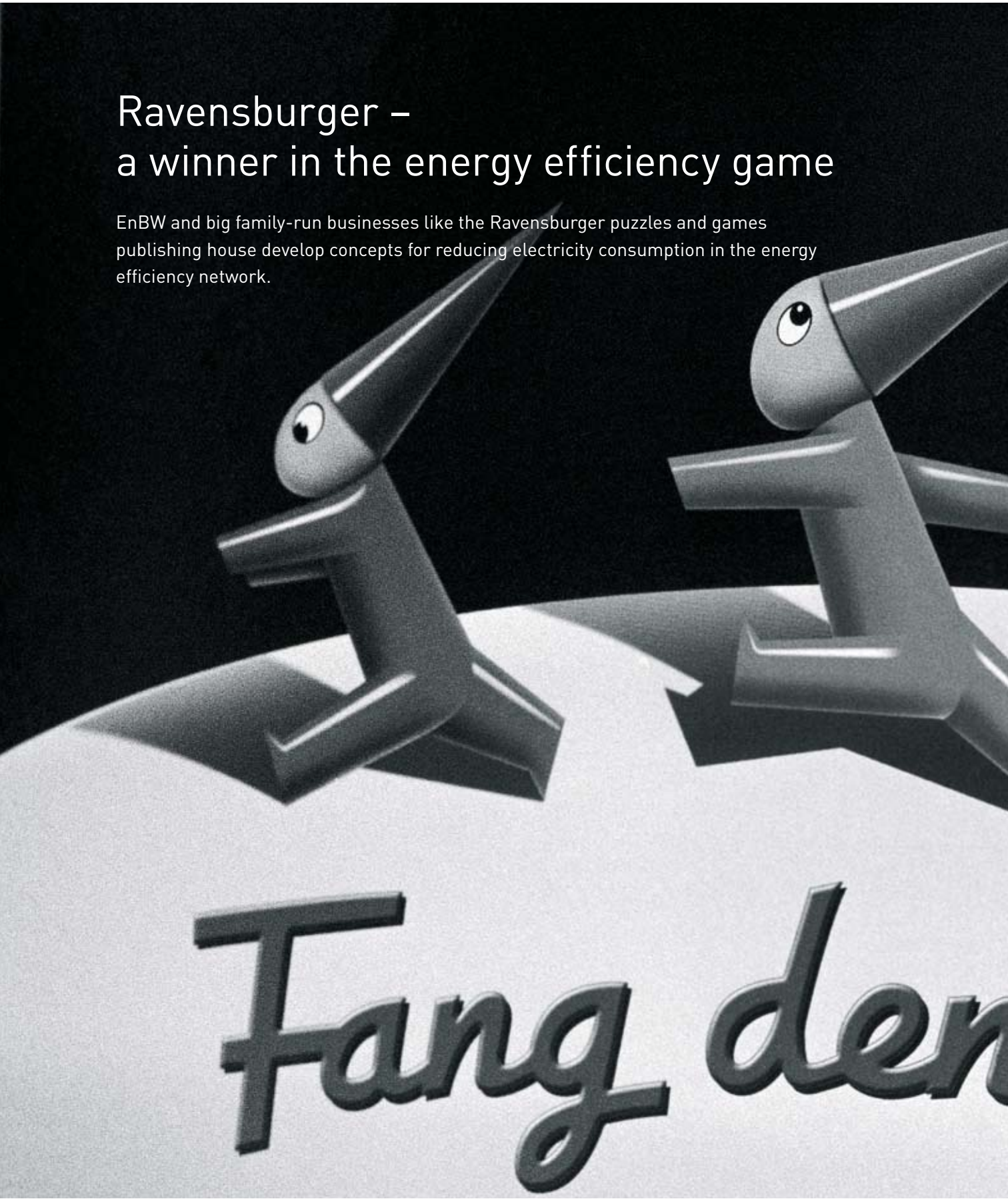
What projects do you have in the pipeline?
We are planning more, specific projects at our locations in Baruth and Urlau. Klenk Holz AG wants to expand its production lines and set up new ones. And the production process needs heat. The heat is to be provided by the energy provider, which ultimately is EKH, meaning that we can apply the principle at the core of the co-operation in Oberrot to other locations. Additional ideas on how to expand business are currently being reviewed.

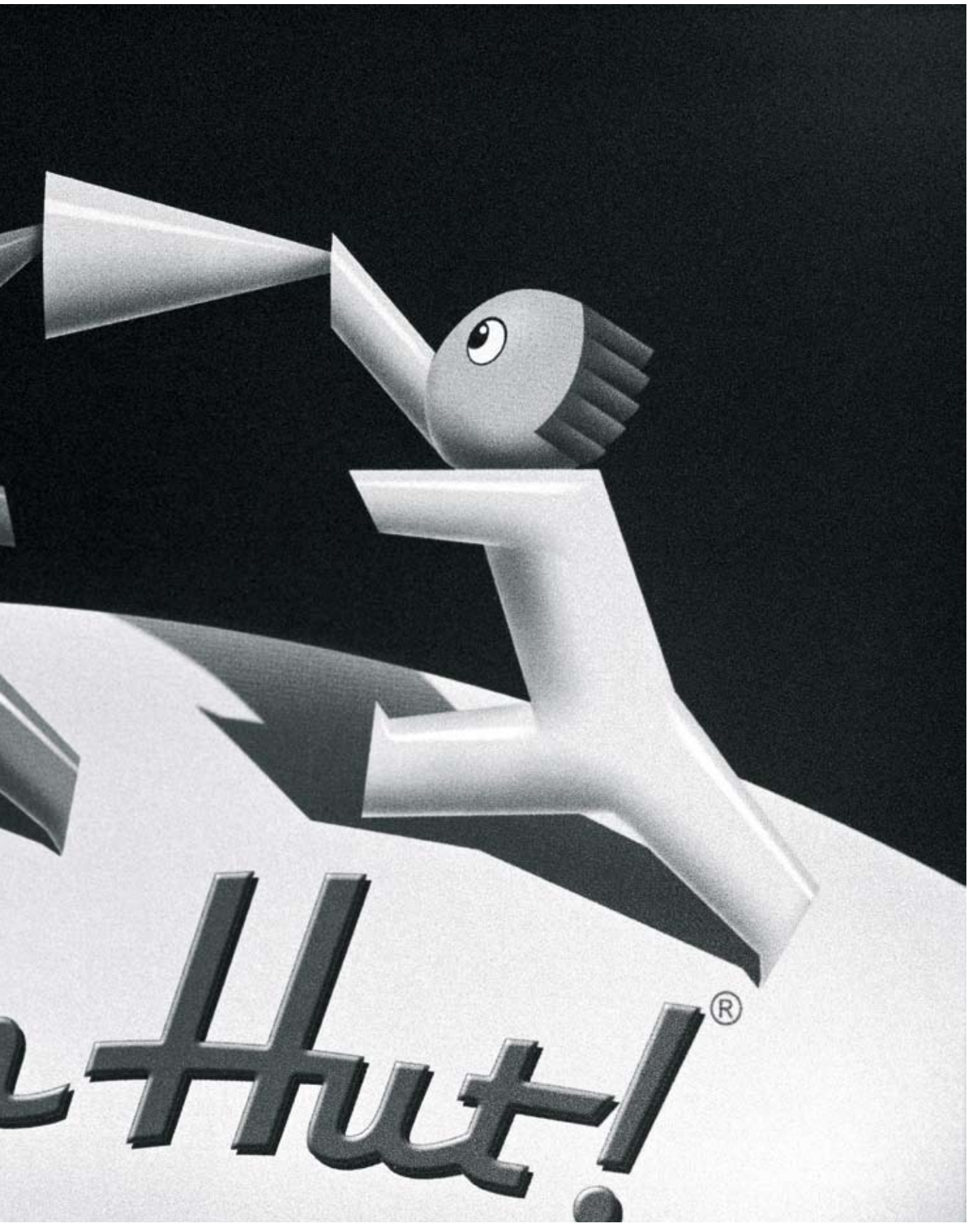
You are financing half of the new Klenk power stations. Is that a special way of strengthening customer loyalty?
Sure. Such contracting projects are usually financed by the contractor alone. Here, the new joint venture company, EKH, is responsible for the contracting side of things. The joint venture partners EnBW and Klenk Holz AG each provide some of the funds needed via their contribution to the joint venture. However, the aim is for the new company to obtain funds from the capital market. And the company has the necessary equity to be able to address the capital market.

What would you estimate the proportion of conventional and renewable energies to be like in, say, 20 years?
If we're not just looking at industrial customers and in the direction of biomass, there is still considerable potential in Germany. But over a period of 20 years, the construction of new power stations could exploit most of that potential. You mustn't forget that biomass power stations have a sourcing territory; at the end of the day, biomass is limited to a certain region. But because it is CO_2-neutral and has already established itself, biomass will remain attractive. To get back to your question: it is not possible to say with any certainty what role water, wind, solar energy and biomass will play in 20 years' time. The only thing we can be sure of is that the share of renewable energies in the total energy consumption in Germany is on the increase.

Ravensburger – a winner in the energy efficiency game

EnBW and big family-run businesses like the Ravensburger puzzles and games publishing house develop concepts for reducing electricity consumption in the energy efficiency network.




Hut!®

A round table.
Everyone's a winner.

Michael Bahlinger is not a university professor or man of letters. Accordingly, the head of engineering at Ravensburger simply calls the institution that has profoundly changed his company a 'table'. And Michael Bahlinger has no need for false pretences. He frankly admits that the idea of an energy efficiency network – the 'table's' official name – was born in Switzerland. But copying a good idea has always been better than inventing a bad one.

A bright idea. Big corporations may be able to afford to have a whole department dealing with sustainable energy and environmental issues to save money on the one hand and, on the other, in response to increasing public pressure. For family-run businesses this isn't really an option. The prospect of saving energy costs of € 50,000 or € 100,000 per year does not justify creating an additional position.

The energy issue: Would you like a little less?
This is where the network comes in. Gather the executive engineers of family-run businesses around a table, let them regularly share their experiences and voluntarily define a goal for saving energy. On a scale that each individual company can manage without biting off more than it can chew. Energy experts from the field of science – in the case of Ravensburger, Fraunhofer-Gesellschaft and its institute for systems and innovation research in Karlsruhe – have also joined the table, as have the energy provider and an engineering office.

And this is where Martin Baumeister from EnBW comes in. He is someone who would never make a living working in a butcher's shop. He never tries to sell anyone more than they ask for but, on the contrary, asks "Would you like a little less?" An electricity supplier who suggests that its customers should buy less electricity? What may at first seem paradox, proves to be EnBW's strategy. Germany is not the world champion in exports because its products are sold cheaply abroad; on the contrary, "Made in Germany" tends to be more expensive than the competition. But the quality, durability and service make up for that. Customers therefore have a greater economic benefit in the long term compared to the short-term price difference. This is the very rationale applied at EnBW's headquarters in Karlsruhe. The aim is not to compete purely in terms of price, but to be a reliable partner for the customer, offering a reasonable deal in the end.

Chief engineer Michael Bahlinger had been looking for someone like EnBW consultant Baumeister. He had heard of such networks from Switzerland and in connection with the Hohenlohe pilot project. What was missing in southern Oberschwaben was the spark to set things off.

This spark came from Armin Schreijäg and EnBW in 2005. Mr. Schreijäg is in charge of energy-related services at EnBW's branch office in Ravensburg. When he first heard of the concept and combined it with customer wishes, the response was clear: Let's do this!

Saving energy is child's play.
Even on the conveyor belt.

It was not long before eleven business people were put in touch with each other with the assistance of Martin Baumeister and some other customer advisors from Ravensburg. Naturally, care was taken to ensure that there were no direct competitors at the table. You would not want to present your own ideas on how to reduce your energy consumption and costs in great detail to the competition. In the Ravensburg network, which incidentally is also one of the 'lighthouse projects' of the federal government's Partners for Innovation initiative, the games and puzzles publishing house was joined by a packaging manufacturer, electronics provider and toolmaker, among others. They represent a total of 6,000 employees.

Michael Bahlinger,
Ravensburger's head of engineering

Saving money for heating, air-conditioning and vehicles

The executive engineers of these firms come together four times a year. Ahead of the first meeting, EnBW carried out a two-day inspection at each company, noting down type, age and nature of energy consumers and preparing load analyses. That was followed by individual consulting sessions with the aim of defining concrete steps to save energy.

Michael Bahlinger has set himself the target of saving 4 per cent of the electricity consumed at his company within the next 3 years. This target may require some financing at the start because participation in the energy efficiency network is not free of charge. But the costs will be amortised in just a few years, considering that Ravensburger will save some € 20,000 per year. And it is not just with electricity, but also heating, air-conditioning and vehicles that money can be saved. In total, Mr. Bahlinger wants to reduce his company's energy costs by € 60,000.

By the way, one major advantage of the network is that it supplies the engineers with arguments for discussions with their own financial managers. A long-term plan to reduce electricity consumption and CO_2 emissions cannot compete with a production facility that generates a return on investment within the space of 3 years. But Fraunhofer-Gesellschaft and EnBW provide the operational know-how and hard facts which help the engineers to convince even the most sceptical accountant. The lower the investment costs involved, the easier the task.

That is one of the reasons why the network has set different priorities to those that a private household would choose. For the latter, you would set out by identifying the largest power-guzzling appliances and reduce consumption by buying modern, energy-efficient appliances, for example. In industry, different laws apply. Large investments are written down. That means that they need to return the investment within a defined period of time. So savings commissioners like Bahlinger and Schreijäg need to be patient. At least this – initially theoretical – approach to energy efficiency provides planning certainty. Michael Bahlinger: "When a machine broke down in the past, we used to have to make do quickly with the means we had in order to keep production going. Today, I have contingency plans at the ready that show which manufacturer can supply us with the best replacement in terms of energy efficiency."

Efficiency is the name of the game

In the network, organisational measures play an important role. Professor Eberhard Jochem of Fraunhofer Institut is certain: "Looking at electricity only, industry and commerce could save up to 20 per cent over the next 10 years by using electricity more efficiently. (. . .) In many cases, efficiency gains of up to 10 per cent can be achieved with organisational measures. (. . .) With compressed air, for example, experience shows that around 30 per cent of the energy is wasted. Other areas where there usually is some potential for saving energy include process controlling, cooling and heating plants and lighting." Toilets and washrooms where the lights are controlled by motion detectors, door closing mechanisms to prevent the loss of heat energy: there is a myriad of measures that can be taken to reduce electricity consumption – and at the same time CO_2 emissions – which cost hardly anything or nothing at all. The energy efficiency network provides a forum for engineers to swap notes.

But the 'table' does not simply work along the lines that every contribution is gratefully received, however small. For Mr. Bahlinger and Ravensburger, the compressed-air system seemed to offer the greatest potential for savings. These days hardly any machines work without compressed-air, whether for controlling, pressing or moving robot arms. Compressed air piping has replaced the long belts that used to be strung across factory halls at the beginning of industrialisation.

When the time came to replace a compressor, Mr. Bahlinger and his right-hand man, Josef Kleer, decided to change the system. Whereas the previous compressor had been switched on 'upon request' and had to be pushed to its limits when demand was high, the successor machine provides continuous pressure. When Mr. Kleer does a guided tour through the holiest of holies, the compressor room, his eyes light up: "We used to have to provide 9.5 bar, but nowadays we can manage with 7.5. That's cool!" The new compressor still produces lots of waste heat. However, that heat is no longer evacuated by a complex procedure, but used via waste heat recovery to support hot water supplies to the plant.

The Ravensburg-based company also benefited from the following episode which could not have happened outside the energy efficiency network. Messrs Bahlinger and Kleer suspected that a certain part of the roof in the production hall formed a heat bridge, i.e. that it was wasting energy. The fastest solution was to present the problem at the 'table'. His opposite number at a different company then kindly offered to lend Ravensburger an infrared camera. In the end, a weak point was identified and remedied. Today, Mr. Bahlinger has an infrared camera of his own.

Networks for energy efficiency.
Protecting the climate and saving costs.
Energy efficiency is a huge topic in times of climate change and diminishing resources. With innovative ideas, EnBW promotes more efficient use of this precious resource on a national and international scale.

The energy efficiency networks in which companies join forces with EnBW play an important role in this respect. They are technically supervised local learning networks for small and medium-sized enterprises, in which model methods are developed for the efficient use of energy. By the end of 2007, five such networks had been set up with 64 companies throughout Germany. Weser-Ems, eastern Germany, Franconia-Upper Palatinate, Ravensburg and Donau-Alb.

It did not take long for the companies to reap the first fruits. Take the Ravensburg network, for example. The 11 participating companies were already saving 9 million kilowatt-hours of energy after just one year. To put that into perspective: That is about the volume of energy that 423 average private households consume for heating, hot water and electricity. Following technical enhancements, companies are now spending € 870,000 less on energy! The work within the network has reduced the carbon footprint in the model region Ravensburg by some 2.3 million kilograms of CO_2 to date – and this is still only one third of total target savings.

The networks are put into practice by the companies involved and EnBW without government assistance. The idea that companies could develop ways for the efficient use of energy in a facilitated knowledge management process won the support of EnBW right from the outset. And EnBW will therefore continue to support such networks in the future.


Ravensburger


Der intel
Stromzä
Energiev
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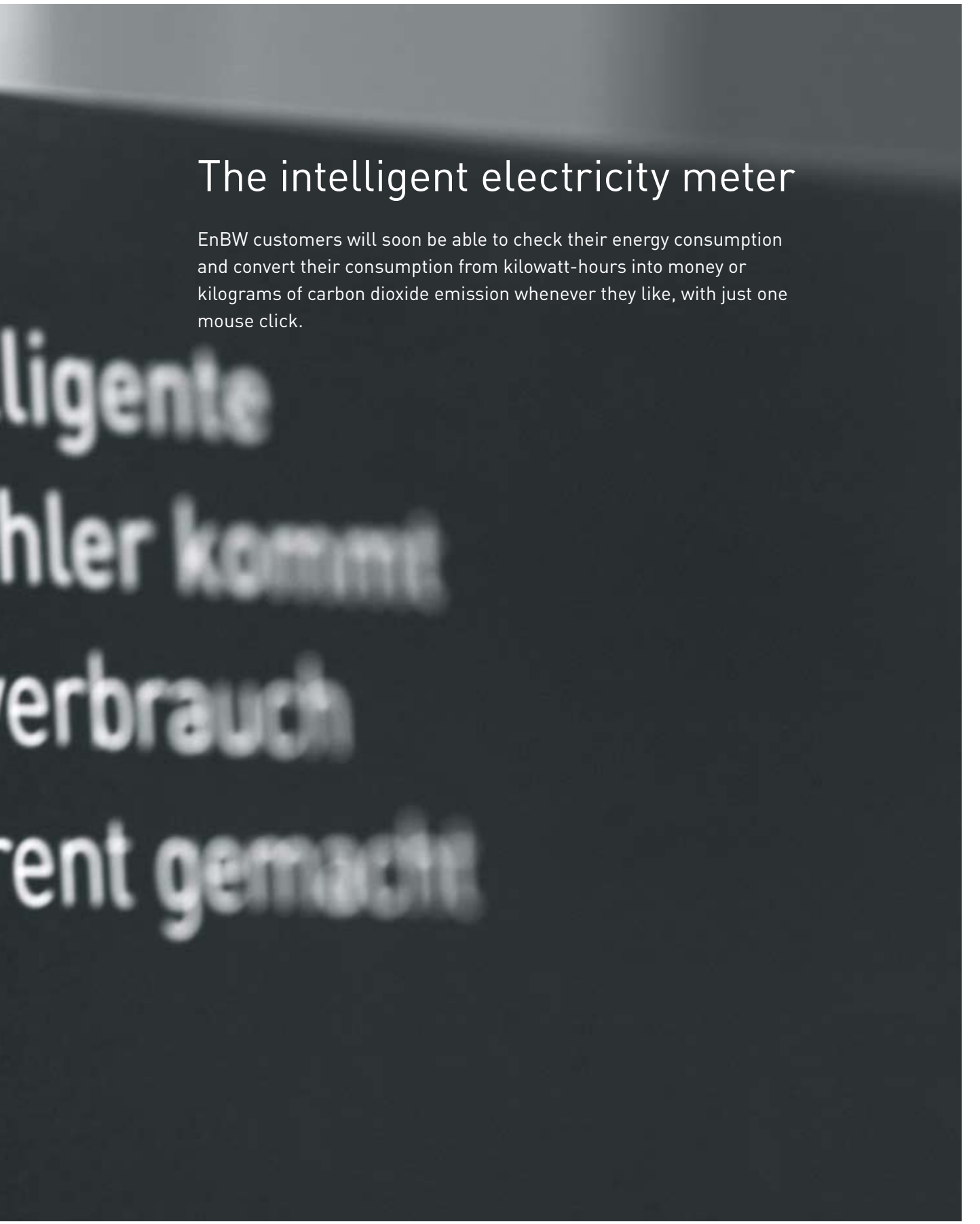


The intelligent electricity meter

EnBW customers will soon be able to check their energy consumption and convert their consumption from kilowatt-hours into money or kilograms of carbon dioxide emission whenever they like, with just one mouse click.

Seeking out power-guzzling appliances. Intelligent measuring technology and energy-conscious consumers.

EnBW customer Oliver Rauh has every reason to smile: He has already got one – an intelligent electricity meter. It enables him to check his energy consumption on the computer. EnBW supplies the data.

Oliver Rauh, a young bank clerk from Stuttgart, used to be just one of many electricity customers, but meanwhile has become a bit of a celebrity. The press wanted to see him, radio stations have asked him to tell his story, and even a TV channel sent their camera team round for an interview. The reason for all this curiosity is a prototype of the intelligent electricity meter that this chosen pioneer customer of EnBW, aged 36, has been using in his home since July 2007.

Intelligent measuring technology – the standard for the future

Instead of just waiting for his annual electricity bill, he now has the possibility to take action himself. He can verify and directly influence his consumption, the costs and environmental impact anytime, night or day. This has turned his relationship with his energy provider into a whole new kind of partnership. That is exactly what the government wants: more transparency for the customer, assumption of responsibility by the consumer and variable rates offered by the electricity provider are key components of the federal government's ambitious energy and climate programme. The call for intelligent measuring technology as the standard for the future is loud and clear because the means for calculating electricity consumption in Germany are not up to date, say both the Ministry for the Environment and the Ministry of Economics. That is about to change.

When he first read about EnBW's call for volunteers, Oliver Rauh was taken with the idea immediately. EnBW was looking for 1,000 volunteers throughout Baden-Württemberg to test the meter. All they needed was a flat-rate DSL internet connection. Anyone meeting this condition could apply to take part in a pioneering project that is designed to provide more transparency on everyday energy consumption and put a stop to waste. Naturally, the prices that went with the intelligent electricity meter were also attractive. The additional incentive was an economy rate in the late evening and early hours of the morning between 8.00 p.m. and 8.00 a.m. and at weekends – so with these terms anyone using the washing machine at 6 o'clock on a Monday evening only has himself to blame!

And this is how the new technology works: every 15 minutes, the intelligent electricity meter sends encrypted information on the household's current consumption to the server in the EnBW customer centre via a data highway. There, the data are compiled and formatted for the customer. The customer can then log on to a protected internet page, the 'Cockpit', to view his or her personal energy consumption on a PC at any time. Consumption is presented as average figures for a quarter of an hour, either per day or week or for a whole month.

User-friendly and transparent

At the click of a button, the kilowatt-hours consumed can be converted into other units, either euros and cents or kilograms of carbon dioxide emission. The presentation of the facts and figures has been designed to be user-friendly, so there are no confusing columns of figures or boring statistics. Striking bar charts – like those used in opinion polls – show at one glance when most electricity is drawn from the socket, maybe on Fridays, for example, when you've got friends round for dinner, the lights are on late into the night and music is playing the whole evening. For even thrifty electricity customers happily invest a euro or two more in electricity costs on such occasions.

It was a great revelation for our ecologically minded pioneer customer when he used the electric kettle with the intelligent electricity meter for the first time. The line chart on his laptop displayed a sudden upward curve with the seismic intensity of a medium-magnitude earthquake. Does this mean that he now has a bad conscience whenever he makes himself a cup of tea? Oh, no, definitely not, says this rather reserved young man with a twinkle in his eye.

What has happened, however, is that he has become more aware of this invisible power which everyone takes for granted, but which cannot be generated without emitting CO_2. Although state-of-the-art power stations and the expansion of renewable energies help to keep a lid on the increase in emissions, each individual can also make his or her own contribution to climate protection around the world by using energy in a more economical way. Experts say that the private consumption of electricity could be reduced by around 6 per cent with very little effort and without cutting back.

No background flicker

For Oliver Rauh, this simple but abstract truth has become visible ever since the ultra-modern digital electricity meter has made him aware of his electricity-related CO_2 emissions. As a result, he has got used to not switching the TV set on just for the sake of it as soon as he gets home from work in the evening. A model EnBW customer, he has decided it is not worth increasing his energy consumption for background flicker. Other power-guzzling devices are not so easy to keep in check. All electrical appliances in his flat are new and state of the art. So what is it that causes such a marked impact on the consumption scale at regular intervals, even in the middle of the night? Is the person living in these four walls nocturnal? Does he set his alarm clock every hour for a session of vacuum cleaning? The solution is really simple: it's the fridge that is working non-stop around the clock.

The intelligent electricity meter offers considerable potential for development. It could, for example, be placed just by the front door to show you which lights or devices are still on when you leave the house. The question that has a habit of creeping into your mind when you've just left to go away on holiday – have you left the oven or the iron on? – would then be a thing of the past. Specific household appliances could be remote-controlled via the internet, even when you're not at home. Another possibility would be to have certain appliances operate automatically in cheaper, low-rate periods. As a systems platform with various modules, the intelligent meter could compile and present other consumption data, too: gas or water consumption, district heat or communication services, for example. And on a wider scale, looking at society as a whole, the new technology offers even more possibilities, for example in the important field of combined heat and power (CHP).

This highly efficient principle of simultaneously generating electricity and heat is top of the political agenda. The construction and modernisation of such plants are being subsidised with state funds. Yet in order to expand the local energy supply beyond small, highly efficient block CHP units, a large number of individual households need to be linked up in a close-knit network. The intelligent electricity meter forms a basis for reliably controlling such complex systems.

Not just for techies

EnBW customer Oliver Rauh has taken an interest in these things although he's no specialist in the field. It is pure coincidence, but quite fitting that he happens to live in a part of town where the street names make reference to the history of electrical engineering. He has developed a routine of briefly checking his electricity data online on a daily basis. Watching him click his way through the choice of options, you could get the impression that he is a computer whizz-kid. Could it be that intelligent electricity meters are for young people only, who have grown up with the World Wide Web, and that they appeal especially to male customers with a penchant for technology?

This suggestion prompts Oliver Rauh to relate something that happened to him the other day. The report about him and the intelligent electricity meter had just been televised at prime time when an elderly lady and an elderly man both approached him in the bank where he works. They had recognised him and wanted to know then and there how to get hold of such a miracle tool.

Our intelligent electricity meter.
Looks good and helps save energy.


2222,4 HT KWH
3800,0 NT KWH
EnBW

A power station on your doorstep

"Building and living at one with nature" – this is the guiding principle for a new residential estate that is being built with efficient and climate-friendly energy solutions. With the help of EnBW.

Heaven on earth.
Modern urban planning calls for new energy concepts.

Bernhard Fritz, the Lord Mayor of Winnenden, looks forward to welcoming new energy-conscious residents.

Winnenden, a large district town 20 kilometres to the north-east of Stuttgart, has much to offer. Lord Mayor Bernhard Fritz can hardly conceal his enthusiasm when talking about 'his' town. The town's history goes back as far as the 12th century. In many parts, the past has been successfully preserved and dozens of idyllic picture postcard scenes can be found at every turn. Yet the picturesque half-timbered houses and historical city walls are just one aspect of the town. In other ways, the town has its sights set firmly on the future – with the help of, among others, EnBW.

The town of Winnenden has every justification in claiming to be a modern place for business. Businesses with a reach beyond the region are domiciled here, including a manufacturer of cleaning equipment of world renown. A major bypass is under construction, but the Lord Mayor is most proud of the social and welfare facilities that Winnenden has to offer: a modern centre for psychiatry and neurology, as well as large facilities for vocational training, welfare centres for disabled persons, children and youth welfare services. And there are plans to add a new district hospital with some 600 beds to this in the near future.

Bernhard Fritz has been the Lord Mayor of Winnenden since 1994, and has been pleased to see the town grow steadily over the term of his office. The number of inhabitants has grown by some 4,000 over the last few years to around 28,000 today. Young families in particular have been attracted to this region of natural beauty. With green hills and mountain tops, the Swabian forest starts as soon as you get out of town. In clement weather, the region develops a kind of southern flair.

Putting forward-looking climate policy into practice

All this may have been what inspired a successful construction company to build a whole new Tuscany-style residential estate on a disused commercial site not far from the town centre. "Building and living at one with nature" is the company's ambitious slogan. In order to live up to this claim, the company decided to use only 'healthy' and environmentally friendly building materials. Besides, property developers and builder-owners also attach great importance to efficient and climate-friendly energy solutions. Lord Mayor Fritz confirms that young people in particular are very aware of these aspects and well informed about the latest technological developments. He is therefore determined to support the responsible use of energy wherever he can. A whole range of subsidy programmes is available at municipal level, he explains with perceptible enthusiasm. This is clearly the fun side of politics!

The new housing estate bears the appealing name "Arkadien Winnenden", and small streams and ponds fed from the nearby Zipfelbach stream will conjure up the desired atmosphere. The estate will comprise a total of 180 residential units, a piece of heaven set in the riverside meadows of Swabia. Individual energy concepts can be implemented for most of the buildings: pellet heating, for example, or thermal solar power devices and photovoltaic systems. The majority of the proud new owners, however, opt for natural gas supplied by EnBW. The semi-detached houses and detached houses are usually equipped with gas heating with condensing gas technology because it guarantees relatively low investment costs and high efficiency.

For multiple-family units and terraced houses, however, the situation is different. For these properties, a local heating model has been put into practice, which is expected to start a trend. All 60 residential units are linked up via a pipe network to a central heating unit, the core of which is a compact block CHP unit with an electrical output of 50 kW and thermal output of 80 kW. Responsibility for the planning and operation of the central heating unit rests with EnBW Vertriebs- und Servicegesellschaft, which is collaborating with an external engineering office on this project. Besides Arkadien Winnenden, EnBW already operates 16 block combined heat and power (CHP) units elsewhere.

The large construction site on Silberpappelstrasse is really buzzing – a hive of activity wherever you look. Whether up on the rooftops, behind the unfinished façades or deep down in the cellars. Burly construction workers in overalls covered in dust are busy at work all over the site, drilling and hammering, digging and plastering amid all the hullabaloo of the construction site. Huge cranes swing bulky items effortlessly through the air, while diggers manoeuvre material of all sizes around the site. The concert of pounding, humming and droning has a steady undercurrent beat of a large machine driving long concrete elements for the foundation pillars into the ground.

Made to measure: installation of the block CHP unit

The combined heat and power unit will be placed in the basement of a centrally positioned multiple-family unit. The square opening leading down to the cellar, into which the unit measuring six feet up and ten feet across is to be lowered, is covered by a thick concrete slab. As the lorry approaches, bearing the unit which weighs two tonnes, the waiting group of construction workers are galvanised into action. Quickly the men slip chunky hooks through the steel eyelets of the slab for the crane to lift this heavy lid. This is the test now to see whether the architects have got their calculations right and the shell construction crew has done a good job. Will this valuable piece of equipment fit through the hole? The second crane now needs to be operated with great precision. The huge load slowly disappears into the ground. A few minutes later, the whole team breathes a sigh of relief. Everything went smoothly; the CHP unit is firmly positioned on its white-washed pedestal. It will later be supplemented by two condensing gas boilers designed to bridge peak load periods and two sizeable buffer storage units for a total of 4,000 litres that store the heat until it is needed.

Efficiently combined heat and power

Lord Mayor Fritz is pragmatic. A committed politician working at municipal level, he says he will support anything related to climate protection and innovative energy concepts as long as they are in some way beneficial. He does not go in for alternative ideas that are merely an end in themselves.

The major advantages of combined heat and power in ecological and economic terms, based on the functioning of a block CHP unit, speak for themselves. Electrical power – in other words power or electricity – and thermal power, i.e. heat, can be generated and used simultaneously with the help of a generator.

Such plants are much superior to conventional technology. Energy utilisation is around 90 per cent, and the potential for saving primary energy sources amounts to roughly one third. This way, valuable resources are saved, and harmful CO_2 emissions are reduced as well.

Because of this, the federal government has decided to promote the use of combined heat and power technology. The construction and modernisation of block CHP units will continue to be subsidised with state funds in the future. The political aim is to double the share of combined heat and power in the generation of electricity by 2020 to a total of 25 per cent. The electricity from Arkadien Winnenden, all of which is fed into the grid, will make a small contribution in this respect. For heating and hot water, the new housing estate has the potential to save a large amount of primary energy: based on expected consumption, energy savings can come to as much as 34 per cent. The climate also stands to benefit here because CO_2 emissions will be reduced by 116,000 kilograms per year.

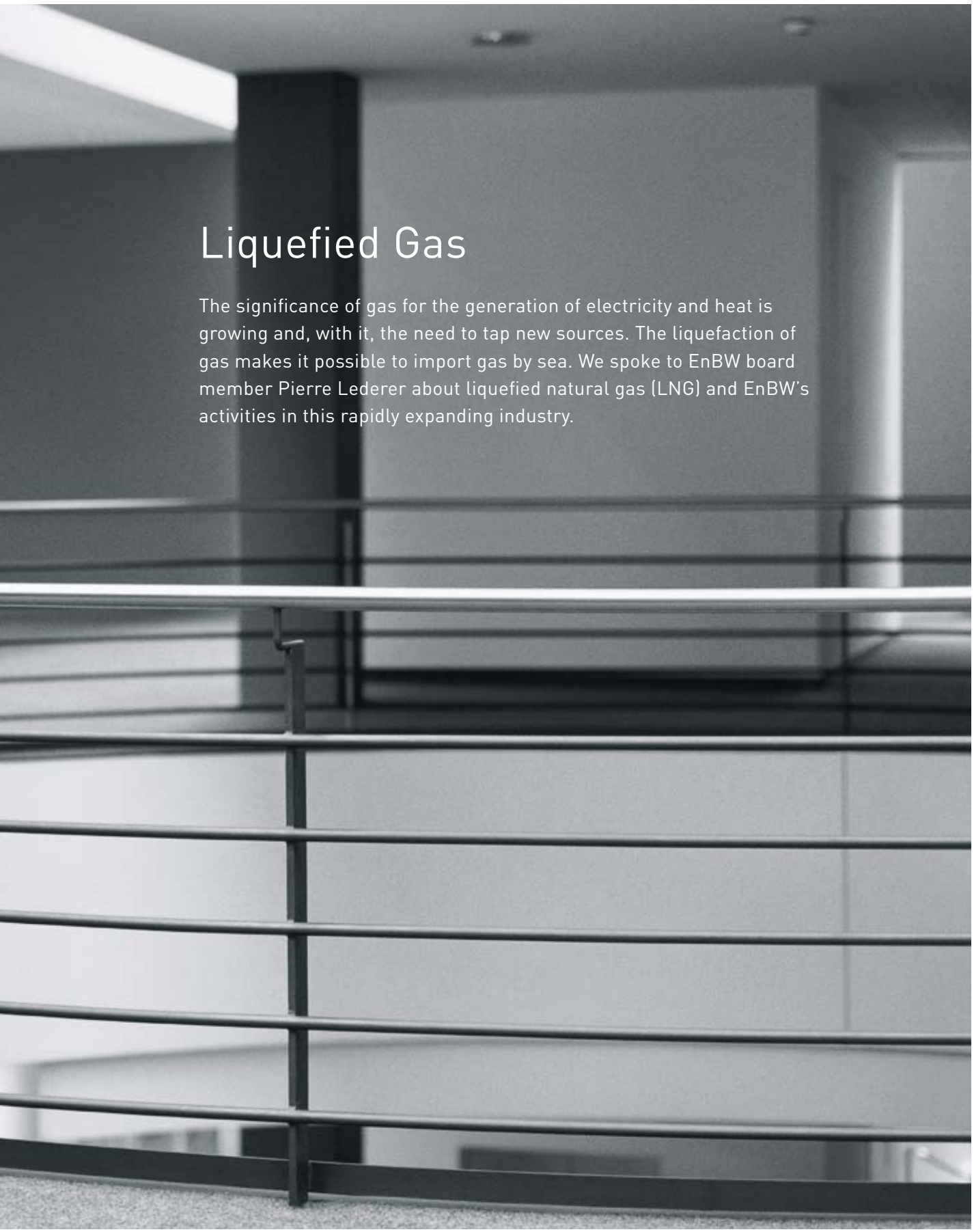
Joining forces for climate protection

The favourite message of the Federal Minister for the Environment that climate protection and economic growth do go together is reflected in the corporate strategy of EnBW. Local power generation, as seen in Winnenden, is one of the growth markets with potential that the group is targeting. One prerequisite is to maintain close contact with municipalities, another is to convince architects and engineers of the new energy concepts. That was not a difficult task in this case because from the outset the construction company was committed to designing the entire housing project in a natural and environmentally compatible manner. It is an example of politics, the energy industry, the construction industry and the citizens of Winnenden all pulling together.

For the new owners, the block CHP unit is also a convenient arrangement. They do not have to worry about maintenance work or any repairs required on the central heating unit; specialists from EnBW take care of that for them. Hot water is reliably transported to each apartment's own transfer station, which houses a heat exchanger. This is where the individual energy quantities are then drawn off for heating and hot water.

There can be no doubt, the progressive local heating network adds value to the new residential area as a whole and, accordingly, heightens the interest in the area. The construction company, for one, is pleased with the sales of these nice new houses and flats. And the Lord Mayor? He can look forward to welcoming numerous new citizens to Winnenden in the near future.

The combined heat and power unit is located in the basement of a multiple-family unit. Installing it was a matter of precision work.



Liquefied Gas

The significance of gas for the generation of electricity and heat is growing and, with it, the need to tap new sources. The liquefaction of gas makes it possible to import gas by sea. We spoke to EnBW board member Pierre Lederer about liquefied natural gas (LNG) and EnBW's activities in this rapidly expanding industry.

Natural gas is fashionable. In Germany and in the EU as a whole, demand is on the rise; its significance for generating electricity and heat is growing. In light of this development, EnBW will continue to expand its activities in the gas business. The demand is there, but the supply side needs to change. Liquefied natural gas (LNG) is the answer, and we spoke to EnBW board member Pierre Lederer about it. Before we get to the interview, here some background information.

Most of our natural gas comes from European sources: from Norway, the Netherlands, Germany, the United Kingdom and Denmark – but how long will it stay this way? Gas extraction is in decline in Europe. Another large part of gas imports – around a third of total gas imports – is sourced from Russia. Germany is therefore dependent on a few natural gas suppliers. There was a heated public and political debate about the question of supply reliability. The energy industry initiated the search for alternatives long ago. How can we find new gas exporting countries and new transportation routes?

Natural gas is fashionable, demand is on the rise. EnBW opts for liquefied natural gas.

The experts are in agreement: liquefied natural gas, or LNG for short, is gaining in importance. The main attraction of LNG: cooled down to –161° C, the gas not only changes its physical state to liquid, its volume is also simultaneously reduced to around 1/600th, which means that the transportation of gas is not dependent on pipelines. By sea, LNG can be delivered to Europe on special freighters with insulated tanks from far-flung corners of the world. The global energy market is moving closer together. Countries in the Middle East, Africa and Asia have emerged as potential suppliers of natural gas. One prerequisite is that state-of-the-art terminals are developed in Europe where the liquefied gas can be returned to its original state in regasification plants.

In the summer of 2007, EnBW and 4Gas, the LNG terminal group with global operations, signed a memorandum of understanding. It sets out the possibilities for EnBW to participate in a new liquefied gas terminal including regasification technology. Where is the terminal? In Rotterdam. The port of Rotterdam is by far the largest trading hub in Europe, and the Netherlands are appreciated by those in the business for their highly liquid trading market. That makes Rotterdam the location of choice for starting out into a new gas age. The memorandum of understanding provides not only for the investment of funds, but also for capacity rights to three billion cubic metres of natural gas a year.

Pierre Lederer's appointment book is as full as ever. But the deputy CEO and Chief Operating Officer of EnBW has still found time to explain the promising gas project to us in person. The top manager, born in Paris in 1949, answers all our questions with charm and patience in his office in Karlsruhe.

His French accent and humorous manner, which comes through as he jokes around with the photographer, put everyone at ease. The atmosphere is relaxed, with only his assistant stealing a glance at her watch now and then to make sure that he doesn't overrun.

EnBW is involved in the liquefied gas sector. Has traditional pipeline gas had its day?
No, that's not true, but we do need to diversify. Physically, LNG is nothing other than a means of transporting gas – and there are not enough pipelines nowadays. In Europe, we will need to see more concrete decisions being made in the near future to build new long-distance pipelines. For the gas industry, LNG facilities offer a new way of trading natural gas. And we have various options here: What do I do with the gas from an LNG plant? I can reroute the ships to call at other LNG plants around the world in response to market developments. I can trade the gas in different markets, which I can't do with pipeline gas. LNG is a very versatile option.

The LNG chain – that is liquefaction, shipment by sea and regasification of natural gas – involves complex technology and high capital expenditures. What makes you sure that the investment will pay off?
Well, you've got a point; the LNG chain is very capital-intensive. The fundamental consideration for us is this: It will not be possible to keep Europe supplied using long-distance pipeline gas only, LDPG for short, that's certain. This means that we need to promote the use of LNG in Europe, and we want to shape this process actively, we want to be a market player. You must bear in mind that EnBW is a downstream company. We maintain gas grids at a regional and local level to distribute the gas that we buy from others. And who are the others? They are the powerful players, especially E.ON Ruhrgas. Now we can't compete with a large player like Ruhrgas with its own gas, that's just not possible. So we need independent access to gas. That is the reason why, on the one hand, we want to enter into import agreements for pipeline gas ourselves and, on the other hand, obtain independent access to gas via LNG, also with a view to trading gas. If you're wondering about profitability, we are reviewing a number of projects. But there is no doubt within the industry that the LNG market will evolve further – and we don't want to miss the boat.

Are the countries that export LNG not the same as those that export conventional natural gas?
No, indeed, it can come from almost anywhere around the world where there are any gas reserves. The LNG chain as a transportation route will lead to considerable diversification in gas procurement, in terms of the sources available. This is one aspect that is being considered at European level in the interest of securing supply reliability.

Is the strategic decision to promote LNG based on distrust towards Russia as a supplier of natural gas?
Not on our part, no. We have always found Russia, and the Soviet Union before that, an extremely reliable supplier. Diversification is a political decision. In my opinion, it's not distrust, but the fundamental desire to put energy supplies on a broader basis in western Europe, and particularly in Germany. And, as I said, it makes economic sense. Developments in the gas industry and this new political awareness are pointing in the same direction. We need to diversify our sources.

What advantages does Rotterdam offer as a trading centre for natural gas?
Being the largest port in Europe, Rotterdam provides an ideal environment where necessary infrastructure is publicly welcomed as an asset. Consequently, all required building permits have already been granted. Another very attractive aspect is that a gas exchange already exists in the Netherlands. The market there is highly liquid. If you want to trade with gas, it offers possibilities that are not yet available in Germany. At the present stage of the project, we are obviously still looking into other locations in north-western Europe, which is necessary if only to take into account the current changes in the situation regarding access to the long-distance transmission network.

And how is the gas transported from Rotterdam to the customers that you supply?
We often do that via swaps, that is to say, at the end of the day it's not necessarily those very same molecules that reach the gas heating system somewhere in the south of Germany. Our dealers have various options. But in any case, their job is to procure the cheapest molecules for our customers at all times.

Will EnBW start buying its own vessels and operating its own fleet of tankers?
That might be a vision, but I haven't got that far yet. (Laughs.) But I wouldn't rule it out completely either. As it stands at the moment, we are a downstream company as I said earlier on. Via our company Gasversorgung Süddeutschland, we operate distribution networks at a regional level, especially in the city district of Stuttgart. It would be a logical step for us to gradually make our way upstream. The first step, however, are activities in the midstream area, i.e. LNG plants, import agreements and storage plants for gas. Our present interest in LNG focuses on regasification plants. The next step could be to tap gas reserves, which would be upstream. Now of course EnBW is not an SME, but it isn't a giant like E.ON, RWE or EDF either. We therefore need to be very realistic and pragmatic about where we want to go, and one important step on our way is to participate in LNG regasification plants.

The new liquefied gas terminal in Rotterdam should be ready for operation in 2011. How much will the gas business have grown by then?
Our long-term procurement agreements with our main gas suppliers will expire exactly around the time when the terminal is expected to be commissioned between 2011 and 2012. These facilities will also be important for the renegotiations. Until then, we will not necessarily be able to achieve substantial organic growth with sales alone. Competition is increasing and it will definitely become fiercer. We will investigate the opportunities for growth by acquisition in Germany and, I hope, actually implement such acquisitions. But we're looking a long way ahead there.



An interview with Pierre Lederer,
deputy chairman of the
EnBW Board of Management

Would he mind briefly explaining how the liquefaction and regasification of natural gas works technically – this was the last question that we asked this morning, tongue in cheek. Pierre Lederer pretends to be horrified. When he was young, he studied maths and economics and not physics, so it would be advisable to get someone else to explain the details, he says. He has set his sights set on the big picture, the prospects of EnBW in the gas segment.

Yello in Sweden

Stockholm is yellow. The main streets and crossroads are aglow with glossy yellow posters. Young people in yellow jackets hand out yellow roses in the town centre. It is 3 September 2007. Yello has arrived!


Gul strøm.

»Äntligen! Gul ström.«
At last! Yellow electricity.

Since Yello arrived, Germany knows: electricity is yellow. Now – with the market launch in Sweden – Yello has become an international electricity provider. The market for electricity has been liberalised in this Scandinavian country since 1996. "The Swedish electricity market and its advanced stage of liberalisation offer a strong brand like Yello the potential for further growth outside Germany," says Dr. Peter Vest, managing director of Yello Strom GmbH. "The combination of top service and reasonable price account for the success of Yello in Germany, where Yello has established itself and held its own as a strong, young electricity brand. And what has worked so well in Germany is also a recipe for succes in Sweden."

3 September 2007, 7 a.m. At Alva and Filip Andersson's house. The water for coffee is boiling, their son Lars is taking a hot shower, or rather has been doing so for far too long already. Filip is sitting at the computer, looking at a yellow-coloured homepage. He clicks on 'skicka' – send. The Anderssons want to become Yello customers. Alva is pleased that her husband is in such a hurry to switch providers: "Here at last, we have an electricity provider that listens to its customers." The website is really intuitive. She can dial a number and speak to real people – and is never given just a standard answer by some machine. "Being there for our customers is definitely part of our concept," confirms Yello's managing director Peter Vest. "We are open all hours. And we don't keep our customers waiting."

3 September 2007, 10 a.m. Anders Olsson is sitting at a PC in his room in a student hall in the centre of Stockholm. Now and then he takes a look out of the window to enjoy the view of the Riddarfjärden, the most eastern bay of Lake Mälaren, which belongs to the city district of Stockholm. Then he turns back to the screen. He has to finish the 3D designs for a wood chipper for the wood processing industry. They are his project work for this semester. Anders, 22, is studying at the renowned Royal Institute of Technology in Stockholm. He has been working on the designs for weeks now, always at the computer, the largest electricity consumer in Anders' room. The computer is on now – but this will cost less in future as Anders Olsson has also just registered online with Yello and is thus one of the first Yello customers outside Germany.

Like most people in Sweden, Anders Olsson used the internet as the exclusive means to collect information about the electricity market. "I was looking for a cheaper provider," he says. He can only afford his student digs because he gets two scholarships and has a summer job with a truck manufacturer. "Life is expensive enough, at least electricity should be cheap. And Yello is that, and what's more, it is also somehow different to other electricity companies. Friendly and fast – everything went very smoothly. As if they only had me to look after."

Yello prices are simple and good: one price per kilowatt-hour, no monthly base rate, no complicated system of rates and tariffs. The super service is included in the price. That is also the background to the claim in Sweden: "Bra enkelt." – Simply good.

In addition, Yello guarantees its customers that the price will not increase for one year. This is a commitment on Yello's part, but does not restrict the customers, who are still free to make their choice. "Nobody else offers this on the Swedish market," says Peter Vest. Swedish customers can otherwise only benefit from fixed prices if they commit themselves to staying with their electricity provider in the long term, usually for a period of one to three years.

Yet the good price is just one side of the coin, says Yello's managing director: "Customers also come to us because we offer them something that they can't always get elsewhere. They want to be looked after, want to get all-round service. If we offer good service, customers will stay with us. That is what we have found in Germany. Once you've realised that electricity is yellow, you don't want any other colour any more."

3 September 2007, midnight. "Can I really talk to you about electricity at night?" one caller asks the Yello hotline at midnight. "Yes, of course, we're here for you around the clock. Many people are completely stressed out during the day, so we have simply responded to the needs of our customers." Then the customer service operator goes on to answer all the questions that the caller has about yellow electricity.

Since the oil crisis in the seventies, many Swedes have used electricity for heating purposes. "The electric heating now uses the most energy in the house," says Alva Andersson. Radiators heat the six rooms in the Anderssons' house. There is no night storage heating in Sweden. "When it's cold, we have to put the heating on, and we can only do that by using electricity." That is another reason why Alva hopes that Yello will give her some tips on how to save electricity once she has become a customer. "Many people in Sweden never switch their television off, for example, and leave it on stand-by because they think that it will break down sooner if you keep switching it on and off all the time." And Alva is also clued up where the dishwasher is concerned, it uses less energy than her son Lars if he were to wash the dishes by hand. But of course that is only a theoretical example.

3 October 2007, 7 a.m. The water for coffee is on the boil, Lars is taking a long shower again, and Filip is checking the news on his PC. The question of electricity has been sorted for now. It is yellow. Alva has taken an hour off work at lunchtime. She wants to take a stroll through Stockholm's boutiques – for she knows that her electricity bill is going to be lower now.

3 October 2007, 10 a.m. Anders Olsson has successfully presented his designs at the Royal Institute of Technology. The stress is over, Anders is surfing the web. He is interested in the results of the German football Bundesliga, especially Werder Bremen because that's the club where the Swedish Markus Rosenberg plays – another example of good Swedish-German cooperation.

3 October 2007, midday. In the bright Yello office, the employees get together for a meeting. Everyone agrees: "We made it! The targets that we set ourselves for the market launch have been met!" The electricity chosen by many Swedes is 'gul' now – yellow.

Climate change versus economic growth?
An economic view of global warming.

Innumerable research teams and organisations – from the UN right down to the smallest groups – are producing studies, forecasts and climate change scenarios. Not one international conference goes by without a serious debate on climate change. All around the world, the search is on to find ways of solving the looming problems. Contracts are being drafted, obligations formulated, the political feasibility is being weighed up. The economic implications are also under scrutiny. Which costs and which investments make economic and ecological sense? How can we protect the climate and the environment without causing too much upheaval and at the same time maintain or even boost economic growth?

Germany a forerunner?

At the world summit of the UN General Assembly in autumn 2007, Angela Merkel called for rigorous climate protection. According to her, studies showed that unchecked climate change would slash prosperity in the world by anywhere between 5 and 20 per cent. Rigorous climate protection, on the other hand, would cost only about 1 per cent of this prosperity. "Climate protection thus makes economic sense," the Chancellor explained to the UN Climate Summit. She called for a reliable framework to be put in place for investments in climate-friendly technologies and said that industrialised countries needed to lead the way and demonstrate how they intend to achieve the ambitious reduction targets. "As I see it, this is both a moral and an economic imperative," Chancellor Merkel said.

This strong moral imperative is understandable. But the basis for all economic and political activities and decisions in the rapidly approaching age of climate change must be careful convergence, cool analysis, precise weighing up of effectiveness of the technologies used and cost/benefit analyses free of ideology. All in all, the only question – and it is a vital one – is: Can we already develop a survival strategy today for tomorrow? However, what is meant by 'we'? Germany? What do global challenges and pressure to act mean if only some are prepared to pull their weight while others turn their back on the Kyoto obligations like the US, the largest objector, has done? What can we do about climate change if some countries are afraid of losing their competitive edge by opting to play an active role in the climate and environmental protection programmes of tomorrow? Or, take an even more delicate issue, if they want to increase their competitive edge by refusing to participate, at the expense of those countries taking climate protection measures.

The objectors – or shall we say: those who are playing for time – want to benefit further from globalisation, from the boundless world market; they have closed their eyes to the fact that the climate, global warming, the foreseeable running out of resources such as oil, gas and coal are factors which have global effects. No one can escape climate change. It is similar to death in that it has an elementary effect of justice: all people are equal. It is therefore only a question of time before all of us – those in denial, wavering, doubting or ignorant – have to face the problem of how to combine environmentally friendly use of limited resources with maintaining economic prosperity as well as reliable energy supplies.

The path towards a feasible strategy that is not too hard on either the climate or the economy has to be sought with pragmatism and realism. Not for the first time, Germany is the forerunner, pacemaker and a kind of a political sponsor of a climate protection programme that it wants to – and has to – help make an international breakthrough. But what if Germany does not manage to convince others of this idea? This is a concern behind the actions of the Federation of German Industries (BDI). In its 'Business for Climate Protection' initiative, which is backed by companies like Bosch, BASF, EnBW, E.ON and RWE, the BDI seeks to address the target of reducing CO_2 emissions within a "globally valid, ambitious and comprehensive political framework".

The term ‘global’ has a special significance here – indeed it is a fundamental condition. It signifies the realistic fear that if Germany or Europe were to go it alone they would be at a huge disadvantage, for example compared to the United States or China.

The speed at which China’s thirst for commodities and energy is accelerating, and growth rates in excess of 9 per cent per year are impressive. But what is also impressive is the enormous foreign currency buffer, record export levels, worldwide investments in commodity suppliers and global funds, an unparalleled stocks and shares boom, Shanghai as a modern, glittering metropolis, a Transrapid travelling at full speed and, to top it all, the 2008 Olympic Games. However, questions of human rights, product piracy, freedom of the press and freedom of opinion are being raised with increasing frequency and unveiled criticism – within China but to a greater extent outside its borders. The climate is also an issue.

Awareness has been growing in China that the climate – and not only the political one – is a serious problem for the country. Olympic Games held in Beijing smog, televised around the world, cancellation of competitions due to unacceptable air and light conditions . . . And that is not all that will be reported from Beijing and China during the Olympic Games: contaminated soil and water, permanent flooding, poisoned food, collapsing buildings and bridges, hazardous toys, dangerous drugs, defects in exported tools or electrical goods. It will take the 2008 Olympic Games to turn the spotlight on the environmental damage, problems, carelessness and cover-up attempts that have been known for a long time. Before the very eyes of a world audience following events in front of the television screen. This is the Trojan horse effect – also, and particularly, in the climate debate.

While it is the main winner of globalisation, China is also caught in a trap, on an open stage, and one that is more open than ever before. This could be the turning point in Chinese economic, climate and environmental policy. Beijing's political leadership cannot fail to see what the future climate change scenarios will be. They, too, will come to realise that the costs of environmental and climate-related damage are many times higher than the economic benefit of ignoring them. Chinese roulette is a dangerous game.

The backlog of work to repair the known environmental damage in China is of gigantic proportions, and this has set things in motion. For the first time, Beijing has agreed to work towards a successor regulation to the Kyoto Protocol of the United Nations on climate protection. The Chinese have also brought the Japanese on board who in return will help China build and operate nuclear power plants safely as well as promote technologies for the efficient use of energy.

Does climate protection pay off?

We have made a start. China can no longer withstand the pressure, nor fail to realise, that as the second largest emitter of greenhouse gases it must participate in the search for a global climate protection strategy. It is not an abstruse vision that China could take over the pole position from Germany in this climate protection race due to purely economic interests of its own and faced with international political pressure. In order to stay on top of the challenges of the future, it will have no choice but to bring resources into the country other than the usual ones. 'Resources' in the form of environmental technology, without which China can neither remedy existing damage nor prevent any new damage from occurring.

On the occasion of the United Nations climate summit in the autumn of 2007, the Executive Director of the UN Environmental Programme (UNEP), Achim Steiner, declared: "China accounts for 10 per cent of the total investments in renewable energy made on the world market today. The largest photovoltaic companies (for grid-independent electricity supplies) are already or soon will be located in China – not in Europe or North America."

"The costs of climate protection are much lower than the costs of climate change," says Claudia Kemfert, energy expert at the German Institute for Economic Research DIW.

Former World Bank Chief Economist Nicholas Stern believes that the worst impacts of climate change can be averted by concerted action at an international level. (This would take US$ 350 billion, but the targeted environmental investments would at the same time earn the global economy a total profit in the order of US$ 2.5 trillion by 2050.)

The Stern Review forecasts huge opportunities for the economy in the near and immediate future – despite the costly measures needed to tackle climate change. The emerging and rapidly growing markets for low-carbon energy technologies and emission-reducing products and services are proof of this. Stern estimates that these markets could grow by hundreds of millions of dollars a year, accompanied by a corresponding rise in employment. Conclusion: neither governments, nor businesses or society have a choice between preventing global warming and promoting growth in the familiar manner.

A study prepared by Roland Berger on behalf of the German Federal Ministry for the Environment states: "The environment industry will keep more people in employment in 2020 than mechanical engineering or the car manufacturing industry."

A promising, innovative energy technology on the basis of the gradually changing economic structures and corporate strategies is possible even today. Economic growth can be separated from greenhouse gas emissions without growth necessarily being undermined. Only climate protection programmes implemented consistently on a global scale will not stifle impetus for growth. To this end, of course, we need political measures at the level of the United Nations. But the Gordian knot will only be cut if the markets understand the risks and focus on the growth opportunities. Climate protection needs to be wrested from ideologists and moralisers who are out of touch with reality; this will only happen via the economy. An insight that is spreading is that, according to Greenpeace, climate protection is compatible with economic growth. Climatologist Hans-Joachim Schellnhuber, Director of the Potsdam Institute for Climate Impact Research, even sees climate change as "the agent of change that catalyses the reforms that mankind has to face anyway".

Are we about to see a 'green' economic miracle happen?

The German Federal Ministry for the Environment is not the only one to speak of the "third industrial revolution". This revolution has made it possible for green technology to cast off its role as niche provider and turn into an engine for growth that is gaining momentum and currently accounts for around 4 per cent of total industry sales in Germany. A green miracle that we will be gazing at in wonder in 2020, the year in which "Green Tech – Made in Germany" will account for a tenth of the world market estimated at € 2,200 billion.

According to the Roland Berger study, German companies currently already generate between 5 and 30 per cent of global sales in waste recycling technologies, energy, power plant and drive technology, efficient household appliances, sustainable mobility systems and water management. There is an upwards trend here, too, because the emerging global boom in bio-energies is constantly opening up new opportunities, especially for exports. The German Renewable Energy Federation (BEE) expects exports to make up a third of the total industry sales of € 45 billion in 2010 already. Of all the renewable energies, it is the wind energy sector that leads the field, generating two thirds of its business abroad, followed, with a large gap, by solar and biogas companies.

This development together with the changing geopolitical and social situation in terms of climate protection has turned the BDI, which had been highly sceptical and critical for such a long time, into an optimist. According to the BDI, the dispersion of climate-friendly technologies brings huge opportunities for growth and employment to the world market and innovation leader that Germany is. How could the path towards these opportunities be shaped – this question runs like a thread through all reliable studies on the economic impact of climate change. And this path will be all the more safe, the earlier state-of-the-art, environmentally friendly, highly efficient technologies are used; developing and emerging countries, however, need to have access to these technologies, too.

The federal German government put it in a nutshell: "If you invest in environmental technology, you invest in the future and you will be successful in terms of environmental policy and economically." And, looking to the future, the World Wide Fund For Nature (WWF) has, as an example, identified a potential success story of our neighbour to the east: Poland. Poland could create up to 40,000 new jobs related to 'green energies' provided the government in Warsaw puts the requisite legal framework in place. In relation to the EU as a whole, manufacturers of wind turbines, solar and biogas facilities alone have a market of € 18 to 40 billion right on their doorstep. With its sights set on its neighbouring country, the Czech Republic, Bavaria has calculated that up to € 10 billion will need to be invested in the environment and renewable energies there over the next 10 years, creating new jobs into the bargain. Another reason for these new jobs is that, according to a study by the International Energy Agency (IEA), renewable energies will have caught up with nuclear power by 2050 in terms of importance. Solar, wind, hydro-power, geothermal heat, biomass, wave and tidal energies could account for a third or more of the electricity generated worldwide.

Pipe dreams or a realistic vision?

The widely publicised scenario presented by the German Aerospace Centre (DLR) was praised by the UN as inspiring and gives growth sceptics an answer: "A climate-friendly energy system," according to the DLR, "is not a dream, but technically and economically feasible." And because "economically feasible" scenarios – especially those promising growth and profitability – are the only ones that waft the sweet smell of success to the financial markets, climate change has meanwhile been identified as a growth market. Money is pouring into funds involved in green energies, and an increasing number of investment and financial products labelled 'environmental technology' are finding more and more buyers. The demand grows as the pressure on listed companies rises to create a climate or environmentally friendly, green profile for themselves. Credit ratings have started to include climate protection as a criterion. These are hard times for emission producers.

As we have seen, the opportunities of making money with climate change have now been recognised, even in the US and India. Limitations on growth, on the other hand, are not in sight. Looking back, we can see that the intellectual and innovative abilities of mankind have always transcended any limits to growth, and that they have even continually pushed them still further. This was the only way that the paradigm shift from the agricultural to the industrial age, and from there to the service and information society could be achieved without too much social and economic upheaval. Economic upheaval and turning points, natural disasters that are foreseeable or have already occurred such as the flooding in Holland require the market players to rethink, adapt their strategy, realign themselves, change their course, for example when making decisions for investments. Alternative energy sources crept onto the purchase and investment agendas of energy corporations some time ago. New alliances, cooperation agreements or even mergers are the response to the economic/ecological challenge.

Our author, the freelance journalist Hans-Jürgen Speitel, was chief financial editor at the broadcasting station Westdeutscher Rundfunk (WDR) in Cologne for many years. This essay presents his personal analysis of the effects of climate change on the economy.

As the world makes a concerted effort to combat climate change, EnBW remains true to nuclear power. We know: it is an important, a safe and an efficient and climate-friendly way of generating energy. We will need it for many years to come.

Combined management report of the EnBW group and EnBW AG

Group structure and business activity

The operating business of the EnBW group is conducted by EnBW AG. It is divided into the electricity and gas segments along the respective value added chain. The third segment comprises energy and environmental services. EDF and OEW are the main shareholders.

Structure

EnBW group

The EnBW core activities focus on the electricity, gas as well as energy and environmental services segments. The electricity segment comprises the value added stages generation, trading, transmission, distribution and sales.

The gas segment comprises the midstream area including import agreements and infrastructure, storage, trading/portfolio management as well as the downstream area including transmission/distribution and sales.

The energy and environmental services segment includes the areas thermal and non-thermal disposal, water as well as energy-related and other services. Changes compared to the prior year are due to the sale of the U-plus group.

The segment reporting contains separate reports on these three business segments.

The EnBW group is headquartered in Karlsruhe. The central administrative buildings are located in Karlsruhe and Stuttgart. The major locations of the group, our power stations, distribution plants, regional and operating centres as well as sales offices and processing centres are spread over the whole of Baden-Württemberg.

We also have other sales offices throughout Germany. In addition, EnBW has invested in Dresden and Düsseldorf as well as Switzerland, Austria, Hungary, the Czech Republic and Poland. The main equity investments of EnBW AG are presented in the financial statements.

EnBW AG

As operating and holding company, EnBW Energie Baden-Württemberg AG exercises the management function in the EnBW group. Profit and loss transfer agreements are in place with major subsidiaries of EnBW AG. In addition, EnBW AG provides central treasury management.

As the business development, the economic situation and the opportunities and risks relating to the future development of EnBW AG do not diverge from the business development, economic situation and the opportunities and risks relating to the future development of the EnBW group, we have combined the management report of the EnBW group and that of EnBW AG.

EnBW's shareholder composition did not undergo any major changes in the fiscal year 2007. Both large shareholders, Electricité de France (EDF) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW), each hold 45.01% of the EnBW shares, unchanged since the last adjustment on 8 April 2005.

The table below presents EnBW's shareholder composition as of 31 December 2007*:

EDF International SA (EDFI)	45.01%
Zweckverband Oberschwäbische Elektrizitätswerke (OEW)	45.01%
EnBW Energie Baden-Württemberg AG	2.30%
Free float	1.79%
Badische Energieaktionärs-Vereinigung	2.59%
Gemeindeelektrizitätsverband Schwarzwald-Donau	1.28%
Landeselektrizitätsverband Württemberg	0.54%
Neckarelektrizitäts-Verband	0.48%
Other municipal shareholders	1.00%

* Figures rounded to two decimal places.

EnBW group[1]

Electricity

Generation	Trading/Procurement	Transmission and distribution[2]	Sales
EnBW Kraftwerke AG EnBW Kernkraft GmbH	EnBW Trading GmbH	EnBW Transportnetze AG EnBW Regional AG	EnBW Vertriebs- und Servicegesellschaft mbH Yello Strom GmbH

Gas

Import agreements and infrastructures	Storage	Trade Portfolio management	Transmission and distribution[2]	Sales
EnBW AG[3]	EnBW AG[4] Gasversorgung Süddeutschland GmbH EnBW Gas GmbH	EnBW Trading GmbH Gasversorgung Süddeutschland GmbH EnBW Gas GmbH	Gasversorgung Süddeutschland GmbH EnBW Gas GmbH	Gasversorgung Süddeutschland GmbH EnBW Gas GmbH EnBW Vertriebs- und Service-gesellschaft mbH Yello Strom GmbH[5]

Midstream | Downstream

Energy and environmental services

Companies with central functions:

EnBW Energy Solutions GmbH

EnBW Systeme Infrastruktur Support GmbH

[1] The diagram shows EnBW's core companies. For detailed information about our main shareholdings we refer to page 202.
[2] The companies operating the grids are independent network operators in accordance with the unbundling provisions of the German Energy Industry Act.

Projects:
[3] LNG terminal in Rotterdam.
[4] Gas storage facility in the Etzel region.
[5] Gas sales to households.

EnBW's main companies at a glance

Electricity segment

EnBW Kraftwerke AG operates the majority of EnBW's power stations. With its fully and partly owned power stations, investments and long-term power station procurement agreements, it has a well-balanced generating portfolio of nuclear power, coal, gas, water and other renewable energy sources.

EnBW Kernkraft GmbH operates the nuclear power plants in Neckarwestheim, Philippsburg and Obrigheim.

EnBW Trading GmbH is responsible for risk management of the energy value-added chain (generation, trading, sales). This role involves trading with commodities and financial products, i.e. bilateral agreements with trading partners within and outside Germany as well as transactions on European stock exchanges. This applies for electricity and for fossil fuels and CO_2.

EnBW Transportnetze AG (TNG) operates the transmission network of EnBW (380 kV and 220 kV) and ensures transparent and non-discriminatory market access for all market participants. Moreover, as one of four German transmission systems operators, TNG is responsible for system security and system balance within the TNG balancing zone (Baden-Württemberg and Vorarlberg/Austria).

EnBW Regional AG operates EnBW's high, medium and low voltage networks (110 kV, 20 kV, 0.4 kV). It ensures that natural gas is transported safely through the pipelines to the customer and supplies drinking water to a population of about 600,000 in the state capital Stuttgart. It is responsible for relations with the municipalities and for the management of business relations with the public utilities in Baden-Württemberg. It also provides grid-related and municipal services for electricity, gas, water, heat and telecommunications.

EnBW Vertriebs- und Servicegesellschaft mbH sells energy (electricity, gas and district heating), water as well as energy-related and other services for industrial, commercial and retail customers, public utilities and municipalities.

Yello Strom GmbH sells energy to retail and commercial customers throughout Germany as well as the Yello Tel telephony product.

Gas segment

EnBW Trading GmbH (ETG) actively trades on its own behalf on the national and international trading places and supports the advancement of these markets. ETG is also involved in further expanding the management of price and quantity risks for group companies in the evolving wholesale market. Its tasks also include optimising the gas procurement for group gas-fired power stations.

Gasversorgung Süddeutschland GmbH (GVS) is one of Germany's largest gas companies. Its main customers are public utilities and industry. GVS Netz GmbH has been acting in the capacity of grid operator since mid-2007. In collaboration with Eni Gas Transport Deutschland, GVS Netz GmbH offers its customers a full range of gas transmission services in its own market territory. Via around 1,900 kilometres of high-pressure piping, it supplies some 750 towns and communities in Baden-Württemberg either directly or indirectly with natural gas. In addition, gas is also transported, and in some cases supplied, to Liechtenstein, Vorarlberg and the German-speaking regions of Switzerland. GVS has storage capacities to manage its portfolio.

With more than 245,000 customers, **EnBW Gas GmbH** is the largest gas supplier in Baden-Württemberg. Most of EnBW Gas GmbH's customers are in the greater Stuttgart area. The supply territory extends from the Black Forest to the Swabian Alb and the Hohenlohe region. In many other regions of Baden-Württemberg, EnBW Gas GmbH supplies its customers indirectly via its subsidiaries. The company has its own natural gas tanks. Responsibility for operating the transmission and distribution grid and all the tasks required of a gas distribution network operator by the German Energy Industry Act (EnWG) lies with the wholly owned subsidiary EnBW Gasnetz GmbH.

Yello Strom GmbH has launched a pilot project to sell gas to retail customers in Essen and Nuremberg.

In its function as a service provider for EnBW Gas GmbH, **EnBW Vertriebs- und Servicegesellschaft mbH** contributes significantly to the sales activities aimed at retail and industrial customers as well as redistributors.

Energy and environmental services segment

EnBW Energy Solutions GmbH provides energy-related services on the basis of contracting models. As a partner to industry, it finances and operates power generating plants and media infrastructures besides supplying its customers with usable energy such as steam, cooling, compressed air and the electricity it generates itself.

EnBW Systeme Infrastruktur Support GmbH provides internal support services within the EnBW group with extensive consulting and service functions.

T-plus GmbH disposed of the household rubbish and residual waste of around three million inhabitants in Baden-Württemberg using its own mechanical-biological plants until mid-2007, and its own and third-party thermal plants in and outside Baden-Württemberg throughout the whole year. In terms of tonnage of household waste to be disposed of in a municipality, it holds a market share of around 30%. In future, T-plus GmbH will largely focus on the winding up and thermal disposal of the contractual waste volume and on the acquisition of new waste disposal business areas for thermal disposal within the framework of its contractually agreed disposal quotas.

Electricity provision by the EnBW group by primary source of energy (%)	**2007**	**2006**
Fossil and other energies	16.1	19.3
Nuclear power	27.3	34.0
Renewable energies[1]	16.7	16.3
Primary energy source unknown	39.9[2]	30.4

[1] By analogy to the disclosure pursuant to Sec. 42 German Energy Industry Act (EnWG).
[2] The increase compared to the prior year is due to the increase in the purchased volume of electricity.

Generation mix in the EnBW group; electrical output in MW	**2007**	**2006**
Nuclear power plants (incl. EDF contracts)	4,842	4,843
Conventional power stations	6,620	6,579
Run-of-the-river and storage power stations	3,415	3,354
Other renewable energies	86	35
Total	**14,963**	**14,811**

Circuit length of the transmission network of the EnBW group[1] in km	**2007**	**2006**
Extra-high voltage 380 kV	1,992	1,958
Extra-high voltage 220 kV	1,787	1,787

[1] Companies included: EnBW Transportnetze AG and Energiedienst Holding AG.

Circuit length of the distribution network of the EnBW group[1] in km	**2007**	**2006**
High voltage 110 kV	9,796	9,810
Medium voltage 30/20/10 kV	48,571	48,237
Low voltage 0.4 kV	103,004	102,334

[1] Companies included: EnBW Regional AG, EnBW Ostwürttemberg DonauRies AG, ZEAG Energie AG, Stadtwerke Düsseldorf AG, ENSO Strom Netz GmbH and Pražská energetika a.s.

Board of Management

As of 31 December 2007, the Board of Management of EnBW AG consists of six members who are jointly responsible for the management of the group. The Board of Management's goal is to increase the business enterprise value in the long term through its work.

Besides the responsibilities of the CEO, the tasks of the Board of Management are divided into the portfolios Operations, Human Resources, Law and IT, Finance, Marketing and Sales and Technology. The members of the Board of Management are presented in the financial statements.

The responsibilities of the CEO primarily include strategic, investor relations, social, political and group-wide issues. Corporate communications, public relations, mergers and acquisitions and internal audit are also allocated to this portfolio.

The Operations portfolio managed by the deputy chairman is responsible for management and optimisation of the activities and equity investments along the electricity and gas value-added chains, as well as for management of regulatory aspects concerning the energy industry. This portfolio is responsible for expanding the midstream gas business and implementing it by initiating projects for gas liquefaction and storage. It also collaborates with the Technology portfolio to develop new power stations. In addition, the portfolio is responsible for managing the foreign investments of EnBW in central and eastern Europe as well as contracting and associated energy-related services.

The Human Resources, Law and IT portfolio, to which the function of the Chief Human Resources Officer is allocated, is responsible for these central functions. It covers risk management, industrial health, industrial safety, property management and knowledge management, as well as legal questions concerning the new regulatory framework, in particular questions relating to the coordination of regulatory management and compliance office.

The Finance portfolio manages and controls group-wide financing activities. Besides group controlling, group accounting and taxes, these also include the group treasury and investor relations.

The Marketing and Sales portfolio is responsible for developing, implementing and monitoring group-wide marketing concepts across all segments, products, brands, sales channels, subsidiaries and equity investments, as well as selling energy, energy services and other products and services.

The Technology portfolio includes the technical business segments and tasks in the group. These are first and foremost the issues of power generation (nuclear, fossil), renewable energies and disposal. In collaboration with the Operations portfolio, the Technology portfolio is also responsible for the implementation of construction projects for new power plants. The CTO is responsible for managing the group companies in the Technology portfolio. His field of competence also extends to research and development, innovation management, central crisis management, materials management, grid-related technology as well as environmental protection.

Supervisory Board

The Supervisory Board at EnBW AG has 20 members with an equal number of members representing shareholders and employees in accordance with the German Co-determination Act (MitbestG). The shareholder representatives are elected by the annual general meeting and the employee representatives by the employees of the EnBW companies, with the ver.di trade union nominating three employee representatives. The Supervisory Board monitors and advises the Board of Management on the conduct of its business. It is consulted on all decisions of fundamental importance for the company.

The Supervisory Board's rules of procedure contain a list of transactions and measures subject to approval. The Supervisory Board is above all responsible for appointing and dismissing members of the Board of Management and ratifying the financial statements.

At regular intervals, it analyses the business development and planning as well as the corporate strategy with the Board of Management. To be able to assume its function in the best possible way, the Supervisory Board has a committee for management board matters, a finance and investment committee, an audit committee, a nomination committee, an ad-hoc committee for the review of board liability claims against former members of the Board of Management and the mediation committee required by Sec. 27 (3) MitbestG. The members of the Supervisory Board and its committee are presented on pages 28 and 29.

Products, market and competition

Electricity

In our home market Baden-Württemberg, we supply electricity and district and local heating to retail consumers, commercial and industrial customers, municipalities and public utilities under the EnBW brand. In the national market outside Baden-Württemberg, we supply retail consumers and commercial customers with electricity under the Yello brand, while SMEs as well as chains are supplied under the Watt brand. Our industrial customers outside Baden-Württemberg are served by our employees from the national EnBW branches and our key account managers.

Generally speaking, the customers in the market in which we operate are demonstrating a greater awareness and are consequently more willing to change provider. According to a survey of Verband der Elektrizitätswirtschaft e.V. (VDEW), around 7.3% of retail consumers changed their electricity provider of their own accord between January and August 2007; another 3% changed after moving house. Since the start of liberalisation, some 37% of households have opted for a different rate from their current provider, an increase of 4% points.

In the business-to-business customer sector, competition has heated up, as more and more providers from both Germany and abroad have entered the market alongside the big groups E.ON, RWE and Vattenfall Europe. In 2007, EnBW nevertheless was able to defend its strong position within Baden-Württemberg in the face of the competition, indeed it even gained some ground at national level. This success is due in particular to the good quality of advice and support, as well as the good relations maintained to customer companies, in many cases over several years.

Competition has also become much keener in the business-to-consumer area. The market entry of new providers aroused a lot of public attention at the beginning of the year. Increased public discussion about energy prices has also encouraged consumers to change provider.

By expanding customer service and customer loyalty programmes, we have however succeeded in defending our strong position in Baden-Württemberg.

In the face of greater competition, Yello also managed to further enlarge its customer base and has benefited from the increasing willingness of customers to change provider. In terms of customer numbers, customer satisfaction and brand awareness, Yello still leads the field among German energy suppliers.

Customers and the general public responded extremely positively to the intelligent electricity meters tested by EnBW, Yello and Watt.

Gas

In 2007, the gas business saw competition hot up. Buoyed by the fact that gas-grid access is regulated exclusively via the two-contract model within the market territories, competition among new providers as well as established gas providers intensified, particularly in Baden-Württemberg.

Gasversorgung Süddeutschland GmbH (GVS) – a 50:50 joint venture of EnBW and the Italian Eni S.p.A. – also made use of the opportunities of the new competitive situation and won its first redistributor/industrial customers outside the market territory. At the same time, GVS lost customers on the trading side to new providers.

The competition for retail customers also picked up. A number of companies now offer natural gas to this customer segment on a nationwide basis. In October 2007, Yello Strom GmbH launched a pilot project to sell natural gas to retail customers in Essen and Nuremberg.

In order to be able to continue expanding successfully in the face of growing competition and the new legal requirements, EnBW Gas GmbH subjected its product portfolio to thorough grooming in 2007. There are plans to include bio natural gas produced in the company's own plants in future. By producing and feeding bio natural gas into the natural gas grid of EnBW, EnBW is demonstrating its determination to uncompromisingly expand the share of renewable energies in its generation portfolio. The generation and feed-in of bio natural gas using innovative technology thus not only supplements the product portfolio in EnBW's gas segment, its cooperation models at the same time ensure long-term cooperation between municipalities, research and agriculture in Baden-Württemberg.

In 2007, EnBW Gas GmbH continued to build up the gas grid in Heckengau commenced in 2006.

Stadtwerke Düsseldorf AG supplies some 120,000 retail customers and 600 large-scale customers with natural gas. The business activity of Stadtwerke Düsseldorf AG in the gas segment was stable compared to the prior year. There were no customer gains or losses worth mentioning.

ENSO Erdgas GmbH buys and sells natural gas to supply its customers in eastern Saxony. In preparation for the emerging gas-to-gas competition, ENSO Erdgas GmbH geared its marketing strategy to boosting customer loyalty. The main aim is to achieve a high level of overall satisfaction by enhancing customer communication and providing services and products that meet customer demands.

The gas companies within the EnBW group complied with the amended German Energy Industry Act (EnWG) that provides for the legal unbundling of the gas grid from the other business activities as of 1 July 2007; the gas transmission and distribution activities were transferred to newly incorporated, legally independent grid operators.

The main task facing the gas grid operators was to implement grid access in accordance with Sec. 20 (1b) EnWG by means of the cooperation agreement in place since June 2007.

Strategic realignment of the gas business

Conditions on the gas market have changed fundamentally. As time goes on, the liberalisation process will continue apace. Supply relationships which have grown over time and existing dependencies will also change in the long run. The market and competition are gaining in momentum, and new sources are emerging.

EnBW has started to bring its gas business in line with the changed market environment and any opportunities for growth that arise in the gas segment. While strengthening the position of the existing downstream business, there are plans to build up a new midstream division. Our efforts will focus on concluding import contracts and expanding storage capacity.

In May 2007, EnBW signed an agreement for long-term usage rights for salt caverns for subterranean gas storage in the Etzel region (Lower Saxony).

A month later, EnBW signed a joint memorandum of understanding with 4Gas concerning the establishment of a strategic partnership in the LNG terminal project LionGas in Rotterdam.

The contract regulates capacity rights and a capital investment.

The long-term targets of the EnBW group are to achieve independence in procurement and reliable access to the necessary transmission and storage infrastructure.

Energy and environmental services

Energy services

EnBW Energy Solutions GmbH (ESG) provides energy-related services on the basis of contracting models and is one of the leading contracting companies in Germany in the industrial sector. As partner to industry, it plans, builds, funds and operates decentralised plants for energy and media supply. ESG focuses on larger steam and combined heat and power (CHP) projects such as the efficient generation of electricity and steam in industrial power stations. The company also uses individual local operator models to realise overall concepts encompassing all media.

ESG further intensified its activities in the field of biomass by founding a joint venture with Klenk Holz AG in 2007, thus laying the foundation stone for further growth in the biomass area.

Disposal

With the sale of the collection, transportation and sorting business of the U-plus group, and the closure of the two mechanical-biological waste treatment plants in Heilbronn and Buchen in 2007, EnBW has clearly demonstrated its will to focus on electricity and gas. Within the disposal area, we are now concentrating our efforts on the handling and disposal of waste in thermal waste treatment plants with a high rate of fixed assets to total assets. These plants are used, on the one hand, for the disposal of domestic waste, mainly from municipal customers, and on the other, to generate electricity and heat.

Following the commissioning in 2007 of two new boilers in Stuttgart-Münster, each with a throughput of 140,000 t, EnBW now has total thermal disposal capacities of its own of around 870,000 t per annum at the residual waste CHP station in Stuttgart-Münster and the waste incineration plant of Stadtwerke Düsseldorf. On top of that, it has concluded disposal contracts, mainly for domestic waste, with the operators of other waste incineration plants.

On the other hand, the long-term disposal agreements for thermal disposal districts and towns in Baden-Württemberg and North Rhine-Westphalia mean that EnBW continues to provide reliable disposal services for its municipal partners even after the closure of the two mechanical-biological waste disposal plants.

The waste management services for the state capital Düsseldorf and surrounding area are bundled in AWISTA Gesellschaft für Abfallwirtschaft und Stadtreinigung mbH (AWISTA), a 51% subsidiary of Stadtwerke Düsseldorf AG. In cooperation with the strategic partner REMONDIS Rhein-Wupper GmbH & Co. KG, AWISTA is also involved in waste disposal outside Düsseldorf as far afield as Ratingen, Velbert, Wuppertal, Remscheid, Solingen and Monheim. AWISTA is generally responsible for the municipal duties.

Water supply

Water supply is one of the central tasks of EnBW Regional AG alongside the supply of electricity and gas. With a market share of around 11%, EnBW is the largest water supplier in Baden-Württemberg (in terms of sales volume including pro rata investments in public utilities); indeed since increasing its shareholding in Stadtwerke Düsseldorf it is one of the largest suppliers in the German water market, with a total of more than one million customers. Amounting to some € 127 million for a sales volume of around 72 million cubic metres, revenue from the supply of water in 2007 was almost 60% higher than in the comparable period of the prior year.

In 2007, EnBW Regional AG once again expanded its water supply activities by concluding several operating contracts with municipalities and water districts, and thus raising the number of customers in the water division by around 25%.

Corporate strategy

The past fiscal year saw us continue to strengthen our core business. The strategy in coming years will prioritise capital-intensive investments in generation. The aim is to strengthen the competitive position of EnBW in the marketplace. The investment strategy is characterised by value-based growth. Market orientation and brand variety will increase the number of customers and raise the value of the company. The sustainability of the strategy is expressed both in a long-term value-driven investment policy and the responsibility the company has taken for reducing CO_2 emissions. The value of EnBW is to be raised sustainably in the coming years. The share of renewable energies used to generate electricity is to increase significantly.

Regulatory framework

The regulatory framework for EnBW's strategy has changed considerably. A number of factors play a role here:

- If the decision to phase out nuclear energy is not revised, an important, CO_2-free form of generating energy will be lost in future.
- Large-scale generating plants in the industry have to be replaced and public acceptance is diminishing.
- The effects of fossil energy generation on the climate are also the subject of public debate.
- Germany's climate targets and those of the European Union require the energy suppliers to increase the share of renewable energies in their generation portfolio substantially.

Financial goals

EnBW's primary strategic goal is to increase the value of the business, and in so doing, increase it sustainably in the coming years.

The increase in the value of the business is being targeted despite the foreseeable drop in income from existing power station capacities, which is expected to make itself felt from 2010 onwards. In the medium term, this drop in capacity will be offset by investing in new generating capacities and business divisions with a view to achieving a sustainable increase in competitiveness and business value.

Focus of future capital expenditures

In the medium term, the company has included capital expenditures aggregating € 7.6 billion in its planning. A large portion of this amount consists of investments for growth. Capital expenditures account for around € 4.6 billion of this total, financial investments for € 3 billion.

Heavy spending is necessary, particularly in generation. By building up new generating capacities, the share of electricity bought in on the market will decrease, thus also further enhancing EnBW's trading position. To a large extent, we will have to replace the nuclear energy capacities by fossil fuel power plants, a type of power station that is unlikely to be welcomed. To keep the specific CO_2 emissions low, we will expand the share of renewable energies.

EnBW will continue to make every effort to keep all parts of the value-added chain in Germany, although capital expenditures in other European countries of course remain a target. New generating capacities are to be built up both in Baden-Württemberg and in other German states, as well as in other European countries.

- Besides building unit 8 of the Rheinhafen thermal power station in Karlsruhe, numerous other potential locations for the construction of fossil fuel units in Germany have been examined. One project in this context is the cooperation with our industrial customer and partner Dow Chemical in Stade.

- Besides examining the development potential of German locations, the possibility of investing in Turkey, for example, is also being considered. Traditionally, hydro-electric power has played a key role here.

- There will be projects to expand generating capacities from renewable energy sources, but the increase will mainly be achieved by acquisition. The aim is to increase the share of renewable energies used to generate electricity significantly.

Capital expenditures to boost the gas business are of considerable strategic importance for the company. If the company is to remain competitive in this field in the long term, it will have to look beyond the traditional downstream business. At the same time, the proportion of natural gas extracted from indigenous sources will decrease further. EnBW has therefore turned its attention to building up and strengthening the midstream business. An important first step here was the memorandum of understanding signed with 4Gas regarding a capital investment as well as usage rights in the LionGas LNG terminal in the port of Rotterdam. Securing the long-term usage rights for salt caverns for subterranean gas storage in the Etzel region (Lower Saxony) is another part of the strategy.

EnBW will continue to take its responsibility seriously and ensure supply reliability by investing continually in the electricity grids. In the long-term, the newly defined grid structure will lead to the 220-kV grid being replaced and a strengthening of the 380-kV grid, and of the 110-kV grid as the 220-kV grid is downsized. By reorganising the grid in this way, EnBW aims to enlarge its grid capacities for the future, expand its output capacity and thus its performance in the transmission network. As the regulatory and political conditions in Germany and Europe continue to tighten, it has however become increasingly difficult to obtain a reasonable return on investment.

Local presence, franchise agreements, financial investments

EnBW has its roots in Baden-Württemberg, a fact that is clearly reflected in its traditionally strong regional ties. Around two thirds of EnBW's employees work at locations in Baden-Württemberg. Since 2005, EnBW Regional AG has entered into 352 new electricity franchise agreements with municipalities and is thus above budget. This means that we have succeeded in winning numerous franchises in a highly competitive environment. The development of new customer locations and winning municipalities as franchise partners will remain a core objective of EnBW Regional AG in 2008.

EnBW will also examine opportunities for financial investment beyond the borders of Baden-Württemberg. The consolidation process within the still very heterogeneous German public utilities landscape offers further options for acquisitions and investments.

Competing for customers

EnBW is the first German energy supply company to consistently pursue a synergetic multi-brand strategy. Each group brand plays a clearly defined role and appeals to a certain target group. The products, communication and all our services are geared to the needs of these various target groups.

The market leader in our home market Baden-Württemberg, we supply electricity, gas and energy services, district and local heat as well as water under the EnBW brand to retail, commercial and business customers, as well as municipalities and public utilities. Under other group brands, we offer electricity supply on the national market: medium-sized companies and chains are served under the Watt brand. The offering of the NaturEnergie brand targets ecologically minded customers. We supply retail and commercial customers with low-price electricity under the Yello brand, one of Germany's best known electricity brands. Meanwhile, the importance of the Yello brand extends beyond the borders of the German electricity market. This was illustrated, for example, by the introduction of Yello Gas in selected territories in Germany as well as the Yello brand's campaign on the Swedish market.

On the German market, we have continually expanded our position in recent years, despite fiercer competition. EnBW will not participate in competition focusing solely on price. Rather, the company will continue to pursue a strategy of valuable customer relationships in future. This includes successfully defending its leading market position for retail customers in Baden-Württemberg, extending this lead in suitable sub-markets as well as intensive nationwide marketing targeted at industrial customers. After a sharp increase in new customers in 2007, to more than 1.4 million, Yello will continue its growth strategy in the current fiscal year.

Innovative products for energy efficiency play a key role here (see page 98). Yello will continue to be one of the providers operating throughout Germany in future, with service offerings including intelligent electricity meters.

Corporate culture

The corporate culture of EnBW is characterised by the entrepreneurial mindset of its employees. This is demonstrated in their willingness to take ownership and their competitive drive. The company will contribute its opinions objectively and professionally to the public debate. EnBW will canvass the support of citizens and politicians for its projects by supplying facts and voicing its opinion. This will be especially important for the expansion of necessary capacities in the fossil-fuel generating area.

Economic and political environment

Political and regulatory requirements on the one hand, and market developments on the other, are closely linked to one another as framework conditions for the energy industry. In 2007, the political pressure to change was increased both at national and European level. For EnBW, the need to adapt to dramatically changing conditions will therefore remain prevalent in coming years.

Overall economic developments

Throughout the fiscal year 2007 the economy remained buoyant. In the euro zone, the real gross domestic product grew by 2.6%. The average inflation rate for consumer prices across all euro zone countries remained stable at 2%. The slight damper put on foreign trade by the devaluation of the US dollar and a slow-down in investments were compensated for by lively domestic demand. During 2007, the prime interest rate of the European Central Bank was increased in two steps to 4%.

In Germany, the economic upswing continued. In 2007, the growth rate of the real gross domestic product stood at 2.5%. As in the prior year, economic growth was driven above all by increased exports and higher capital spending. Private consumption, on the other hand, saw a slight price-adjusted decline in 2007 due to the increase in the VAT rate. On the labour market, the economic boom resulted in a marked increase in people in employment subject to social security contributions. At 2.2%, the inflation rate for consumer prices was somewhat higher than the prior year.

Energy policy

CO_2 allowance trading

The German National Allocation Plan for the second trading period in the European CO_2 trading system (NAP II) and the allocation law governing it (ZuG 2012) came into force in the summer of 2007. Prior to that the lower house of the German parliament had amended the bill to include rulings on the sale of a total of 10% of the emission allowances for CO_2 to the plant operators. The law contains two other major innovations for the energy sector compared to NAP I: First, the transition to the BAT-based (Best Available Technology) benchmark system as a basis for the allocation of the emission allowances. The grandfathering system of NAP I which equipped old plants with emission allowances free of charge, thus giving them preferential treatment, is no longer the basis for the award of allowances. Second, allowances are allocated to hard coal and brown coal power stations on the basis of the same benchmark. The burden of emission reduction to be borne by brown coal power stations is thus particularly high because their real emissions are significantly higher than those of hard coal power stations.

These changes will put EnBW in a better competitive position compared to the first trading period 2005 – 2007 due to the different mix of power stations. It is, however, difficult to assess the absolute effects on earnings because the CO_2 emissions trading system is still lacking the experience necessary to allow such a forecast.

Act against restraints on competition

The amended version of the German Act against Restraints on Competition (GWB) came into force on 22 December 2007. The purpose of the amendment is to tighten up the anti-trust and abuse of market power oversight of energy companies with a dominant market position, thus creating more competition.

The main aspects of the GWB amendment to which EnBW objects are the cost and profit control as well as the right of third parties to take legal action on the grounds of Sec. 29 GWB.

The industry expects that the GWB amendment will allow the state to control profits, which could disrupt the efficient wholesale market and trading on the electricity exchange in the long term.

Power station connection decree

The power station connection decree came into force on 30 June 2007. The aim of the decree is to give new energy generators an incentive to invest in power stations, thus boosting competition. New power stations that go on line by 2012 are to be given a transmission guarantee under certain circumstances, including grid bottlenecks. From EnBW's perspective, this will cause capital expenditures on power stations to agglomerate in certain locations. This will itself cause bottlenecks and will not solve network capacity problems.

Applicability of Sec. 315 BGB

In a fundamental ruling on the applicability of Sec. 315 German Civil Code (BGB), the Federal Court of Justice decided that the courts are generally allowed to check whether price increases for basic supply in the gas sector are reasonable. The check for reasonableness pursuant to Sec. 315 BGB also applies to special customer contracts if the escalation clause contained in the contract grants a unilateral right to determine prices. According to rulings by the supreme court, passing on procurement cost increases without increasing margins does satisfy the reasonableness criterion. A review for reasonableness pursuant to Sec. 315 BGB is not performed for the price when the contract is concluded (base price), but only for price increases contested by the customer. Price increases to which customers did not object in the past are no longer subject to the reasonableness review.

Energy and climate package

In enacting what is generally referred to as the 'Energy and climate package', on 5 December 2007, the federal cabinet enacted nearly 20 bills and draft decrees. For the energy industry, the drafts for the amendment of the Renewable Energies Act (EEG), the CHP Act (KWKG) and the Act on the Use of Renewable Energies in Heating and the Liberalisation of Meter Reading (EEWärmeG) are the most relevant. The laws and decrees are to be enacted in the first half of 2008 and are scheduled to take effect as of 1 January 2009.

The amendment bill for the EEG mainly contains recommendations for the adjustment of the EEG subsidy rates. It also contains measures which are intended to reinforce integration of renewable energies in the market, however without any concrete rulings. The revision of the CHP Act is intended to ensure the targeted doubling of electricity generation from CHP to 25% by the year 2020. To this end, the expansion of heat networks and electricity from industrial CHP is to be subsidised. The amount of the total subsidy will, however, remain unchanged.

The purpose of the Heating Act (EEWärmeG) is to raise the share of renewable energies used in heating to 14% by 2020. From 31 December 2008 onwards, it will be compulsory for new plants to use renewable energies for heat supply. From then on, biomass, geothermal power, environmental heat or solar thermal power will have to be used to cover requirements. Subsidies for the renovation of old buildings from an energy perspective have been raised from € 350 million to € 500 million.

Baden-Württemberg has enacted its own law with more far-reaching requirements for existing buildings.

EnBW does not expect these areas of the law to have any material effect for the company in 2008.

Looking further ahead, opportunities may arise in the following areas:

- Direct marketing of electricity from renewable energies, in particularly large-scale hydroelectric plants.
- Use of cooperation possibilities in the context of industrial CHP projects.
- Possibilities relating to the heat supply of buildings in accordance with the provisions of EEWärmeG (micro-CHPs, heat pumps).

The Federal Ministry of Economics and Technology submitted a draft for the decree on the liberalisation of meter reading in November 2007. It is designed to provide more specific rulings for the energy and climate package enacted on 5 December 2007 in order to deregulate meter reading. The federal cabinet will decide on the draft decree in May 2008.

European energy policy

The European Commission submitted the Third Energy Liberalisation Package on 19 September 2007. It is part of the package introduced in early 2007 that defines the future direction of European energy policy. The Third Energy Liberalisation Package provides for extensive changes affecting both the single European electricity market and gas market. The proposals focus on further unbundling provisions for vertically integrated companies with respect to the transmission network. For the latter, the Commission prefers segregation via ownership unbundling. Another alternative proposed was the use of an independent system operator who is responsible for operating the transmission network while this remains the property of the energy provider.

The efforts for further market integration are to be facilitated by a European Agency for Cooperation of Energy Regulators and by formation of a new European system of transmission system operators. In addition, the powers and independence of the regulatory authorities are to be reinforced at national level. Contrary to the regulatory approaches to date, the rights to intervene are not intended to be restricted to the network as a traditional area of monopoly, but to be extended to the market as well. One of the options the Commission is considering is the compulsory sale of generation capacities.

It would appear possible for the Third Energy Liberalisation Package to be enacted in 2008.

Another part of the January 2007 energy package is to be presented in early 2008. The Commission plans to present the revised emissions trading directive and the renewable energies directive in a 'climate package'. There are also plans for a new regulatory framework for the capture and storage of CO_2 when generating electricity from fossil energy sources.

Regulation of the electricity and gas markets

Network user charge proceedings of the Federal Network Agency

On 30 June 2007, all electricity grid operators applied for new network uses charges for the period from 1 January 2008 and all gas grid operators applied for new network user charges on 30 September 2007 for the period from 1 April 2008.

The Federal Network Agency issued its decision on EnBW Transportnetze AG's (TNG) application concerning the network user charges on 17 January 2008. The approved charges for the use of the transmission network were reduced by around 11% compared to the previous charges and by 30% compared to the charges it had applied for. Based on the decisions to date of the Düsseldorf Higher Regional Court in appeal proceedings relating to user charge notices of the Federal Network Agency, and the amendments to the decree on electricity network user charges that has been passed in the meantime, it seemed appropriate to withdraw the appeal against the first assessment notice on the network user charges of TNG of 27 July 2006. These circumstances also explain the in some cases very large difference in the reductions between the previous charge and the one that had been applied for. At the time of application, TNG had to make an application based on our interpretation of the law at that time in order to protect our interests. Considering the legal situation as a whole and the second approval proceedings, TNG decided not to appeal against the second notice. The network user charge proceedings of the distribution network operators in the EnBW group at the Federal Network Agency and the state regulatory authorities are still in process. We expect to receive assessment notices in the first quarter of 2008.

Incentive regulation

In accordance with the German Energy Industry Act (EnWG), the principle of cost regulation underlying the decisions on network user charges is to be replaced by an incentive-based system of regulation.

The related decree took effect in the autumn of 2007. On this basis, the Federal Network Agency will survey the further data over the next few months in preparation of the incentive regulation taking effect as of 1 January 2009. It will not be possible to make hard and fast statements about the effects on EnBW until this survey has been completed and evaluated.

The planned system contains incentives to improve efficiency, for example by capping revenues from network user charges based on the second cost review of network user charges. Using cost benchmarking, the individual network operators will also be given individual efficiency targets for their company based on the figures of the most efficient network operator. In two regulatory periods of five years each (electricity) and four and five years in the first and second periods respectively (gas), all grid operators are to be gradually raised to the efficiency level of the best company.

Cooperation agreement in the gas industry

In connection with the implementation of gas grid access in accordance with Sec. 20 (1b) EnWG, the cooperation agreement between the operators of gas supply grids in Germany has been in effect since 1 June 2007. It regulates the cooperation of grid operators and grid customers; grid access is to be processed exclusively on the basis of the two-contract model. The main content of the agreement includes the conditions for transmission across grids and market territories and the definition and presentation of the market territories. This also includes the GVS-Eni market territory of Gasversorgung Süddeutschland GmbH and Eni Gas & Power S.p.A.

Further reduction of the number of market territories

The number of market territories, which per definition allow free allocation of feed-in and feed-out capacities, fell from 19 to 14 as of the beginning of the gas business year 2007/2008 (1 October 2007) since the first cooperation agreement was signed in 2006. This will further simplify access to the gas grid. There are plans to combine other territories, presupposing that the grid operators do not suffer economic disadvantages as a result. The revenue caps defined for incentive regulation purposes must take account of the necessary capital expenditures on the grid network.

Market situation

Electricity market

Consumption
According to the Union for the Coordination of Transmission of Electricity (UCTE) in the first nine months of 2007, the consumption of electricity in Germany fell by around 0.5% compared to the same period the year before.

Presumably, this is largely due to the mild weather conditions in early 2007 which offset the influence of the relatively high level of economic growth.

Generation
Gross generation from power stations for general electricity supply in Germany was some 4% below its prior-year level in the first ten months of 2007. As in 2006, nuclear energy and brown coal were again the most important primary sources of energy for electricity generation in 2007 (preliminary data, source: Bundesverband der Energie- und Wasserwirtschaft e. V – BDEW).

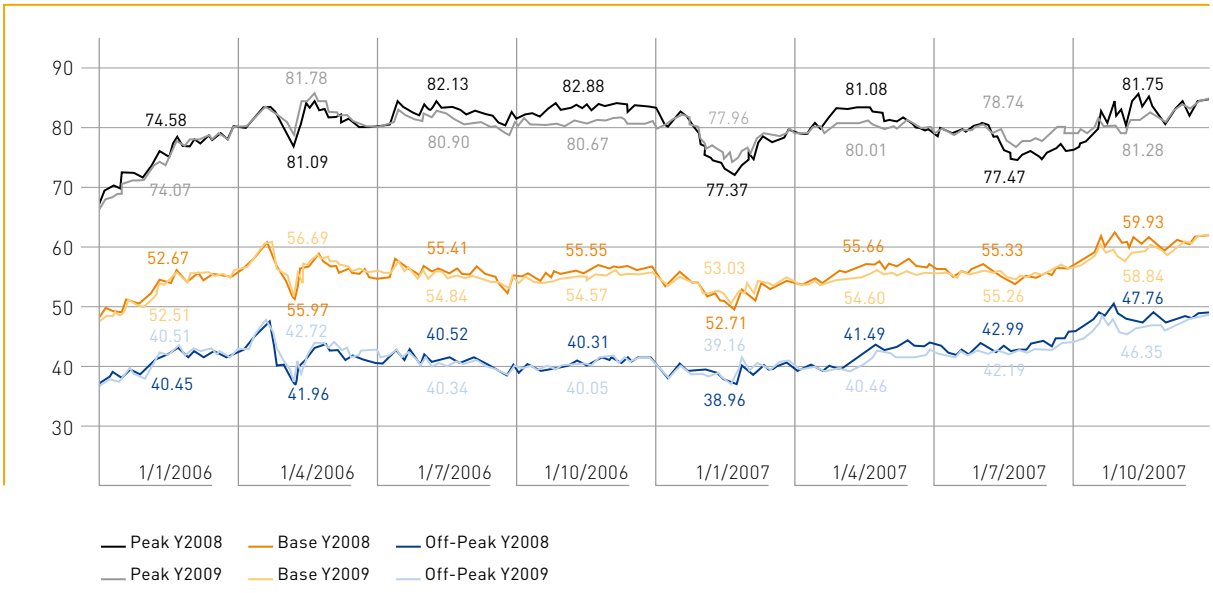
Export
In 2007, German energy supply companies exported more electricity to neighbouring countries than they imported from there. At around 11 TWh, the export surplus in the first ten months of the year was however around 2 TWh lower than in the same period of the prior year (preliminary data, source: BDEW).

Electricity prices for retail and business customers
Overall, the price of electricity for retail consumers rose again in 2007. According to the calculations of the VDEW, a three-person household paid around € 60 a month for electricity in mid-2007, up around 6% on the year before. The increase was due to the rising procurement costs of the energy suppliers, which in turn were due to the higher price level on the wholesale market and the steadily rising cost allocations in connection with the Renewable Energies Act (EEG). According to the VDEW, the burden on consumers due to the EEG rose from around € 3.18 billion in 2006 to € 4.15 billion (January to July 2007). Overall, the monthly burden on a three-person household with average total costs of around € 60 has increased from 23 cents in 1998 to € 2.85 in 2007 as a result of the EEG.

For industrial customers, the prices stabilised on the 2006 level after a slight decrease at the beginning of the year.

Development of forward market prices for electricity (EEX)
Daily and quartely average prices in €/MWh

Source: EEX



Wholesale electricity market

In 2007, the spot market price for electricity in Germany was initially largely dictated by the price of emission allowances, which fell down to almost € 0/t over the year, thus significantly reducing marginal costs for the generation of electricity. Other facts which made themselves felt are summarised below. The mild weather in the first quarter of the year kept the demand for heating electricity low. This effect was heightened by a low spot price for natural gas after the mild winter. The warm, dry weather in June initially imposed restrictions on production in terms of the availability of cooling water on power stations in northern Germany in particular. As a result of the wet weather that followed, however, this effect lost in importance as the summer progressed. The fact that four German nuclear power plants were not available for a longer period of time, as well as another significant increase in fuel prices, made itself felt in high electricity prices in the second half of the year.

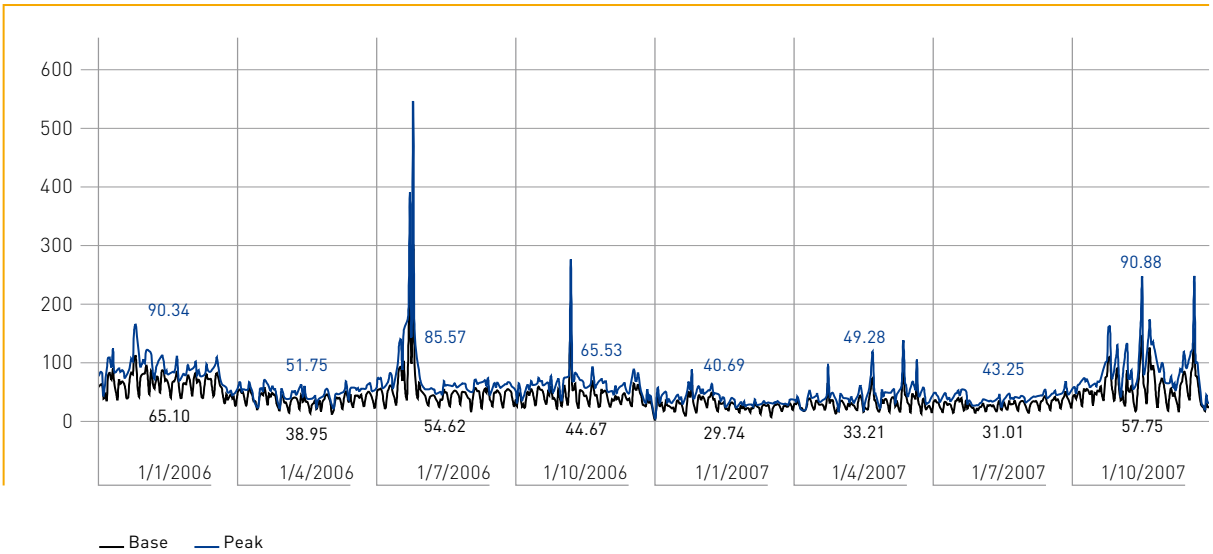
On aggregate, the market influences described above resulted in an annual average spot market price for electricity (base) of € 37.99/MWh. This figure was thus around 25% down on the prior year. The annual average figure for peak deliveries thus fell by around 23% to € 56.16/MWh.

On average, the forward price for the delivery of electricity in subsequent years was higher than the price level observed on the spot market in 2007. This was due to the significantly higher price of emission allowances in the second trading period 2008 – 2012, and the assumption by the market that the winter would not be mild again, leading in turn to a spot gas surplus. In the course of 2007, the development of the quotations for forward deliveries was then characterised by a further increase in the price of fuels and emission allowances.

The development by period of the electricity price on the spot and forward market is presented in the diagrams on pages 66 and 67.

Development of spot market prices for electricity (EEX)
Daily and quartely average prices in €/MWh

Source: EEX



CO_2 market

Prices on the CO_2 market were highly volatile in 2007. In light of market expectations that more emission allowances would be available in the first trading period 2005 – 2007 than needed, the CO_2 price (EU Allowance – EUA) in the first quarter fell to around € 1/t CO_2, stood at around € 0.10/t CO_2 in June, and dropped to a level of € 0.01/t CO_2 in December.

The price for emission allowances of the second trading period 2008 – 2012 dropped to a level of just under € 13/t CO_2 (EUA 2008) at the beginning of the year. This was presumably triggered by sales by market participants who wanted to replace their emission allowances with lower-priced carbon credits from developing/emerging countries (CER, Certified Emission Reduction). Parallel to the discussion on the auction of certificates during the second trading period in Germany, the CO_2 prices picked up again in early June, rising to over € 24/t CO_2 (EUA 2008). In the third quarter, the market was relatively quiet and after a temporary drop almost down to just over € 18/t CO_2 the EUA price for 2008 recovered to just under € 22/t CO_2 towards the end of the quarter. In the last quarter, the € 22/t CO_2 mark was exceeded and maintained, with the exception of a few trading days. Profit-taking started from a resistance level of € 23/t CO_2 which was tested for a short period of time in November. Again and again, the price therefore fell back to a level between € 22/t CO_2 and € 23/t CO_2.

Development of the price of emission allowances (EUA*)
Daily and quartely average prices in €/t

Source: Point Carbon

*EUA = EU Allowance

Coal market

The development of hard coal import prices in Europe can be divided into two phases in 2007:

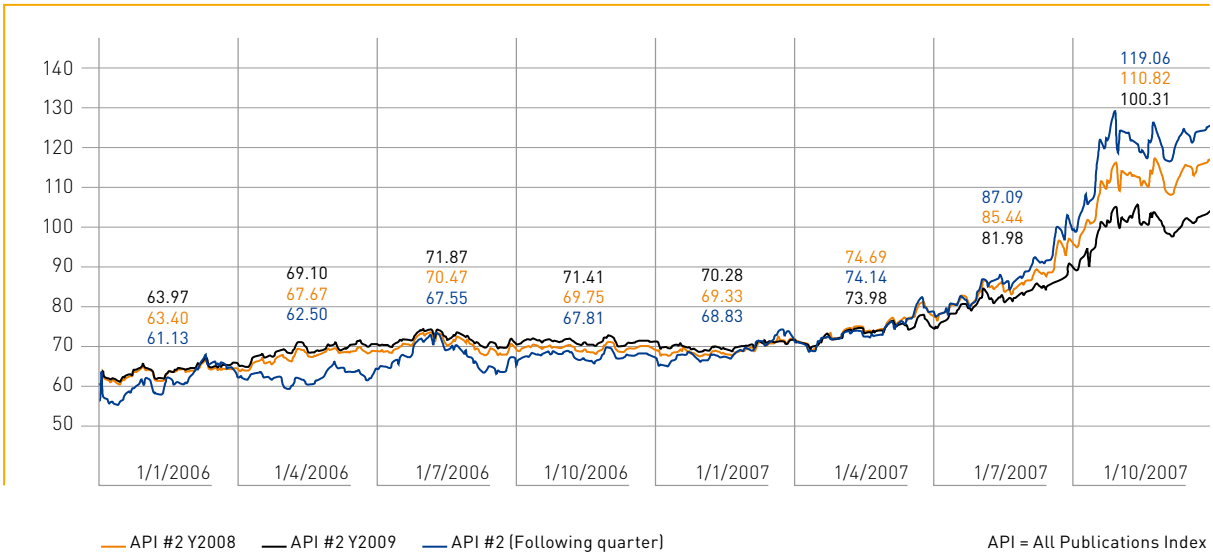
Throughout almost the entire first half year, both the prices for short-term deliveries and the forward prices for deliveries in the ARA ports (Amsterdam, Rotterdam, Antwerp) were subject to only very slight fluctuations and were slightly up on the prices of the second half of 2006. However, the first price-raising factors began to make themselves felt in the Pacific, e.g. the change of China from net exporter on the world market for hard coal to net importer at the beginning of the year.

These factors gained strongly in significance in the second half of the year which is why, for example, the prices for deliveries to the ARA ports for the year 2008 stood at a record level of just under US$ 118/t by the end of October and even after that did not fall below the US$ 100/t threshold again. The main factors here are growing demand from China and India as well export problems in Russia and Indonesia.

Another major driver of the hard coal import price in Europe was the development of freight prices. Thus the freight prices for deliveries using capesize vessels in 2008, on the important route from Richards Bay, South Africa, to the ARA ports, climbed to a record level towards the end October of more than US$ 40/t.

Development of coal prices
Daily and quartely average prices in US$/t

Source: various brokers



API = All Publications Index

Oil market

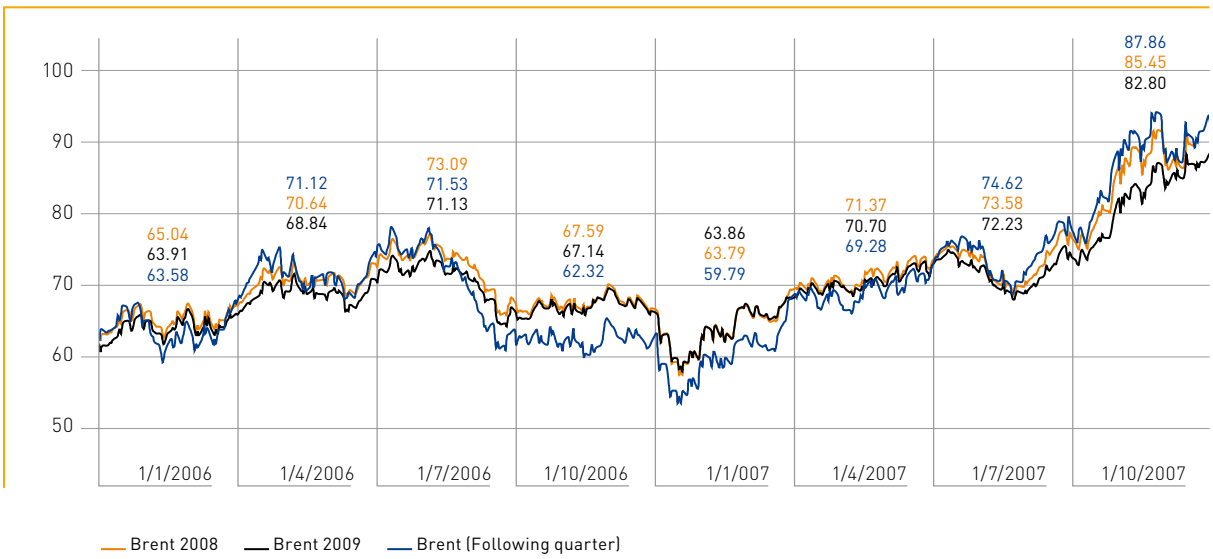
On average, the oil prices of the year 2007 were substantially higher than in the prior year. While the price for a barrel (bbl) of Brent oil from the North Sea stood at an average of US$ 66 in 2006, the average price in 2007 was over US$ 72/bbl. The main reason for the different price level was the price development from August onwards.

In 2006, the Brent price dropped from a record high of over US$ 78/bbl in August to US$ 51/bbl in January 2007. The dramatic drop was only possible due to the extremely high stocks of crude oil and oil products worldwide. Moreover, the hurricane season in the Gulf of Mexico did not cause the typical production stoppages in stark contrast to the disastrous year 2005, and the war in Lebanon ended without escalating as feared which, like the fear of hurricanes, had driven up the price of oil in the past. Without these price drivers and in light of the high stocks of crude oil, oil prices went into free fall and only several huge cutbacks of the oil supply by OPEC in early 2007 put an end to it.

Until August, the 2007 oil prices developed much like the prior year. The prices were mainly driven by a growing demand combined with a limited supply as well as several refinery breakdowns in the US which caused a petrol shortage and as a result a greater demand for light crude oils. Unlike the prior year, however, the price of oil continued to climb until the end of the year 2007. On 29 October Brent oil exceeded US$ 90 dollars for the first time. Up to year-end, a barrel of Brent cost more than US$ 95 on several occasions. Contrary to 2006, OPEC actively managed the supply volume in 2007 and thus the worldwide stocks of crude oil in order to prevent a massive drop in prices similar to that seen at the end of 2006.

Development of crude oil prices
Daily and quartely average prices in US$/bbl

Source: ICE



Gas market

Consumption

In 2007, the natural gas consumption in Germany dropped 4.5% on the prior year to 930 billion kWh due to the weather. The marked drop in consumption was due to the very mild weather from January to April 2007 compared to the prior year. This led to a drop of some 20% in demand for natural gas in the first half of 2007. In the second half of 2007 temperatures were relatively normal in contrast to the unusually warm second half of 2006. This was reflected in a substantial rise in demand. At around 10%, the drop in the consumption of natural gas by private households and commerce, trade and services was material. The natural gas consumption in industry was also in decline. The natural gas used for the electricity supply did not quite match the prior-year level. Overall, the share of natural gas in proportion to total primary energy consumption of 22.7% (2006: 22.6%) is fairly stable. (Source: Bundesverband der Energie und Wasserwirtschaft e.V.)

Price developments

Because the gas price is linked to the oil price, the ådevelopment of oil prices affects the price of long-term gas import agreements, albeit with a time lapse.

After lows at the beginning of the year, the higher crude oil price raised the official price of heavy and light heating oil for the trading places on the Rhine (Düsseldorf, Frankfurt am Main, Mannheim and Ludwigshafen) that is also decisive for the price of gas. Due to the weak US dollar, however, the increase in oil price only had a moderate effect on the euro prices along the Rhine. On average, the price of light heating oil at the trading places along the Rhine in 2007 was 1.45% lower than 2006, and the price for heavy heating oil was 1.33% lower. On top of that, the time lapse meant that the relatively low oil price at the end of 2006 was used to determine the gas price for 2007. The cross-border price index of the Federal Office of Economics and Export Control (BAFA) averaged € 19.82/MWh in the months January to November 2007, and was thus slightly below the average import price of € 21.33/MWh in 2006.

Contrary to the listings at the trading places along the Rhine that determine the import contracts to Germany, the market prices for natural gas at the trading places in north-western Europe are not tied directly to the development of the oil price. The spot market prices on the Dutch wholesale market were exceptionally low for the time of year due to the mild winter in the second quarter, falling on average to below € 11/MWh. However, prices picked up again significantly in the third quarter, at times to above € 19/MWh.

The price increase continued in the fourth quarter for seasonal reasons, with spot prices reaching a level of € 21.80/MWh mid-quarter. As a result, volumes were offered on the spot market in Germany at similarly low prices below the long-term import prices, leading temporarily to more gas being used to generate electricity.

Company situation of the EnBW group

Overall, the net assets, financial situation and results of operations of the EnBW group improved again in fiscal 2007. The adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG rose from € 739.6 million to € 821.0 million. Net financial liabilities were reduced still further. Subject to the approval of the annual general meeting, the dividend will be increased by 32.5% to € 1.51 per share.

Forecast variances

In the last annual report we forecast a slight increase in adjusted EBIT of the group. Due to improved results in the electricity segment, the forecast was slightly exceeded. The improved results are due above all to the optimised generation margin and positive effects on results from derivatives.

Revenue and unit sales

In the fiscal year 2007, the EnBW group recorded external revenue before deducting electricity and natural gas tax of € 15,740.7 million, 12.0% more than in the prior year.

In the fiscal year 2007, external revenue after deducting electricity and natural gas tax increased by 14.4% to € 14,712.2 million.

Revenue increased in the electricity and energy and environmental services segments. Adjusted to eliminate changes in the consolidated companies, revenue rose by € 1,429.5 million or 10.8%.

Earnings performance (adjusted EBIT 2007)	Forecast in the 2006 annual report for 2007	Performance 2007
Electricity	stable	slight increase
Gas	falling	decrease
Energy and environmental services	rising	increase
Consolidation (mainly Stadtwerke Düsseldorf AG)	rising	increase
Adjusted EBIT, group	rising slightly	increase

External revenue of the EnBW group by business segment in € millions[1, 2]	2007	2006	Variance %
Electricity	11,539.7	9,509.0	21.4
Gas	2,479.3	2,757.9	-10.1
Energy and environmental services	693.2	592.6	17.0
Total	**14,712.2**	**12,859.5**	**14.4**

[1] After deducting electricity and natural gas tax.
[2] Prior-year figures adjusted.

Unit sales of the EnBW group in billions of kWh	2007	2006	Variance %
Electricity	139.5	119.4	16.8
Gas	75.2	83.5	-9.9

Electricity

The electricity segment generated 78.4% of the EnBW group's revenue in the reporting period, thus increasing this segment's share of total group sales revenue compared to the prior year by 4.5% points.

In the reporting period, unit sales of electricity rose 16.8%. Adjusted for changes in the consolidated group, this was an increase of 13.6%. The increase primarily stems from trading. Unit sales to industrial customers also increased thanks to customer wins; units sales to retail customers dropped slightly.

Revenue rose by 21.4% to € 11,539.7 million. Adjusted to eliminate consolidation effects, electricity revenue increased by € 1,809.4 million or 18.6%. This increase is due above all to the higher volume of electricity sold.

Gas

In the fiscal year 2007, the gas segment accounted for 16.9% of the revenue of the EnBW group, thus reducing this segment's share of total group sales revenue compared to the prior year by 4.5% points.

Due above all to the mild temperatures in the first quarter of 2007, unit sales of gas dropped 9.9% to 75.2 billion kWh. Adjusted for changes in the consolidated group, unit sales decreased by 12.8%.

This development led to a 10.1% drop in revenue to € 2,479.3 million. Adjusted to eliminate changes in the consolidated group, gas revenue fell by € 404.2 million or 14.0%.

Energy and environmental services

In the fiscal year 2007, the energy and environmental services segment accounted for 4.7% of the revenue of the EnBW group, thus increasing this segment's share of total group revenue compared to the prior year by 0.1% points.

Revenue in the energy and environmental services segment comprises sales revenue from disposal, water supply, and other energy services. It totals € 693.2 million. This represents an increase of 17.0% compared to the fiscal year 2006. Adjusted to eliminate changes in the consolidated group, revenue rose by € 24.3 million or 3.6%. The higher revenue generated by other services was the main driver of this increase.

Earnings and business development

Earnings in the EnBW group in the fiscal year 2007 were highly satisfactory. The effects of the reduction in network user charges imposed by the Federal Network Agency and the decrease in the gas segment's unit sales on account of the mild weather were offset by positive effects from the enlargement of the consolidated group and improved margins in the electricity business.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) rose by 2.8% or € 62.6 million compared to the fiscal year 2006. Adjusted for consolidation effects, EBITDA rose by 0.1% or € 1.3 million. Adjusted EBITDA rose by 6.9% or € 151.1 million to € 2,328.3 million. Adjusted to eliminate consolidation effects, adjusted EBITDA went up by 4.0% or € 89.8 million.

In the electricity segment, EBITDA dropped by 2.7% or € 54.2 million compared to the fiscal year 2006 due to the drop in non-operating profit. Adjusted EBITDA rose by 6.9% or € 127.5 million to € 1,979.3 million. The increase in adjusted EBITDA is due, above all, to higher margins recorded for the generation of electricity, marking derivatives to market and the enlargement of the consolidated group. Earnings were burdened by the reduction of network user charges imposed by the Federal Network Agency.

In the gas segment, there was a year-on-year decrease in EBITDA of 11.1% to € 275.3 million. Adjusted EBITDA in the gas segment fell by 10.1% or € 30.5 million to € 270.9 million. The main reasons for the drop in adjusted EBITDA are the drop in unit sales of gas and the reduction of network user charges imposed by the Federal Network Agency.

EBITDA in the energy and environmental services segment went up by € 184.7 million to € 233.2 million compared to the fiscal year 2006. Adjusted EBITDA in the energy and environmental services segment increased by 57.1% or € 83.5 million to € 229.7 million. The main reasons for this are the enlargement of the consolidated group and the expansion of the residual waste CHP station in Stuttgart-Münster.

Compared with the fiscal year 2006, EBIT (Earnings Before Interest and Taxes) increased by € 108.0 million to € 1,559.2 million. Adjusted EBIT rose by 7.7% or € 112.1 million to € 1,563.0 million.

Compared with the fiscal year 2006, EBT (Earnings Before Taxes) improved by € 182.8 million to € 1,372.9 million. Adjusted EBT rose by 7.9% or € 94.2 million to € 1,283.4 million.

Income taxes amount to € 43.2 million (tax income), including non-recurring tax income of € 412.0 million due to the 2008 Business Tax Reform Act.

The result of discontinued operations amounts to € 97.9 million. The positive result is due above all to the sale of the U-plus group and the reversal of provisions.

The group net profit in terms of the profit shares attributable to equity holders of EnBW AG rose by 36.2% to € 1,364.1 million. Of the increase, € 24.1 million was caused by changes in the consolidated group. The adjusted group net profit in terms of the profit attributable to equity holders of EnBW AG rose by € 81.4 million to € 821.0 million.

The value added of the EnBW group increased by € 24.5 million to € 839.1 million. This is a year-on-year increase of 3.0%. In the fiscal year 2007, the electricity, gas and energy and environmental services segments all made a positive contribution to value added, although the electricity segment was mainly responsible for the increase.

EBITDA of the EnBW group by business segment in € millions[1]	2007	2006	Variance %
Electricity	1,978.6	2,032.8	-2.7
Gas	275.3	309.5	-11.1
Energy and environmental services	233.2	48.5	–
Other activities/Holding	-150.7	-117.0	-28.8
Total	**2,336.4**	**2,273.8**	**2.8**

[1] Prior-year figures adjusted.

EBIT of the EnBW group by business segment in € millions[1]	2007	2006	Variance %
Electricity	1,409.9	1,473.0	-4.3
Gas	172.2	223.3	-22.9
Energy and environmental services	127.8	-128.1	–
Other activities/Holding	-150.7	-117.0	-28.8
Total	**1,559.2**	**1,451.2**	**7.4**

[1] Prior-year figures adjusted.

Earnings ratios of the EnBW group in € millions[1]	2007	2006	Variance %
EBITDA	2,336.4	2,273.8	2.8
EBIT	1,559.2	1,451.2	7.4
EBT	1,372.9	1,190.1	15.4
Result of continuing operations	1,416.1	1,114.7	27.0
Result of discontinued operations	97.9	6.0	–
Group net profit	**1,514.0**	**1,120.7**	**35.1**
of which profit shares attributable to minority interests	(149.9)	(118.9)	26.1
of which profit shares attributable to equity holders of EnBW AG	(1,364.1)	(1,001.8)	36.2

[1] Prior-year figures adjusted.

Value added of the EnBW group by business segment in € millions[1]	2007	2006	Variance %
Electricity	929.7	868.7	7.0
Gas	32.6	83.8	-61.1
Energy and environmental services	25.3	-39.7	–
Other activities/Holding	–	–	–
Total	**839.1**	**814.6**	**3.0**

[1] Prior-year figures adjusted.

Non-operating and adjusted earnings

The non-operating result of the EnBW group comprises extraordinary income and expenses. From the fiscal year 2007 onwards, income and expenses relating to other periods are no longer disclosed in the non-operating result. The comparative figures have been adjusted accordingly.

The positive non-operating EBT in the fiscal year 2007 is due above all to the reversal of provisions.

The non-operating income taxes amount to € 426.8 million (prior year: € 255.8 million) in the current fiscal year, mainly due to non-recurring tax income of € 412.0 million as a result of the 2008 Business Tax Reform Act. The non-operating income taxes of the prior year contain above all income from the initial recognition of corporate income tax credits from the conversion to the half-income method.

The non-operating group net profit also contains the net result of discontinued operations.

Capital expenditures, acquisitions and divestitures

Capital expenditures on intangible assets and property, plant and equipment for continuing operations amounted to € 816.1 million in the fiscal year 2007. This is € 186.0 million or 29.5% more than in the prior year.

Some 69.7% of capital expenditures was made in the electricity segment. Spending here focused on the expansion of the power stations and distribution plants.

Capital expenditures were distributed between the large-scale projects as follows: € 58.8 million for the new run-of-the-river power station in Rheinfelden, € 34.3 million for the new hard coal power station RDK 8 in Karlsruhe, € 19.4 million for the waste incineration boiler in Stuttgart-Münster, € 18.4 million for the restructuring of the extra-high voltage networks and € 55.2 million for the construction of EnBW City in Stuttgart.

EnBW acquired shares in Erdgas Südwest GmbH (ESW), ENSO Energie Sachsen Ost GmbH (ENSO) and GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG (GSWK) from Thüga AG. The acquisition increased EnBW AG's indirect shareholding in ESW from 51% to 79%, in ENSO from 50.4% to 64.8% and in GSWK from 23.5% to 100%. By increasing its shareholdings, EnBW has strengthened its position in the key markets Baden-Württemberg and east Saxony.

The share acquisitions were financed from the free cash flow.

EnBW sold its shares in the U-plus group to the Berlin-based waste disposal company ALBA AG.

Non-operating result of the EnBW group in € millions[1]	2007	2006	Variance %
Non-operating EBITDA	8.1	96.6	-91.6
Non-operating EBIT	-3.8	0.3	–
Non-operating EBT	89.5	0.9	–
Non-operating income taxes	426.8	255.8	66.8
Result of discontinued operations	97.9	6.0	–
Non-operating group net profit	614.2	262.7	–
of which profit shares attributable to minority interests	(71.1)	(0.5)	–
of which profit shares attributable to equity holders of EnBW AG	(543.1)	(262.2)	107.1

[1] Prior-year figures adjusted.

Adjusted earnings of the EnBW group in € millions[1]	2007	2006	Variance %
Adjusted EBITDA	2,328.3	2,177.2	6.9
Adjusted EBIT	1,563.0	1,450.9	7.7
Adjusted EBT	1,283.4	1,189.2	7.9
Adjusted group net profit	899.8	858.0	4.9
of which profit shares attributable to minority interests	(78.8)	(118.4)	-33.4
of which profit shares attributable to equity holders of EnBW AG	(821.0)	(739.6)	11.0

[1] Prior-year figures adjusted.

Capital expenditures of the EnBW group on intangible assets and property, plant and equipment by business segment in € millions[1]	2007	2006	Variance %
Electricity	568.9	403.4	41.0
Gas	71.7	71.4	0.4
Energy and environmental services	175.5	155.3	13.0
Total	**816.1**	**630.1**	**29.5**

[1] From continuing operations.

Financing

Long-term capital management at EnBW is based on a theoretical analysis of the capital market in order to determine the best possible capital structure. Both debt capital and equity are included in these deliberations. An optimum capital structure aims to minimise the total cost of capital, taking into consideration a premium for retaining financial flexibility. For EnBW, the optimum capital structure implies achieving an A-category rating. An in-depth analysis of this kind was most recently carried out in 2006 and reviewed in 2007.

EnBW uses a rolling planning horizon of three months for the short-term management of liquidity.

Capital management at EnBW also includes the conscious management of financial assets. Based on actuarial appraisals of the pension provisions as well as external appraisals on the nuclear provisions, EnBW uses a cash-flow-based model to determine the P&L and cash flow effects of the next 30 years. This model forms the basis for the management of the financial assets. It allows simulations of various alternative return and provision scenarios.

Asset management

Efforts to optimise the risk/earnings profile of our financial assets commenced in prior years were successfully continued in 2007. At the end of 2007, we managed an investment volume of some € 5.7 billion spread over a total of ten asset classes.

Most of the financial assets are bundled in four master funds.

The following investment targets are strictly pursued:

- Achieve long-term target return on financial assets of 5.5%
- Minimise risks
- Minimise the effect on the balance sheet and income statement
- Broadly diversify asset classes
- Cut costs and simplify administration

Our strategy to achieve the defined investment targets with minimum risk also reflects the intention to cover our long-term pension and nuclear power provisions within an economically reasonable period by means of investments in appropriate financial assets.

An expert panel awarded us the title 'Best Corporate Investor 2007' for the implementation of our asset management strategy.

Financing requirements

In addition to the group's own funds and internal financing power, the EnBW group continues to use the following four instruments to cover its total financing needs:

- Euro Medium Term Note (EMTN) programme
- Syndicated line of credit
- Commercial paper programme
- Offering of special products and measures to strengthen equity

Despite the difficult market environment as a result of the subprime crisis, EnBW was able to obtain short-term refinancing at any time during 2007 via the established commercial paper programme.

Syndicated line of credit

In May 2007, EnBW again made use of the agreed prolongation options for the syndicated line of credit. This € 2.5 billion line of credit had been agreed with a syndicate of banks in May 2005 and consists of two tranches.

The first tranche with a volume of € 1 billion was prolonged by another year until May 2008. An amount of € 1.442 billion from the second tranche was also prolonged for a further year until May 2012; the remaining € 58 million is still available until May 2010. The entire syndicated line of credit remained unused in the reporting period.

Interest and currency management

At present, the interest rates for the financial liabilities are contractually fixed to a large extent. A change in interest rates thus only affects the interest result of EnBW for new borrowing and upcoming refinancing (e. g. as commercial paper fall due for issue).

The currency items resulting from operations are closed by appropriate forward exchange contracts. Currency fluctuation therefore does not have any major effect on the result of EnBW.

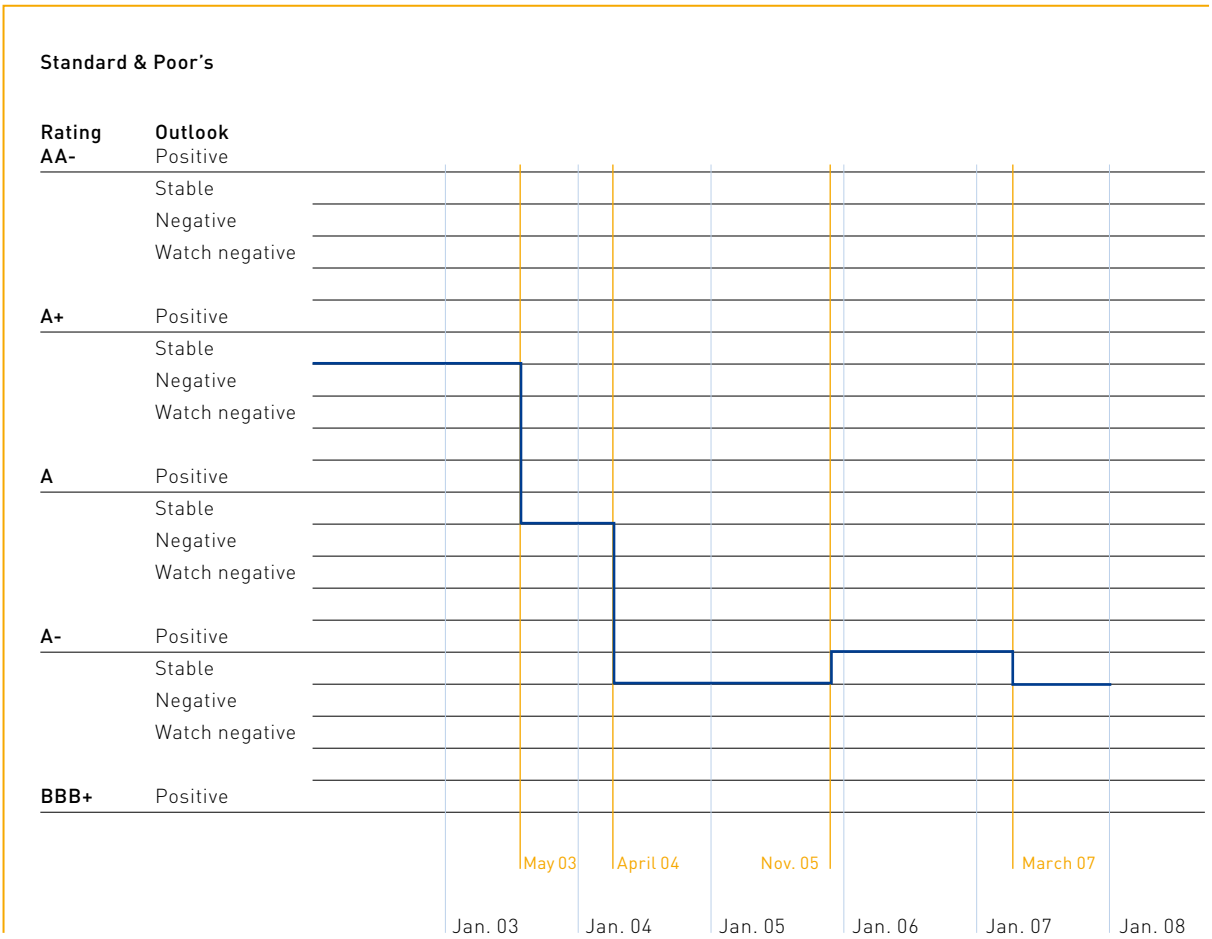
Ratings

Since the two rating agencies Standard & Poor's and Moody's rated the creditstanding of EnBW for the first time in 2000 and 2002, respectively, we have always achieved our goal of keeping an A-category rating in the medium term.

EnBW regularly validates the rating target.

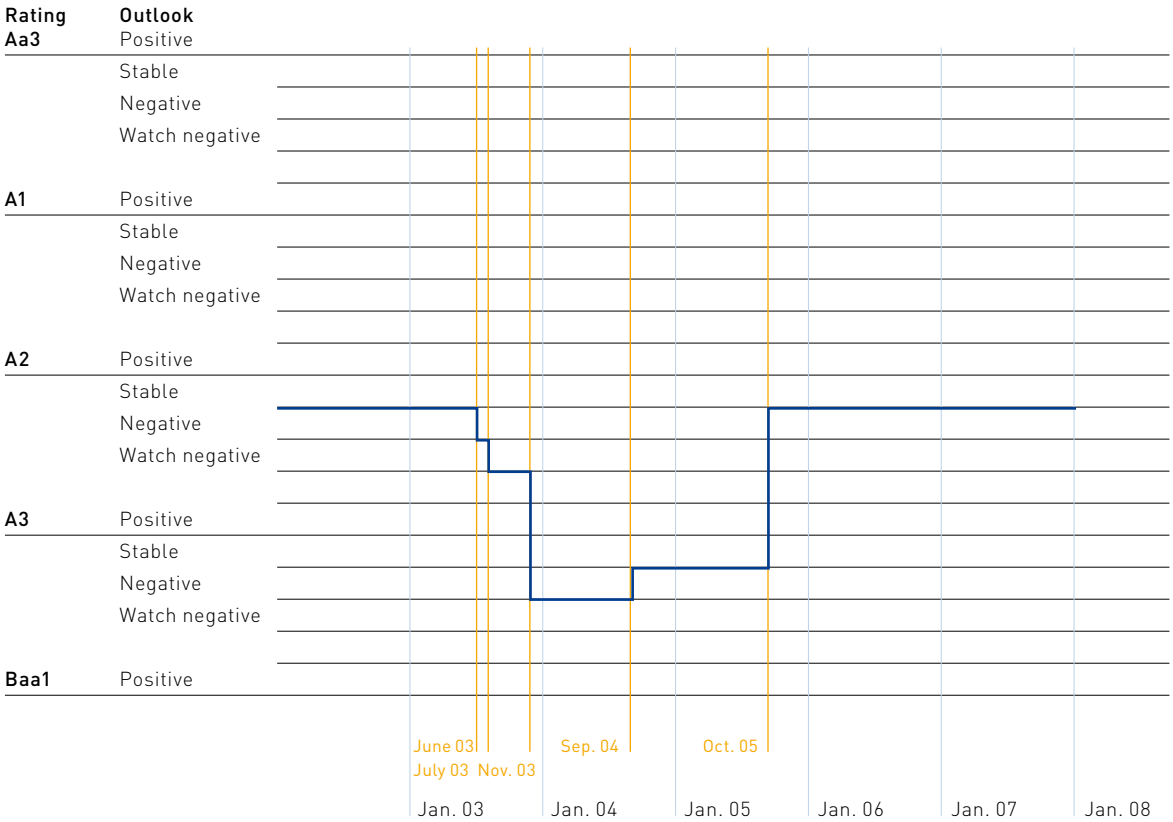
The diagrams show the development of the rating over the past few years.

The rating development over the past years



As of 31 December 2007

Moody's



As of 31 December 2007

Cash flow statement

Compared to the prior year, the cash flow from operating activities increased by € 92.1 million to € 1,558.7 million. The increase was due above all to the improved EBITDA and a reduction in working capital. Higher income tax payments burdened the operating cash flow. The main factors contributing to the improved working capital were the drop in the balance of trade receivables and payables. The increase in income tax payments was mainly due to additional payments as a result of tax field audits.

One of the reasons for the rise in cash flow from investing activities was the reduction in cash paid to acquire group companies from € -560.4 million to € -381.6 million.

The cash flow from financing activities fell by € 1,387.6 million on the prior-year period to € -1,786.6 million. The reason for this was the higher repayment of financial liabilities and higher interest payments as well as the higher dividend distribution for 2006.

It was this development, taking exchange rate differences into account, that led to a drop in the cash and cash equivalents of the EnBW group by € 614.5 million to € 1,317.8 million.

Despite the higher cash flow from operating activities, the free cash flow fell by € 173.9 million to € 853.2 million. To a large extent, this was due to the additional amount of € 186.8 million invested in intangible assets and property, plant and equipment.

EnBW's solvency is secured for the future by the positive free cash flow and free lines of credit of € 2.84 billion.

Net debt

Net debt was reduced in the fiscal year 2007 by € 391.6 million to € 5,869.7 million. This is due above all to the fact that the free cash flow was used to reduce net debt in addition to paying interest and dividends.

Composition of the balance sheet of the EnBW group

Compared with 31 December 2006, the total net assets of the group rose by € 266.0 million or 0.9%.

The non-current assets – accounting for 75.8% of total net assets – decreased by 0.6% to € 21,543.4 million.

Current assets increased by 6.8% to € 6,867.5 million.

Non-current assets held for sale and assets of discontinued operations dropped by 91.2% to € 3.4 million.

The equity ratio in the group, including minority interests, rose from 16.0% (as of 31 December 2006; adjusted) to 21.1%. The increase is primarily attributable to the profit reported for the period.

The non-current liabilities of the EnBW group dropped by 4.6% to € 16,097.1 million. They comprise non-current provisions, deferred tax liabilities and non-current liabilities. The non-current provisions mainly contain the provisions relating to the closure and decommissioning of our nuclear power plants and pension provisions. The non-current liabilities mainly consist of financial liabilities and construction cost subsidies.

Current liabilities decreased by 5.5% to € 6,307.6 million.

The liabilities of discontinued operations fell to € 7.9 million.

Cash flow statement in € millions	2007	2006	Variance %
Cash flow from operating activities	1,558.7	1,466.6	6.3
Cash flow from investing activities	-381.6	-560.4	31.9
Cash flow from financing activities	-1,786.6	-399.0	–
Net change in cash and cash equivalents	-609.5	507.2	–
Exchange rate changes in cash and cash equivalents	-5.0	-1.3	–
Change in cash and cash equivalents	**-614.5**	**505.9**	**–**

Free cash flow in € millions	2007	2006	Variance %
Cash flow from operating activities	1,558.7	1,466.6	6.3
Capital expenditures on intangible assets and property, plant and equipment	-816.9	-630.1	29.6
Cash received from disposals of intangible assets and property, plant and equipment	30.2	105.2	-71.3
Cash received from construction cost and investment subsidies	81.2	85.4	-4.9
Free cash flow	**853.2**	**1,027.1**	**-16.9**

Net debt in € millions	31/12/2007	31/12/2006	Variance %
Cash[1]	-829.2	-1,367.7	-39.4
Short-term securities[1]	-171.5	-149.6	14.6
Short-term capital resources[1]	**-1,000.7**	**-1,517.3**	**-34.0**
Bonds[2]	2,698.2	3,258.1	-17.2
Liabilities to banks	546.9	853.9	-36.0
Other financial liabilities	727.9	998.1	-27.1
Financial liabilities[2]	**3,973.0**	**5,110.1**	**-22.3**
Net financial debt[1,2]	**2,972.3**	**3,592.8**	**-17.3**
Pension and nuclear power provisions	8,527.9	8,392.1	1.6
Long-term securities and loans	-4,906.4	-5,347.4	-8.2
Short-term capital resources of the special funds and short-term securities to cover the pension and nuclear power provisions	-832.4	-619.8	34.3
Liabilities from put options	397.4	396.9	0.1
Other	-289.1	-153.3	88.6
Net debt[2]	**5,869.7**	**6,261.3**	**-6.3**

[1] Without short-term capital resources of the special funds and short-term securities to cover the pension and nuclear power provisions.
[2] Adjusted for valuation effects from invest-induced hedging transactions.

Condensed balance sheet of the EnBW group in € millions[1]	31/12/2007	31/12/2006	Variance %
Assets			
Non-current assets	21,543.4	21,681.0	-0.6
Property, plant and equipment	(11,416.2)	(11,336.1)	0.7
Other financial assets	(5,734.4)	(6,031.7)	-4.9
Deferred tax	(6.0)	(38.9)	-84.6
Current assets	6,867.5	6,428.8	6.8
Non-current assets held for sale and assets of discontinued operations	3.4	38.5	-91.2
	28,414.3	**28,148.3**	**0.9**
Equity and liabilities			
Equity	6,001.7	4,492.4	33.6
Non-current liabilities	16,097.1	16,875.6	-4.6
Provisions	(8,989.1)	(8,865.8)	1.4
Deferred tax	(1,616.8)	(2,000.0)	-19.2
Financial liabilities	(3,364.2)	(3,883.8)	-13.4
Current liabilities	6,307.6	6,677.3	-5.5
Provisions	(1,131.3)	(1,306.3)	-13.4
Financial liabilities	(588.3)	(1,226.3)	-52.0
Liabilities of discontinued operations	7.9	103.0	-92.3
	28,414.3	**28,148.3**	**0.9**

[1] Prior-year figures adjusted.

Company situation of EnBW AG

As operational holding company, EnBW Energie Baden-Württemberg AG (EnBW AG) exercises the management function in the EnBW group. The economic situation of EnBW AG hinges on the economic situation of the group.

The detailed financial statements of EnBW AG, on which an unqualified opinion was rendered by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, are published in the electronic federal gazette (Bundesanzeiger). The full financial statements of EnBW AG are available for download at www.enbw.com.

The financial statements of EnBW AG are prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporations Act (AktG).

Condensed balance sheet of EnBW AG in € millions[1]	31/12/2007	31/12/2006	Variance %
Assets			
Non-current assets			
Intangible assets	9.3	5.1	82.4
Property, plant and equipment	7.8	6.0	30.0
Financial assets	11,547.9	11,122.8	3.8
	11,565.0	**11,133.9**	**3.9**
Current assets			
Receivables from affiliated entities	2,091.9	2,693.8	-22.3
Other receivables and other assets	533.0	387.7	37.5
Cash and cash equivalents	518.6	1,023.1	-49.3
	3,143.5	**4,104.6**	**-23.4**
Prepaid expenses	53.8	74.9	-28.2
	14,762.3	**15,313.4**	**-3.6**
Equity and liabilities			
Equity	1,826.3	1,499.3	21.8
Provisions	3,229.1	3,360.1	-3.9
Liabilities to affiliated entities	9,593.9	10,129.3	-5.3
Other liabilities	93.9	303.2	-69.0
Deferred income	19.1	21.5	-11.2
	14,762.3	**15,313.4**	**-3.6**

[1] According to German commercial law.

Condensed income statement of EnBW AG in € millions[1]	2007	2006	Variance %
Financial result	953.2	815.5	16.9
Personnel expenses	-110.2	-170.5	-35.4
Other income and expenses	-172.2	-190.6	-9.7
Profit from ordinary activities	**670.8**	**454.4**	**47.6**
Taxes	-65.3	59.4	–
Profit for the year	**605.5**	**513.8**	**17.8**

[1] According to German commercial law.

Net assets of EnBW AG

The net assets of EnBW AG depend heavily on its equity investments and the central treasury management. The central treasury management affects financial assets as well as receivables from and liabilities to affiliated entities.

The pension obligations of the main subsidiaries are bundled at EnBW AG. The annual expenses for post-employment benefits are paid by the subsidiaries concerned in each case.

Net profit of EnBW AG and dividend

At € 605.5 million, EnBW AG's net profit for the year is € 91.7 million higher than in the prior year owing to the group's good performance. Retained earnings amount to € 406.9 million. This figure includes the profit carried forward of € 1.4 million and the transfer to other revenue reserves of € 200.0 million.

On 25 April 2008, the Board of Management will propose to the annual general meeting that a dividend of € 1.51 per share be distributed from the retained earnings of EnBW AG. As of 31 December 2007, a total of 244,256,523 shares were entitled to dividends. If the AGM approves this proposal, the amount distributed by EnBW AG for fiscal 2007 will total € 368.8 million.

Comments on reporting

In accordance with Sec. 315 a (1) German Commercial Code (HGB), the consolidated financial statements of the EnBW group are prepared according to the International Financial Reporting Standards (IFRS) the adoption of which is mandatory in the EU at the balance sheet date. The figures of the prior year were adjusted to reflect the accounting and disclosure changes made in fiscal 2007. Detailed explanations are given in the notes.

Dependent company declaration

Pursuant to Sec. 312 AktG (German Stock Corporations Act), the Board of Management of EnBW AG prepared a dependent company report for the fiscal year 2007. This details relationships with affiliated companies, 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 an appropriate consideration in each legal transaction and was not placed at a disadvantage. There were no actions at the instigation or in the interest of the controlling companies on which we would be obliged to report."

Subsequent events | Disclosures pursuant to Secs. 289 (4), 315 (4) HGB and explanatory report of the Board of Management

Subsequent events

There were no events after 31 December 2007 which would be significant for assessing the net assets, financial position and results of operations of the group.

Disclosures pursuant to Secs. 289 (4), 315 (4) 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) HGB and explains this in accordance with Sections 120 (3) Sentence 2 and 175 (2) Sentence, AktG.

Composition of subscribed capital

The subscribed capital of EnBW amounts to € 640,015,872.00 and is divided into 250,006,200 no par value registered shares with an imputed value of € 2.56 each.

Restrictions relating to the voting rights or transferability of shares

Dated 19 April 2007, EDF published the 2006 reference document issued for the French financial market supervisory authorities in which EDF informed the financial markets of the agreements made between EDF and OEW. In a shareholder agreement dated 26 July 2000, the two main shareholders EDF and OEW agreed on the ownership of rights and the coordination of their exercise, as well as the capability of the shareholders to exercise influence. According to this agreement, EDF and OEW will use the voting rights from their shares uniformly after prior consultation in a shareholders' committee which is to be set up by them.

EDF and OEW will, in particular, make suggestions for the election of shareholder representatives on the Supervisory Board and will seek to use their votes to have four members based on the EDF suggestion and three based on the OEW suggestion, including the chairman of the Supervisory Board. In addition, the parties to the shareholder agreement want to use their influence to appoint a member of the Board of Management based on EDF's suggestion.

In the shareholder agreement, EDF and OEW have also imposed restrictions on the transfer of EnBW shares. OEW can only sell restricted shares (= 25.005% of all EnBW shares) to a third party with the approval of EDF, while EDF can only sell restricted EnBW shares (25.005%) to third parties with the approval of OEW if the third party is not prepared to acquire the EnBW shares of OEW for the same price. Moreover, OEW has a pre-emptive right to the restricted EnBW shares (25.005%) held by EDF. For each planned sale of EnBW shares above and beyond the restricted shares (25.005%) held by EDF and OEW, EDF and OEW have granted each other reciprocal pre-emptive rights.

The restrictions are in force for the duration of the shareholder agreement, initially until 31 December 2011, and thereafter for as long as EDF and OEW jointly hold a majority interest and each party holds at least 17% of EnBW shares.

Direct or indirect capital investments exceeding 10%

EDF International SA, which is based in Paris (France), and Zweckverband Oberschwäbische Elektrizitätswerke, which has its registered offices in Biberach an der Riss, each hold 45.01% of the capital stock of EnBW as of 31 December 2007.

The sole shareholder of EDF International SA is the listed Electricité de France SA with registered offices in Paris (France), which in turn is controlled by the French Republic. Electricité de France SA and the French Republic thus each indirectly hold a 45.01% interest in EnBW via EDF International SA.

Zweckverband Oberschwäbische Elektrizitätswerke holds its investment in EnBW in trust for OEW Energie-Beteiligungs GmbH with registered offices in Ravensburg, which is the beneficial owner of the EnBW shares held by Zweckverband Oberschwäbische Elektrizitätswerke. OEW Energie-Beteiligungs GmbH therefore has an indirect holding of 45.01% in the capital stock of EnBW via Zweckverband Oberschwäbische Elektrizitätswerke. The sole shareholder of OEW Energie-Beteiligungs GmbH is Zweckverband Oberschwäbische Elektrizitätswerke. The latter therefore holds its share of 45.01% in EnBW's capital stock not only directly but also indirectly via OEW Energie-Beteiligungs GmbH.

Shares with special rights granting control
Does not currently apply at EnBW.

Type of voting right controls when employees hold interests in capital and do not exercise their control rights directly
Does not currently apply at EnBW.

Legal provisions and statutes on the appointment and dismissal of members of the Board of Management and amendments to the articles of incorporation and bylaws
Pursuant to Sec. 84 of the German Stock Corporations Act (AktG) in conjunction with Sec. 31 of the 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 Art. 7 (1) Sentence 2 of EnBW's articles of incorporation and bylaws. If under exceptional circumstances a necessary board member is missing, Sec. 85 AktG requires in urgent cases that the board member be appointed by the court.

The annual general meeting has the right to make changes to the articles of incorporation and bylaws in accordance with Sec. 119 (1) No. 5 AktG; the specific rules of procedure are contained in Sec. 179 and 181 AktG. For practical reasons, the right to amend the articles of incorporation and bylaws, relating solely to the wording, was transferred to the Supervisory Board. This legal option pursuant to Sec. 179 (1) Sentence 2 AktG has been incorporated in Art. 18 (3) of the articles of incorporation and bylaws.

Resolutions of the annual general meeting to amend the articles of incorporation and bylaws are, pursuant to Sec. 179 (2) AktG, passed by the annual general meeting with a majority of at least three quarters of the capital stock represented at the passing of the resolution, unless the articles of incorporation and bylaws provide that the amendment of the purpose of the company requires a higher majority of the capital. Pursuant to Art. 18 (1) of the articles of incorporation and bylaws, the resolutions of the annual general meeting require a simple majority of the votes cast, unless legal regulations or the articles of incorporation and bylaws prescribe otherwise. If the law requires a larger majority of the votes cast or of the capital stock represented when taking the resolution, the simple majority suffices in those cases where the law leaves it up to the articles of incorporation and bylaws to determine this.

Authority of the Board of Management regarding the possibility to issue or redeem shares
Since 29 April 2004, the annual general meeting at EnBW has not authorised the company in accordance with Sec. 71 (1) No. 8 AktG to purchase treasury shares. Treasury shares can therefore only be acquired by the company on the basis of other reasons justifying acquisition in accordance with Sec. 71 (1) Nos. 1 to 7 AktG. As of 31 December 2007, the company has 5,749,677 treasury shares which were purchased on the basis of earlier authorisations in accordance with Sec. 71 (1) No. 8 AktG. The treasury shares of the company can be sold on the stock exchange or by public offer to all shareholders. The use of treasury shares, in particular their sale, in any other way must fall within the scope of the resolution taken by the annual general meeting on 29 April 2004.

By resolution of the annual general meeting of 23 April 2002 and entry in the commercial register on 4 June 2002, the Board of Management was authorised, for a maximum of five years, to increase the capital stock of the company with the approval of the Supervisory Board by issuing new shares, once or several times, in return for a cash contribution or a contribution in cash or in kind by a maximum of 10% each time (authorised capital I and II). This authorisation expired on 4 June 2007. These authorisations were laid down in Art. 5 (2) and (3) of the articles of incorporation and bylaws.

Material agreements subject to the condition of a change of control as a result of a takeover bid and the resulting effects
Two agreements of EnBW are subject to the condition of a change of control following a takeover bid as defined by Sec. 289 (4) No. 8 German Commercial Code (HGB):

The syndicated facility agreement for a line of credit of € 2.5 billion, which had not been drawn by 31 December 2007 (for details, see page 79), can be terminated by the lenders and fall due for repayment if a third party acquires control. This does not apply if the third party is EDF or OEW or another German public law corporation.

Under the shareholder agreement between EnBW and Eni S.p.A., Eni S.p.A. has the right to acquire EnBW's 50% share in EnBW Eni Verwaltungsgesellschaft mbH in the event of a change of control at EnBW. EnBW Eni Verwaltungsgesellschaft mbH holds 100% of the shares in Gasversorgung Süddeutschland GmbH. The purchase price that Eni S.p.A. would have to pay for the share held by EnBW in EnBW Eni Verwaltungsgesellschaft mbH is based on the market value determined by expert appraisal.

Compensation agreements of the company with the members of the Board of Management or employees in case of a takeover bid
Does not currently apply at EnBW.

Remuneration report

The remuneration report contained on pages 32 – 37 of the corporate governance report is an integral part of the management report. The remuneration report summarises the principles applied to determine the remuneration of members of the Board of Management and explains the structure and amount of the board remuneration and the remuneration of the Supervisory Board.

Value-based management system

The economic success of the EnBW group is measured throughout the company in a transparent way using uniform criteria. The value added is the most important indicator for the measurement of entrepreneurial success. In 2007, value added came to € 839.1 million, thus exceeding even the prior year.

Development of value added in the fiscal year 2007

Growth of the capital employed could be observed both at group level and in all operational segments. In the electricity and energy and environmental services segments, the return was increased at the same time. In the gas segment, there was a drop in profits, although the value added generated was still positive.

In the fiscal year 2007, the positive development of value-enhancing growth continued. The increase in capital employed went hand in hand with a marked increase in adjusted EBIT including net investment income. This created added value of € 839.1 million. This corresponds to growth of € 24.5 million compared to 2006 (3.0%).

The various segments contributed value as follows:

- As in the prior year, most value was created by the electricity segment. Here, the value added was raised by € 61.0 million or 7.0% compared to the prior year. The increase in adjusted EBIT, including net investment income, is due above all to higher margins recorded for the generation of electricity, marking derivatives to market and the enlargement of the consolidated group. Earnings were burdened by the reduction of network user charges imposed by the Federal Network Agency. The increased capital employed is attributable above all to the increased spending on property, plant and equipment effects, arising from the 2008 Business Reform Act, an increase in investments (in particular EVN Energie-Versorgung Niederösterreich AG) and consolidation of Stadtwerke Düsseldorf AG for a full year.
- The value added in the gas segment dropped year-on-year by € 51.2 million or 61.1%. The reason for this lies in the drop in earnings, mainly as a result of lower gas unit sales and the reduction of network user charges. The increase in the capital employed is due in particular to consolidation-related reasons.
- The value added of the energy and environmental services segment increased compared to the prior year by € 65.0 million. This development is due primarily to a marked increase in earnings as a result of the enlargement of the consolidated group and the expansion of the residual waste CHP station in Stuttgart-Münster. The increase in capital employed is due in particular to increased capital expenditures on property, plant and equipment, and the enlargement of the consolidated group.

Value added by segment[1]	Electricity		Gas		Energy and environmental services		Other activities/ Holding		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Adjusted EBIT including investment income (€ millions)	1,697.5	1,573.7	179.9	224.4	138.6	67.9	-151.6	-122.2	1,864.4	1,743.8
Average capital employed (€ millions)	8,531.0	7,833.0	1,733.4	1,654.7	1,193.1	1,132.6	-65.8	-295.3	11,391.7	10,325.0
ROCE (%)	**19.9**	**20.1**	**10.4**	**13.6**	**11.6**	**6.0**	**–**	**–**	**16.4**	**16.9**
WACC (%)	9.0	9.0	8.5	8.5	9.5	9.5	–	–	9.0	9.0
Value added (€ millions)	**929.7**	**868.7**	**32.6**	**83.8**	**25.3**	**-39.7**	**–**	**–**	**839.1**	**814.6**

[1] The prior-year figures have been adjusted.

Performance indicators used

The main factors for the calculation of value added are the difference between ROCE and WACC as well as capital employed. ROCE measures the return on capital employed. We have defined our earnings ratio as adjusted EBIT including investment result, which measures EnBW's operating and sustainable performance. Our equity investments are added as these belong to our core business and are consequently an integral part of our business model. The investment result is converted to a pre-tax figure to be consistent with EBIT, which is also a pre-tax figure.

Non-operating effects are eliminated. Capital employed includes all assets from the operating business. Non-interest bearing capital is deducted from these assets. In order to present the cut-off-date-related parameter capital employed congruently to the period-related adjusted EBIT including investment result, we apply the average of opening and closing figures as well as the closing rates of the three quarters in between.

Value added	=	ROCE – WACC	x	Capital employed

$$\text{and ROCE} = \frac{\text{Adjusted EBIT including investment result}}{\text{Capital employed}}$$

Calculation of the weighted average cost of capital	2007
Risk-free interest rate (r_F)	5.1%
Market risk premium (MRP)	5.0%
Beta factor (ß)	0,8
Cost of equity after tax	**9.1%**
Cost of debt before tax (r_{DC})	5.7%
Tax shield of interest on debt capital	-2.0%
Cost of debt after tax	**3.7%**
Percentage of financing that is equity (E)	40%
Percentage of financing that is debt (DC)	60%
WACC after tax	**5.8%**
Tax rate (s)	35%
WACC before tax (group)	**9.0%**

$$\text{WACC} = (r_F + ß \times \text{MRP}) \times \frac{E}{E + DC} \times \frac{1}{(1 - s)} + r_{DC} \times \frac{DC}{E + DC}$$

We determine our capital costs as the weighted average of equity and debt capital costs. The equity costs cover the entity-specific expected return of the capital market over and above the return on a risk-free investment. The cost of debt capital is based on the long-term financing conditions of the EnBW group, taking the tax shield into account.

The ratio of equity to debt capital is derived not from the balance sheet but is based on a market valuation of equity and the composition of equity and liabilities targeted in the long run. In order to reflect the various risks of our activities along the value-added chain, we break the capital costs down into their components, also by segment.

Adjusted EBIT including investment result in € millions[1]	**2007**	**2006**
EBIT	1,559.2	1,451.2
Non-operating EBIT	3.8	-0.3
Investment income	272.2	211.1
Non-operating investment result	-76.3	-20.7
Tax adjustment investment result[2]	105.5	102.5
Adjusted EBIT including investment result	**1,864.4**	**1,743.8**

Average capital employed in € millions[1]	**2007**	**2006**
Intangible assets	1,636.4	1,661.2
Property, plant and equipment	11,416.2	11,336.1
Investment properties	87.7	115.1
Equity investments[3]	2,684.5	2,442.9
Inventories	732.7	612.3
Current trade receivables[4]	2,097.4	2,236.6
Other assets	2,716.6	2,025.8
Non-interest bearing provisions	-1,592.5	-1,780.0
Non-interest bearing liabilities[5]	-4,555.6	-4,085.5
Subsidies	-1,733.3	-1,777.8
Deferred taxes[6]	-1,610.8	-1,961.1
Capital employed as of 31 December	**11,879.3**	**10,825.6**
Average capital employed[7]	**11,391.7**	**10,325.0**

[1] The prior-year figures have been adjusted.
[2] Adjusted investment result/0.65-adjusted investment result (where 0.65 = 1 – tax rate of 35%).
[3] Contains entities accounted for at equity, shares in affiliated entities and other equity investments.
[4] Without affiliated entities.
[5] Without affiliated entities, without potential purchase price obligations from put options.
[6] Deferred tax assets and liabilities netted.
[7] Calculation based on the quarterly figures of the reporting year and the prior-year closing figure.

Employees

As of 31 December 2007, the EnBW group had 20,265 employees, that is 883 or 4.2% fewer than in the prior year. Personnel expenses increased by 7.9% to € 1,476.2 million.

Headcount development

The main reason for the drop in headcount is the deconsolidation of the U-plus group in the discontinued operations segment. Adjusted for the deconsolidation effect, the number of employees rose by 2.0%. In the gas segment, the headcount rose, above all due to the full consolidation of Erdgas Südwest GmbH. The increase in the energy and environmental services segment is essentially due to the changed allocation of employees from the electricity segment.

Employees of the EnBW group[1]	31/12/2007	31/12/2006[2]	Variance %
Electricity	11,632	11,754	-1.0
Gas	891	827	+7.7
Energy and environmental services	7,187	6,734	+6.7
Holding	555	547	+1.5
Continuing operations	**20,265**	**19,862**	**+2.0**
Discontinued operations	0	1,286	–
Total	**20,265**	**21,148**	**-4.2**
Number of full-time equivalents	19,424	20,282	-4.2

[1] Number of employees without apprentices/trainees and without inactive employees.
[2] Adjusted to the segment structure as of 31 December 2007.

Personnel composition

The proportion of female employees in the workforce as a whole came to 24.1% as of 31 December 2007 (prior year: 23.0%). Of the total of 2,005 part-time employees (9.9%), 1,222 are women (60.9%). The proportion of part-time employees, including our employees under the phased retirement scheme, rose year-on-year by 0.7% points. The average length of services is 16.1 years, and the average age 43.1 years. A total of 69.1% of our employees work in our home state Baden-Württemberg, 27.1% in other German states and 3.8% abroad.

Employees in Germany and abroad	
Baden-Württemberg	69.1%
Other German states	27.1%
Abroad	3.8%

Employees by age group	
under 25	5.0%
26 – 35	17.1%
36 – 45	35.3%
46 – 55	35.6%
over 55	7.0%

Development of personnel expenses

Personnel expenses for continuing operations rose in the period from January to December 2007 compared to the prior-year period by € 108.5 million or 7.9% to € 1,476.2 million (prior year: € 1,367.7 million). Changes in the consolidated group as well as one-time factors, new hires, the termination of short-time work and the pay rise of employees covered by the framework collective agreement of the employer's association Elektrizitätswerke Baden-Württemberg, were the main drivers of the increase in personnel expenses.

Collective wage agreements

As of 28 February 2007, the collective agreement for short-time work ended, which had been concluded as part of the TOP FIT cost-cutting programme. As of 1 March 2007, the regular working week is now 38 hours again for employees covered by the framework collective agreement of the employer's association Elektrizitätswerke Baden-Württemberg.

Based on the collective pay agreement signed in March 2006, the pay for employees covered by this framework collective agreement was raised by 1.8% as of 1 March 2007. At the same time, the remuneration for apprentices was raised by € 100 per month. The collective bargaining partners also agreed on a supplementary one-off payment of € 1,500 that was paid out to the employees in April 2007. The combination of collectively bargained pay rises and one-off payments is for us the right instrument to plan for the future that gives both employer and employees the requisite planning certainty. On an operational level, the commitment of staff members is rewarded with an annual profit participation bonus.

Other personnel matters

- Top employer: In a company ranking 'Germany's top employer 2007', EnBW came twelfth of 85. In the categories job security and work-life balance it came fourth and fifth.

- Management: In spring 2007, a performance management analysis was carried out for the first time for the upper and top management in the context of the new remuneration system; from 2008, this instrument will also be used for middle management. It focuses on a transparent performance assessment and positioning analysis. By systematically analysing the successor situation, we were able to identify potential candidates for the top management of the future.

- Management development: Since 2007, the EnBW Academy has been offering a refined and focused seminar programme entitled 'Management^{6}' for middle and upper management, each comprising six events designed to meet the needs of the various fields of competence.

- Promoting high potentials: The furthering of high potentials in the job-family programme is already bearing fruits. More than 40% of those who have participated in the programme since 2005 have since been promoted to managerial positions. The co-recruitment programme of EDF and EnBW for young engineers in the field of nuclear power continued. After a three-month introductory programme, the participants transfer to the partner company for three years. The aim is to encourage cooperation, know-how transfer and networking.

- Student programme: The reporting year saw the launch of 'Network^{2}', EnBW's support programme for students doing degrees in subjects related to the energy industry and grid technology. In collaboration with ten universities, this initiative also makes a contribution to the hands-on training of academics.

- Training: EnBW remains highly committed to training young people. As of 31 December 2007, the ratio of trainees/apprentices to total workforce in the core companies of EnBW stood at 8.0% in Baden-Württemberg; the company is thus still training considerably more people than it needs.

- Work-life balance: When work and private life are in balance, this has a positive effect on job satisfaction, motivation and commitment. In 2007, the Hertie foundation awarded us the audit berufundfamilie® certificate. The measures agreed during the certification process will be implemented over the next three years.

- Health and industrial safety: The company's own occupational healthcare service offers EnBW employees a wide range of services in addition to the normal preventative medical check-ups. The preventative medical measures include medical and psychosocial advice, health and industrial protection, medical check-up, vaccinations and physiotherapy.

- Entrepreneurship Trophy: By awarding this prize for the best entrepreneurial project, the HR departments of the four large companies in the EDF group (EDF, EnBW, EDF Energy and Edison) want to highlight the importance of innovation, creativity and change willingness and practised knowledge management in order to secure competitiveness. The prize was awarded in Paris in January 2008.

Research & development and innovation

EnBW's research and development work focuses on co-operation with project partners from the world of science and business, paying special attention to basic research and testing in the fields relating to the energy industry and technology. Innovation management's tasks are to refine the results of the company's research and development work into market-oriented and customer-specific business models. The central development target is to enhance efficiency in the generation of electricity, manage resources in an environmentally compatible way, tap new energy sources and thus ultimately to increase the competitiveness.

Expenses, cooperation, personnel

In 2007, expenses for research and development (R&D) and innovation came to € 32.4 million. This is an increase of 57% on the prior year (€ 20.6 million). The increase is due to increased activity for customers. In 2007, around 150 employees were involved in R&D activities and innovation projects. For organisational purposes, the 27 employees in the strategic core areas R&D and innovation work for the holding company. This core team is supported by more than 120 employees throughout the companies who carry out research and development work and innovation projects in the course of the operational work. The employees in the two strategic core areas R&D and innovation are mainly engineers, physicists and economists.

The most important external research and innovation partners are the universities, colleges and research institutes in Baden-Württemberg, in particular in Karlsruhe, Stuttgart and Hohenheim. There are also close ties to universities and research institutes in Munich, Darmstadt and Cottbus.

Individual projects

Energy campaign for Baden-Württemberg

The way the fuel market is developing makes it advisable to be able to operate gas-fired power stations in future with various mixtures of fuel gases. In the fuel flexibilisation project for combined heat and power stations with the option of zero carbon dioxide emissions, the research institutes of the university and the German Aerospace Centre in Stuttgart are examining the basic principles. The state of Baden-Württemberg, EnBW and Alstom are supporting the project. Of the total budget of € 3.85 million, EnBW has assumed a share of 32%.

The research project is about finding a method to prepare a hydrogen-rich synthesis gas which can be burned reliably and with low emissions. It is also examining how gas turbine combustion chambers can be designed to allow for the special combustion characteristics of these new synthesis gases. As coal will remain a relevant energy source in the future, the project aims to produce findings on climate-friendly combined power stations which burn synthesis gases extracted from solid fuels and at the same time allow the efficient capture of carbon dioxide.

CDM pilot project in Madagascar

Together with parties connected with the University of Hohenheim, EnBW has started a Clean Development Mechanism (CDM) pilot project in Madagascar. An area of 3,000 hectares is to be planted with the Jatropha plant, thus creating the prerequisite for the production of biofuel. The company also receives CO_2 allowances for this. The main aim of the project is to assess the economic feasibility of this environmentally friendly form of production of a primary source of energy. Our local partners started planting in the autumn of 2007. If things go well, there is an option to enlarge the planting area to 100,000 hectares.

Geothermal energy

After delays in the planning and approval process, the geothermal power plant will to go live in the second half of 2008. The plant in the Alsatian town of Soultz-sous-Forêts is to be commissioned in the first half of 2008.

The geothermal project in Basle is still investigating reasons for the earthquakes that occurred in the winter of 2006/2007. After the first geothermal drilling, several small earthquakes occurred as water was pressed into the drill hole. The results of the investigation are expected for 2008.

Geothermal heating of pre-feed water

In connection with the project to build a new power plant in Karlsruhe/Rheinhafen, the question of which renewable energies can be used there has been examined. It may be possible to use geothermal energy, for instance for geothermal heating of pre-feed water in the power station which can generate almost 7 MW more output from renewable energy in the first state. In this way, EnBW wants to use its competence in the area of geothermal energy generation for conventional power stations as well. In August 2007, EnBW filed an application with the State Office for Geology and Resources in Freiburg for the territory. The company expects to receive the permit in July 2008.

Fuel cell programme

A programme for the testing of fuel cells at customers and partners of EnBW has been underway since the end of 2001. The aim is to test this technology for electricity and heating supply for its suitability in the domestic, commercial and municipal area. In the practice test with the fuel cell manufacturers Hexis, Vaillant, Baxi Innotech, Alstom and CFC Solutions, a total of 27 plants had been installed by the end of 2007, of which 23 are heating devices for houses.

After five years' operation at an EnBW customer, one of the heating devices of the Swiss manufacturer Sulzer Hexis set a (new) record in October 2007 with almost 43,000 operating hours. This model can be used in future to operate gas heating in single-and multi-family houses.

In the course of the long-term demonstration projects, the fuel cell piles have made considerable progress over the last five years as regards useful life and also size, weight and handling. This also applies to the mid-sized fuel cells for commercial and municipal usage (e.g. indoor pools). In November 2007, EnBW was heavily involved in the commissioning of a second plant for this segment in the Greater Stuttgart area which generates electricity and heat from biogas. The first plant had been commissioned in Leonberg in 2006.

Optimising the energy system

In the pilot project 'price signal at the power socket', the first of the planned 1,000 customers received their display unit for the field test for rates that differ according to the time of day. The price display enables the user to shift the use of their equipment from peak times to lower price times. The purpose of the field test is to check out the possibilities of spreading the electricity grid load by getting users to organise their consumption better and thus making generation and, in the long run, the grids more efficient as well.

Energy efficiency

In the past two years two energy efficiency networks have been set up in Ravensburg and central Germany. The aim is for mid-sized industrial companies to tap efficiency potential in a facilitated knowledge management process. Three other energy efficiency networks – Weser-Ems, Franconia Upper Palatinate and Donau-Alb started up in 2007 with eleven, 13 and 16 participating companies, respectively.

Bioenergy

In the summer of 2007, the EnBW subsidiary Erdgas Südwest began in Burgrieden near Laupheim to construct the most advanced plant in Baden-Württemberg for the processing and feed-in of biogas into the natural gas grid. A generating community of 22 farmers in the region is erecting the biogas plant. From the spring of 2008, it is planned to feed 2.8 million cubic metres of biogenic natural gas into the grid. The main feature of the project is the sustainable and economic organisation of the value-added chain from the farmer to the biogas user. Moreover, the climate-damaging methane gases that are emitted when cleaning the gas are being captured and used in an energy-saving measure to heat the fermenter.

Monitoring of ice load

The early recognition of snow and ice on our lines, thus giving us the chance to counteract potential supply stoppages, is the subject of a research project initiated in 2007 that commenced in January 2008. A high-frequency measuring method developed at the Karlsruhe research centre will be tested on two EnBW lines for a period of two years. At present, there is no measurement method that helps grid management to recognise lines that are icing up.

Nuclear power

For many years, EnBW has been involved in nuclear power research in Germany through joint ventures coordinated by VGB Power Tech. In 2007, our company took part in around 120 projects of leading national and international institutes and facilities, focusing on materials science and the refinement of electro-technical and control components. In 2007, EnBW funded twelve grants for doctorates in the field of knowledge with a view to retaining and expanding know-how.

Work at the Karlsruhe research centre and at the Institute of Nuclear Technology and Energy Systems at Stuttgart University, for example, focuses on simulation calculations for fourth-generation nuclear reactors which are expected to upscale efficiency to 44%. In addition, safety aspects of these innovative types of reactors are being examined.

In addition, EnBW supports work carried out on location and in close cooperation with the nuclear power plants of EnBW that are in operation. Thus, for instance, the basis is created for advanced programmes to calculate neutron capture cross-sections for pressurised water reactors using real, up-to-date examples. When creating models and calculations for pipes, state-of-the-art possibilities are used and methods to process radioactive, watery media are developed to minimise the amount of radioactive waste produced.

Intelligent systems platform for energy services of the future

The intelligent systems platform for energy services of the future is an innovation which acts as an interface between energy customers and energy providers and for the first time combines energy and data flows on a shared platform. In this way, separate systems such as meters, broadband communication technologies, end devices of a household, drive and control systems, the internet and web technologies have been combined to form a new integrated solution. In 2007, some 1,200 intelligent electricity meters were installed at EnBW customers as part of a pilot project. By April 2008, 2,000 intelligent meters connected to the internet will be in use. These intelligent electricity meters are the first part of an innovative overall system.

In this way, electricity customers can for the first time see exactly how much electricity they are currently using. At very short intervals the consumption is measured and the data is transferred to EnBW's computer centre. The data transfer on the systems platform is absolutely safe and the customer enjoys full data protection. In the computer centre, the data is combined in real time into a user profile with a break-down of consumption over time and linked to the rate applicable to the customer.

Via an internet portal of EnBW, the customers can obtain information about their individual electricity consumption and analyse it. Devices which use a lot of electricity can be detected, switched off or replaced with more efficient ones. In future, the intelligent systems platform will allow commands to be sent to individual devices or groups of devices in a household (for example, the lights in a room). Measured data indicating temperature, humidity or brightness in a room form the basis for the creation of ideal room conditions using as little energy as possible.

The intelligent systems platform would also offer information such as fluctuations in the demand for electricity. Flexible rates that reflect that time of consumption like the 'price signal at the power socket' create an incentive to shift to times when the demand for electricity is lower.

First estimates suggest that the mere presentation of consumption and demand data and the changes in behaviour patterns as a result will reduce the annual electricity consumption of a household by around 6%. The control of heat and cooling in the house as well as the control of the consumption of electricity by the systems platform will lead to energy savings that go far beyond the visualisation effect. It will be a key success factor when competing for new customers in the retail and commercial sectors.

Adiabatic compressed-air energy storage

EnBW plans to build and operate the first adiabatic compressed-air energy storage plant in the world at a location in Lower Saxony. The expansion of renewable energies, in particular wind power in northern Germany and northern Europe, requires the integration of efficient energy storage facilities in the supply system in the medium term. The wind does not always blow when electricity is needed. When the wind is blowing strongly and the electricity demand is low, supply and demand are off balance. As the supply of electricity from wind power grows, the differences between electricity supply and demand will also increase. Adiabatic compressed-air energy storage facilities can equalise this imbalance between supply and demand and thus stabilise the supply system.

EnBW has the support of the state of Lower Saxony for this project. Thanks to the salt deposits, the north German plains offer ideal geological conditions for the excavation of large subterranean storage caverns for compressed air. At present, this technology is used to store natural gas and oil.

Initial attempts to store electricity in the form of compressed air in storage caverns led to storage power stations that emit CO_2 and operating efficiency of just 54%. The stored compressed air is used as combustion air to drive a gas turbine power station. The resulting economic and ecological disadvantages are hampering the market launch of such plants.

EnBW's adiabatic compressed-air storage facility stores electricity in the form of compressed air and heat. The electricity is released from storage without emitting carbon dioxide and operating efficiency is 70%. For the first time, all systems for air compression, heat storage, compressed-air storage and electricity generation with compressed air have been combined into a technically optimised storage system. The use of adiabatic compressed-air storage to temporarily store large quantities of electricity not only makes ecological sense, it is also of interest from an energy efficiency perspective.

EnBW EnyCity – the energy city of the future

EnBW EnyCity is a comprehensive, modular planning system for an energy city of the future. The aim is to optimise energy supply. Ecological and economic aspects are treated equally in order not merely to reduce emissions and the primary energy needs but also to factor in an appropriate return on investment for the investors.

The economic appraisal of the overall concept of an urban supply system takes into account the overall and economic aspect, the amortisation period of the investment and the environment factor. Taking into account the interests of all the relevant players and investors of a town ensures a win-win situation in which everyone involved has an interest in implementing the planning for an EnBW EnyCity.

For the first time, this planning includes the whole urban energy supply system and all the framework conditions and optimises the whole chain from generation and transformation via transmission and distribution right through to consumption by the end user. In this way, the decision-makers have a reliable basis for a long-term and forward-looking development of urban spaces.

What sets EnBW EnyCity apart is that its planners combine tried-and-tested systems and components in an ideal way and consider the whole technological spectrum for the use of renewable and fossil technologies and the interplay between generation and consumption. This also includes the use of new building physics technologies and materials to reduce the energy requirements of buildings.

Wave power station

Together with Voith Siemens Hydro Power Generation GmbH & Co. KG and in alliance with the state of Lower Saxony, EnBW is seeking to develop and operate the first German wave power plant on the German North Sea coast. As a demonstration facility, the power plant will make an important contribution towards establishing this technology for use around the globe. A maximum output of 250 kW is planned.

The power plant examined by EnBW works on the principle of the oscillating water column. The world's first and only wave power plant of this kind to date is operated on the Isle of Islay in Scotland. The operator is Wavegen Ltd., a subsidiary of Voith Siemens Hydro Power Generation GmbH & Co. KG, which developed the plant.

The new plant has been opened on the sea side below the surface of the water and is ideally integrated in a coastal protection structure or a pier. The water column within the chamber oscillates, i.e. it moves up and down with the movement of the sea waves. As it moves upwards, it presses the air above it through a turbine. When it moves down, negative pressure is created in the chamber. This sucks in the air which then drives the turbine.

Risk management

In 2007, we focused our attention on the gas segment to do justice to the growing economic importance of this segment. Over the past fiscal year, we integrated other group companies in our risk management system and intensified collaboration with our foreign companies. The prerequisite for the successful refinement of the group-wide risk management is the close networking with other group management systems, above all the planning and accounting, crisis management, group security and group internal audit. As of 1 July 2007, we also implemented the legal requirements of legal unbundling of our distribution network operators in the risk management in time.

Risk management structure and process

Risk management aims to make the existing risks of the EnBW group transparent. EnBW's risk awareness goes beyond the legal requirements and is geared to increasing the value of the company and anticipating uncertain events.

Risks are appraised depending on the situation and using scenario analyses or stochastic modelling. To ensure that all risks are identified, that one methodology is used throughout and to make use of expert knowledge, a group-wide network is maintained under the leadership of group risk management.

Our risk management is divided into central and local units. At holding level, group risk management performs its normative function for the risk management. This includes the group-wide prescription of methods and processes. It is also responsible for the risk reporting to the group's Board of Management.

At group level, the structure is completed by an interdisciplinary group risk committee. Its task is to deal with issues and matters relating to risk management from various perspectives of the group. It also ensures the quality of the group risk report.

Our risk management process is integrated in the operational processes of our companies and at the level of the holding company as a continuous procedure. The process comprises risk identification, risk analysis and evaluation, monitoring early warning indicators and risk management in various forms as well as ongoing reporting.

A standardised risk report is issued each month. This ensures both the necessary depth of information on the risks in the specialist areas of responsibility as well as the breadth of information at the level of the group's Board of Management and Supervisory Board.

The risk management system is subject to constant review by the group internal audit and independent external auditors. They examine it both in terms of compliance with legal requirements and also in terms of the way it works and how effective it is. The group internal audit and the independent auditors have confirmed the suitability of our early warning system for the detection of risk and the risk management system to recognise major risks and attested it a high quality standard.

The report below focuses on the main risks for the EnBW group. Opportunities are presented separately from the risk report in the forecast report. Opportunities and risks have not been netted in the interest of transparency.

Overall economic risks

Allocation of CO_2 emission allowances

The National Allocation Plan (NAP) II updates the National Climate Protection Programme of the federal government from 13 July 2005, which provides for a 21% reduction in the emission of greenhouse gases by 2012 compared to 1990. The Allocation Act 2008 – 2012 (ZuG 2012) as well as the related Allocation Decree (ZuV 2012), which regulates the distribution of the CO_2 volumes, came into force on 11 and 18 August 2007, respectively.

While the upper trading limit of 453 million t CO_2 and the quantity to be auctioned of 40 million t CO_2 have been fixed, each company will not find out exactly what volume has been allocated to it until it receives its allocation notice. There is therefore a certain degree of uncertainty in the planning of costs involved in the auction of CO_2 emission allowances for purchase.

Industry risks

Energy market

Our risk management and risk controlling is based on best practices and is adapted to reflect market developments on an ongoing basis. Our trading company EnBW Trading GmbH (ETG) voluntarily committed to comply with the minimum requirements for risk management (MaRisk) prescribed for financial service providers. On a daily basis, ETG's risk controlling records market price fluctuation and credit risks, compliance with the limits and earnings measured against current market prices.

Market risks

Almost all assets and transactions of our group companies in the areas generation, trading and distribution are exposed to market price risks. The valuation and management of the profit or loss potential arising from changes in market prices are among the main tasks of our risk management.

We secure the net profit of the group by hedging the energy price risks on the forward markets at an early stage. The concept underlying the hedging strategy also contains the use of opportunities. The central body of our risk management is a risk management committee in which various group companies along the value-added chain and the group holding are integrated.

The core business of our trading company ETG is marketing the generating assets via the sales companies or the wholesale market. Risk management in the sales function ensures that the anticipated sales volume is available from the company's own generating capacity or, if necessary, on the wholesale market.

The risk management for our electricity generation provides in particular for financial security in the event of falling electricity prices and rising prices for fuel and emission allowances. Currency risks from the purchase of fuels which are traded in foreign currency are generally hedged. Opportunities which result from the flexibility of our power stations are used by continuous optimisation against current market prices.

In order to generate additional income, we use our know-how on the energy markets to manage the risks inherent in our group activities generation and distribution, as well as for trading for our own account.

For additional information on derivatives, we refer to the explanations in the notes in the section on accounting for financial instruments.

Credit risks

Credit risks arise above all from unsecured receivables due from trading partners and customers.
On the energy exchanges such as EEX or ICE, clearing and margining can be used to significantly reduce the credit risk. ETG generally enters into transactions on the over-the-counter market on the basis of master agreements, as published by the European Federation of Energy Traders, the International Swaps and Derivatives Association or the International Emissions Trading Association. In order to effectively limit credit risks, we additionally enter into bilateral margining agreements with our trading partners. The provision of collateral for existing receivables actively limits the credit risk from the business relationship and keeps it to a reasonable level.

Lines of credit are granted to our trading partners on the basis of their credit standing. We determine credit risks regularly and monitor adherence to the line of credit.

Regulation of network user charges

The EnBW group is exposed to significant earnings risks due to the imposed reduction of user charges for electricity and gas. They result from the review and authorisation of network user charges by the Federal Network Agency. At group level, the regulatory measures already had a negative impact on the results of operations in the past fiscal year.

Contrary to original estimates, the start of incentive regulation has been postponed by one year until 2009. In 2008, the user charges are again going to be reviewed on a cost basis. This approach is comparable with the first approval round for 2007. The Federal Network Agency ruled on the network user charge application of EnBW Transportnetze AG on 17 January 2008, significantly cutting user charges compared to those applied for and currently in use. No other network user charge notices for the group's grid operators have been issued. We expect the outstanding notices to have negative effects on the grid operators concerned.

EEG

The German Renewable Energies Act (EEG) regulates the purchase and payment of electricity stemming from renewable or subsidisable generation as defined by the law. As a rule, EEG energy costs more than market prices. The additional costs that arise as a result are passed on to the end user via the network level and distribution companies in a multi-stage indirect allocation process. The income of various group companies is, however, exposed to risks.

As transmission system operator, EnBW Transportnetze AG (TNG) has to provide the end supplier with 'converted' EEG energy as a constant supply and in return accept part of the actually generated EEG energy that is subject to fluctuation. The energy generated by wind power is particularly subject to fluctuation. The energy volume provided by TNG as a constant supply is determined by the forecast feed-in of EEG energy. If the EEG energy actually fed into the grid varies from the forecast, surplus quantities have to be sold or missing quantities procured. The wind feed-in is particularly problematic. There is an income risk here in the fiscal year 2008 if the volume fed in varies from the forecast and also if changes in market prices occur.

End suppliers have to purchase a proportion of the EEG energy based on their sales volume. If the quantity to be absorbed, or the prices for it, are higher than forecast, this pushes up the price of procuring energy. There is a risk that these rising EEG purchase costs cannot be passed on.

When supplying energy to the sales functions, the adjustments of the EEG quantity to be absorbed in the course of the year may also give rise to risks. It may be necessary to sell the surplus quantity after the adjustment at market prices which are below the prices forecast.

Act against restraints on competition

In the prior year, the amendment of the Act against Restraints on Competition (GWB) was enacted. Compared to the original expert bill, the new Sec. 29 GWB pertaining to the energy industry was amended in line with market requirements. Nevertheless, from our point of view there are still points for criticism which have an effect on our business operations.

3rd Single Market Package

On 19 September 2007, the European Commission presented a bill of the 3rd Single Market Package. The aim pursued by the Commission with this package is to promote competition on the European electricity and gas market.

The document contains five core points. In detail these are:

- Ownership unbundling or deep-independent system operator model.
- Greater transparency of network operating data in order to make it easier for new providers to enter the market.
- Intensification of cooperation between network operators.
- Strengthening the regulatory authorities. They should, for example, be able to impose penalties on companies impeding competition. They should also be able to order an auction of electricity and gas quantities in order to help new providers enter the market.
- Establishment of an Agency for the Cooperation of European Regulators (ACER). Its task is to deal with cross-border grid problems such as the expansion of transnational and long-distance transmission networks.

The bill will now be discussed by the Commission and the European Parliament. The specific consequences for the EnBW group cannot yet been estimated at this stage of the standard-setting process.

Renewal of municipal franchise agreements

In the network territory of EnBW, a large number of electricity franchises will have to be renegotiated in the next few years. At EnBW Regional AG (REG) alone, some 350 franchise agreements will expire by 2012. The loss of a franchise territory is a risk because it is associated with a loss of profits. REG has prepared for the new negotiations, among other things by means of active franchise management.

In 2007, REG successfully renegotiated 140 franchise contracts. EnBW was able to secure virtually all the franchises, despite keen competition from the public utilities. We cannot forecast to what extent the regulation of network user charges will impact the upcoming franchise negotiations.

A franchise agreement is an arrangement between a municipality and an energy supply company. It grants the energy supply company the right to lay and operate lines on public roads in order to supply end consumers in the district directly. In return, the municipality receives a franchise fee. Upon expiry of a franchise agreement, the municipalities have the right to buy the network and grant franchises to other energy suppliers.

New power stations

EnBW is currently preparing to start construction of a hard coal power station on the Karlsruhe site. Risks relating to the location have been reduced by means of an in-depth site evaluation. In the course of planning, we carefully identified the economic parameters underlying the capital expenditures and evaluated them. Over the long life of a power plant, it is not possible to forecast the decisive economic parameters precisely, such as fuel, CO_2 and electricity sales prices.

During the approval phase of the power station, medium-term risks may occur in the course of implementation. Delays and cost overruns are particularly relevant here.

Power station rebuild

It is not possible to completely rule out risks that may occur in connection with the rebuild of our Obrigheim nuclear power plant. During the rebuild process, we are subject to risks such as failure to keep to deadlines and cost overruns. These risks are countered by means of careful planning and ongoing monitoring of progress. As know-how is acquired, it is entered into the knowledge management system to ensure that this information is available for future restoration projects.

The site restoration of the Obrigheim nuclear power plant has been on schedule so far. There is currently no indication of any delay.

Operating risks

Technical risks in the electricity and gas segments

Our production processes along our value-added chain require complex and highly specialised technical equipment. We make every effort to avoid damage to our plants. We also try to minimise the downtimes of our plants. To this end, we use cutting-edge technology, maintain our plants properly and train our staff. Despite our high standards, it is not possible to rule out risks completely.

The German Commission for Electrical Engineering plans to introduce an ice load map for high and extra-high voltage networks. Like a geographical elevation model, the technical requirements for pylons and overhead lines for ice load bearing capacity are defined. We cannot currently estimate the economic effects of the implementation of this ice load map.

The economic effects of operating risks are minimised, among other things, by taking out insurance. Every year, we analyse the effectiveness of our insurance cover and any additional requirements. This guarantees that we are adequately insured should damage to property occur. We select the amount of the deductible based on what makes economic sense. Depending on how long they take, business interruptions which we are not insured against because it does not make economic sense may significantly impact the operations of the group.

Technical and economic risks from mechanical-biological waste disposal plants

After the closure of our mechanical-biological waste disposal plants in Heilbronn and Buchen, there are still various contractual obligations. We have made adequate provisioning for the resulting residual risks. For instance, we concluded contracts for the alternative disposal of the contractually agreed disposal volume.

IT risks

We minimise our IT risks by means of high security standards. The EnBW group principles for security in information and communication technology (EKSIT@), an integral part of those standards, are a group-wide, binding set of rules for the use of our information and communication systems. Special importance is attached to the aspects IT security, data protection and data security.

The permanent availability of our IT network and IT applications is vital. By encouraging and strengthening the collaboration between IT and risk managers in the analysis and valuation process, we proactively identify protection needs and possible weaknesses in the IT landscape.

Legal risks

Our entrepreneurial activity brings with it a series of legal risks – on the one hand, from our contractual relationships with customers and business associates, on the other from regulatory developments.

In the operating business, the main risks lie in the pricing area for energy supplies (in particular Sections 315, 307 German Civil Code (BGB)), for user network charges (Sec. 315 BGB) and the conditions for network usage. Besides civil law disputes with business associates, possible anti-trust and regulatory measures may play a role here.

Overall, it can be said that the risks in the regulatory area once again increased significantly in the reporting period. Court cases and other legal disputes are mainly in the civil law area. However, there is litigation in the area of company law (for example, following corporate restructuring) as well as matters covered by public law (for example transfer of electricity quantities) that could be of great economic significance.

Adequate risk provisioning has been made with the approval of the departments concerned and the legal department.

Financial risks

Asset management

As in the past, we attach particular importance to good credit rating and high marketability when investing our funds.

Risks are reduced by diversifying our investments. The value at risk was determined on a case-by-case basis.

On this basis, the value at risk as of the balance sheet date is € 57 million (95%/10 days). We receive additional risk-related data from the investments in mutual funds.

Interest and currency risks

The interest and currency risks from business operations are hedged in our treasury function with derivatives on a case-by-case basis.

For additional information on derivatives, we refer to the explanations in the notes in the section on accounting for financial instruments.

Liquidity/financing

Our cash and cash equivalents, as well as the free lines of credit ensure that EnBW can cover its financial requirements at all times.

Thanks to our stable ratings we can also obtain refinancing on the capital markets as required. Despite the difficult market situation of recent months, EnBW was in a position to refinance itself on the commercial paper market at all times.

Overall assessment

The political risks remain high. We fear negative effects on earnings along the entire value-added chain. Competition and market risks are on the increase.

Operational measures and provisioning in the balance sheet in the form of provisions and impairments allow for risks subject to a high probability of occurrence. Current forecasts reflect the risk situation in the budget year.

In 2007, there were no discernable risks to the continued existence of the company either from individual risks or from the overall risk position of the EnBW group.

Forecast

EnBW aims to achieve organic growth of the key financial indicators. Despite the risks from the volatile political and regulatory environment, EnBW expects adjusted EBIT to exceed the prior-year level and value added to increase further.

For 2008 to 2010, EnBW has planned an investment volume of € 7.6 billion, of which € 3 billion is earmarked for financial investments. Acquisitions resulting from the strategic alignment are designed to result in further increases in the operating result.

In this forecast report we take an in-depth look at the expected future development of our company and the environment we work in for the next two fiscal years. Particular attention is paid to opportunities which may arise for EnBW. For us, opportunities for the future development of our company are positive development possibilities in the short term which, under certain conditions, are considered to be feasible. For a presentation of the risks inherent in the future development of our company, we refer to our risk report.

Future corporate strategy

The strategy in coming years will prioritise capital-intensive investments in generation. All investments are made on the assumption that they will contribute to the long-term, value-based growth of the company. Market orientation and brand variety will increase the number of customers and raise the value of the company. A significant reinforcement of the gas business is another part of the investment strategy. In the coming years, the corporate value of EnBW is to be sustainably increased. The share of renewable energies used to generate electricity is to increase significantly. Investments in other European countries remain another of EnBW's targets. New generating capacities are to be built up both in Baden-Württemberg and in other German states, as well as in other European countries.

Future overall economic situation

For 2008, we are expecting a slight slow-down in the economy. Due to less favourable global economic conditions, foreign trade in particular is likely to slow growth. In our opinion, the increase in private consumer demand will partially offset this, as the available income for the private households will increase as employment rates improve and salaries rise.

Future industry situation

Anticipated development of the electricity market and our electricity business

For electricity deliveries in the year 2008 and in subsequent years, the prices on the forward market were significantly higher than on the spot market (trade for the next day) in 2007. This is due in particular to the price of emission allowances and the fact that the effect of the mild weather in 2007 is not expected to recur. At year-end 2007, the allowance price for the second trading period (2008 – 2012) was listed at around € 22/t, considerably more than the price of € 0.01/t for the first trading period (2005 – 2007).

Because it is not possible to predict the development of the emissions markets, which can cause price swings in either direction, and due to the large influence of the allowance price on the margin costs for generation and thus the price on the wholesale market for electricity, it is not possible to rule out corresponding price swings in the electricity price. Changes in the coal and oil prices can also impact the price of electricity.

Besides weather, plant-related and political factors which are difficult to predict, changed market integration, for example by the linking of the German market to western neighbouring countries planned for 2009 or linking it with northern European countries, may also impact the future development of electricity prices.

Due to the conditions in the energy industry described above and the lively public discussion, we assume that consumers will continue to be sensitive about energy prices in future. The greater willingness of consumers to change providers may encourage other competitors to enter the market. We also expect competition to heat up in industrial customer area.

Anticipated development of the coal market

The development of world market prices for hard coal will hinge essentially on two factors in the years to come.

First, there is an increasing demand in Asia, which in 2007 resulted in a supply shortage and caused prices to rocket. Second, the further development of transmission capacities and possible improvements in transport logistics will impact on freight rates which will in turn have an effect on the hard coal imports to Europe.

Anticipated development of the CO_2 market

The price of CO_2 allowances in the second trading period 2008 to 2012 is expected to remain relatively volatile. The reason for this are uncertainties regarding the volume of future project-based emission reductions, which are generated by the flexible clean development mechanism (CDM) and joint implementation (JI) established by the Kyoto Protocol and used within the European emission trading system. These reductions are exposed to numerous uncertainties, particularly political ones.

The allowances of the second trading period can be transferred to the third trading period. The future structuring of the European trading system will therefore have a heavy influence on the price development during the second trading period.

Anticipated development of the oil market

Based on the averaged listings of commodity futures contracts for 2008 at the end of 2007, the price of a barrel of North Sea Brent oil was US$ 92. That would be US$ 20/bbl more than 2007, which illustrates the expectations of market participants that the average price of oil will continue to increase in 2008, thus continuing the trend observed over the last few years. The price of oil is mainly being driven up by the growing worldwide demand for crude oil and oil products, in combination with halting attempts to expand production outside the OPEC countries, restrictive production quotas for OPEC members as well as geopolitical uncertainties. Demand is mainly being boosted by China, India and the Middle East.

Anticipated development of the gas market and our gas business

The gas-to-gas competition will heat up again in all customer groups in the downstream business. Midstream and upstream are still being shaped by long-term capital expenditures in infrastructure. Regulation does not, however, have any influence on the upstream area outside the European Union.

Due to the higher price of oil, the import prices for natural gas are expected to rise again in 2008. The oil price will remain the dominating factor influencing the gas price.

It remains to be seen whether the approved network user charges will justify new investments and in particular the economical operation of the networks.

Improved conditions for the network access of third parties supported the development of a liquid gas market. A rising number of active market participants and higher sales at the gas trading centres are to be expected. The number of market territories in Germany has been reduced to 14 as of 1 October 2007. At the initiative of the Federal Network Agency, the number of market territories will fall again in 2008.

This means that that market liquidity will concentrate on a few trading centres. On the European Energy Exchange (EEX) gas contracts are currently being traded for physical delivery to the market territories of E.ON Gastransport (EGT) and BeB Transport und Speicher Service GmbH. By combining market territories, trade may increasingly shift from brokers to the exchange.

EnBW aims to make use of opportunities and scope for action offered on the gas trading markets. EnBW has paved the way for strengthening the existing downstream gas business and building up the midstream area. The growth strategy and the projects commenced in 2007 will be continued.

Anticipated development of our energy and environmental services

The contracting market has hardly been tapped and thus offers huge growth potential in coming years. Growth areas of EnBW Energy Solutions GmbH (ESG) include solutions offered in the field of local generation as a partner to industry. In light of the current climate discussion and industry's need to further optimise energy and media supply, both in technical and economic terms, the combined generation of process heat and electricity, also based on renewable fuels, is increasingly growing in importance in the contracting area. The political objective pursued in expanding renewable energies supports plans to implement CHP solutions in the long term. The demand market for these projects is therefore developing positively.

For the industry segment, ESG is one of Germany's leading contracting companies and is well positioned in the competitive environment thanks to the experience it has already gathered with complex projects and nine biomass plants. A further increase in revenue and earnings is therefore projected for fiscal 2008.

In Baden-Württemberg, the capacities of the thermal waste disposal plants are currently inadequate. Research of our own and a market study published by Prognos AG indicate that there is a shortage of capacity of 1 million t a year. EnBW is now examining whether it can profitably expand its current core-business-related and successful position in thermal waste disposal of around 870,000 t a year. A substitute fuel power plant for Baden-Württemberg with a tried-and-test combustion-in-grate technology and an annual output of approx. 300,000 t is one of the possibilities being considered.

Anticipated development of political conditions

In September 2007, the European Commission submitted its draft directive for the 3rd Single Market Package as a tool to advance the deregulation of the European energy markets (see page 104). In parallel, the environment and climate package is to be presented in early 2008.

On account of the European elections in June 2009 and the replacement of the European Commission in the autumn of the same year it is doubtful whether the 3rd Single Market Package of such importance for the structuring of the European single market will be enacted before the end of 2008. The same holds true of emissions trading in the climate and environmental protection package and the revision of the directive for the promotion of renewable energies.

At a national level, a number of legislative procedures will take effect in 2008 or require extensive preparatory work within the energy industry.

In 2007, for instance, the federal government put the incentive regulation decree into effect. Incentive regulation will commence on 1 January 2009. EnBW welcomes the introduction of incentive regulation, although at the same time fearing that some of the requirements are excessive and their effect not yet foreseeable.

Despite the criticism voiced by numerous independent economists, the federal government is still intent upon amending the Act against Restraints on Competition (GWB). It came into force at the end of December 2007. Besides the cost and profit control it envisages, EnBW's main point of criticism in the GWB amendment is the right of third parties to file an action based on Sec. 29 GWB.

The Renewable Energies Act (EEG) was built into the coalition agreement and is to be amended in spring 2008. The main foreseeable changes include the adjustment of the rates of payment for the various types of renewable energy. The overall incentive conditions for large-scale hydropower, of such importance to EnBW, are likely to be improved. The recommended adjustments will lead to an increase in the total volume produced, leading in turn to an increase in electricity prices.

Anticipated development of significant acquisitions

The investment programme includes € 3 billion budgeted for financial investments. We see opportunities both in the field of German municipal utilities/regional suppliers and in central and south-eastern Europe (including Turkey). In addition, the growth strategies already described may make further financial investments necessary to supplement the scheduled capital expenditures in some cases.

Any acquisitions in Germany or in central and eastern Europe resulting from this, which may lead to further increases in the key financial indicators of the EnBW group, are subject to a high degree of uncertainty. The forecast below is therefore restricted to the development of the operational earnings power of the existing EnBW group.

Anticipated development of capital employed[1]

For the external and internal control of the group and the segments we also use the concept of value-based planning. The main ratios for ROCE and value added are adjusted EBIT, capital employed and WACC.

We expect capital employed to rise significantly on the basis of our growth programme. This is due to the fact that net investments exceed depreciation, despite the continued focus on receivables management, in particular in connection with the construction of power stations and the renewal work on the extra-high voltage networks. The implementation of the planned generation strategy will take effect from 2008. Despite the construction period of several years for investment projects of this nature, we are confident that we will be able to increase the value added on a continuous basis in the years 2008 and 2009.

Anticipated revenue and sales development[1]

The estimated development of revenue in the electricity segment is essentially linked to the activities of our trading company. These are, however, dependent upon future market development, even within the course of one year, and consequently involve great uncertainty.

In the gas segment, the linking of the gas price to the oil price causes additional planning uncertainty in relation to revenue.

Earnings in the energy and environmental services segment are characterised by a large portion of internal revenue (for shared services). External revenue (for operations relating to water, thermal disposal and contracting) is expected to increase moderately.

Revenue is less material to the development of earnings than sales in the B2C and B2B areas in the electricity and gas segments.

In the electricity segment, we are working on the assumption that the 2008 sales volume in the B2C and B2B areas will remain at the same level as 2007. While we assume increasing sales figures in the B2C area in particular on the basis of the growth strategy of our sales subsidiary Yello, increasing competition in the B2B area is likely to cause a moderate drop in sales.

In the gas segment, we expect our consolidation strategy combined with an average winter, in terms of temperatures, to lead to higher sales of gas in the B2C segment. On the other hand, losses are expected on account of the liberalisation of the gas market in the B2B segment (in particular redistributors).

(External) sales in the segments in 2008 compared to the prior year	
Electricity segment excluding trading	stable
Gas segment excluding trading	stable

Anticipated earnings development[1]

It is anticipated that developments with the electricity segment will be highly varied in 2008 in contrast to 2007.

The extent of regulatory measures in the regulated area in 2008 is largely still open. The declared objective of the Federal Network Agency is to reduce network user charges. The basis of this will be the costs of the year 2006. On the other hand, however, the costs of the network companies and transmission system operators increased significantly. It is anticipated that it will not be possible to include in the approved network user charges the significantly increasing prices in 2008 for loss and balancing energy and for the conversion of the wind energy being fed in. In the opinion of the Federal Network Agency this is only permissible after a delay of two years. For this reason, we are aiming to minimise the drop in earnings by launching efficiency programmes (continual optimisation of operational processes) in the group's network companies.

Sales in 2008 are characterised by significantly increasing prices on the forward market. In addition, the situation remains where increasing quotas and prices for renewable energies can generally only be passed on with a time delay. It is currently not possible to foresee the effects of the amendments to Sec. 29 German Act against Restraints on Competition (GWB). Competition and higher pressure on margins will impose a burden on earnings in 2008 in comparison to the prior year, despite the continued focus on increasing margins and improving efficiency.

On the whole, we are confident that we will be able to compensate for the negative effects on earnings caused by regulation and competition by improving our position in these fields.

In the gas segment, while sales remain constant, we expect regulatory activities and a significantly fiercer competition to cause a drop in profits.

After a very good year in the energy and environmental services segment in 2007, we anticipate a drop in earnings in 2008. This is mainly based on the lower earnings in the area of other services and non-recurring expenditure on refurbishing properties that will be vacated or put to other use after the move to EnBW-City (the new administrative building in Stuttgart).

Development of earnings 2008 (adjusted EBIT) compared to the prior year	
Electricity segment including trading	rising
Gas segment	falling
Energy and environmental services segment	falling
Consolidation (with regard to acquisitions, no statement on earnings possible at the moment)	–
Adjusted EBIT, group	rising moderately

[1] Adjusted for changes in the consolidated companies.

Expected dividend

A dividend of € 1.51 per share is planned for the fiscal year 2007. For the fiscal year 2008, we aim to keep the dividend on a similarly high level. The condition for this is a positive development in earnings ratios on the planned scale, i.e. continued improvement in the operating performance, a corresponding development of the economic and political conditions relating to the energy industry and of prices for retail and industry customers. However, there is also a risk that operating problems as well as other currently unforeseeable factors could have a negative influence on earnings.

Budgeted capital expenditures

Capital expenditures on property, plant and equipment of € 4.6 billion are planned for the period 2008 – 2010. Approximately 75% of the capital expenditures is accounted for by the electricity segment, while around 12% is earmarked for the gas segment. The rest is principally allocated to the energy and environmental services segment.

Capital expenditures in the electricity segment focus on the replacement of power plant capacity, including the construction of the new hard coal power plant in Karlsruhe, the renewal of the distribution grids and restructuring of the extra-high voltage networks (380 kV and 220 kV). EnBW is also investing in renewable energies, focusing on the Rheinfelden run-of-the-river power station and biomass power plants. In order to bundle our activities in Stuttgart, we have started building a new office complex.

Planned financing measures

EnBW is able to rely on a high level of internal financing that puts it in a position to implement even larger investment projects without borrowing any further debt capital.

Apart from the CHF bond that matures on 25 February 2008, EnBW does not have any maturities that, seen on their own, will make refinancing necessary.

Depending on how the investment projects progress, EnBW will consider borrowing capital from the bank or capital markets in order to ensure that the company retains its financial flexibility on a permanent basis.

Planned developments in human resources and welfare

Our employees are the guarantee of our success. Recruiting the very best employees and ensuring they stay is of vital importance to the group.

We will continue to invest in providing an attractive working environment to assist us in achieving this goal:

- We are constantly working towards continually improving our personnel management tools. These include remuneration systems, working time models, management tools, personnel exchange programmes and staff and management development programmes.
- In 2007, the Hertie foundation awarded us the “berufundfamilie®” certificate. The measures agreed during the certification process will be implemented over the next three years to extend the possibilities we offer to improve compatibility of work and private life. Our aim is to establish a sustainable culture of work-life balance in our company.

- We will continue to offer training far in excess of our own needs as part of fulfilling our social responsibility. In 2008, we will once again offer 334 positions for apprentices and students from vocational colleges and universities of applied science.

- Once more next year, we will be putting our attractiveness as an employer to the test within the framework of the external 'Top Employers in Germany' study.

It is anticipated that increasing demands on information technology throughout the group and our new power station construction projects will lead to the hiring of additional personnel. On the other hand, we continue to work towards constantly improving our efficiency. Therefore, we assume that the number of employees – adjusted for changes in the consolidated group – will remain virtually stable over the next two years.

With the aim of speeding up and improving the efficiency, effectiveness and quality of the personnel-related processes, we started introducing a new business model for our human resources department. We will bring this introductory process to a conclusion in 2008.

Future research & development and innovation

Additional research & development expenses are planned compared to 2007. The focal points will remain the same.

The geothermal power plants in Soultz-sous-Forêts and in Bruchsal are scheduled to go into operation in the spring and in the second half of 2008, respectively.

In addition, 2008 is the year in which the studies and preliminary investigations will begin in connection with the test facilities for capturing CO_2 at the new coal-fired unit in Karlsruhe. These two will go into operation at the same time.

Planting will continue at the CDM pilot project in Madagascar in 2008 with the aim of having 3,000 hectares available by 2009.

The long-term fuel cell programme will be significantly extended in the area of energy supplies to households in 2008 and 2009. The further development of the intelligent systems platform for energy services of the future will continue on a consistent basis in 2008. The preliminary work relating to the investment decisions for the adiabatic compressed-air energy storage plant and the wave power plant will continue in 2008.

Future-oriented statements

This report contains statements relating to the future that are based on current assumptions and projections of the management of EnBW. Such statements are subject to risks and uncertainties. These and other factors mean that the actual results, financial position, development or performance of the company may diverge materially from the estimates made here. EnBW assumes no obligation of any kind to update future-oriented statements or to adjust them to reflect future events or developments.

Our grids are important to us and we will continue investing in them. We know how to operate grids and know what we need to do to keep our investments cost-effective in the long term.

Further information from the EnBW group

Collaboration between EnBW and EDF

Shareholder composition

The two large shareholders, Electricité de France (EDF) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW), each hold 45.01% of the EnBW shares, a situation which has remained unchanged since the last adjustment on 8 April 2005.

For us, this stable shareholder composition is a valuable foundation on which we can build a successful, growth-driven future.

Appointment of Hans-Peter Villis to EDF's Comité Exécutif

Cooperation with EDF continues at a very high level. Like Prof. Dr. Utz Claassen before him, Hans-Peter Villis has been a member of EDF's Comité Exécutif (Comex) since 1 October 2007; the Comex decides, among other things, on the development strategy within the EDF group.

Joint focus of EnBW and EDF on Europe

EnBW and EDF's international commitment continues to focus on Europe and opens up opportunities for sustained, close cooperation in Europe. The two companies continue their constructive dialogue as partners, including a definition of the regional leadership responsibilities. It is the foundation for successful joint projects.

This cooperation, that has stood the test of time, continued with the existing investments in central Europe, some of which involve joint shareholdings. The aim is to strengthen the development of the companies in these countries. This is primarily achieved by staff secondments. One of the focal points of EDF and EnBW is tapping new markets, in particular in south-eastern Europe. The current and planned investment and participation projects in these countries provide an opportunity for EnBW and EDF to extend their cooperation.

Synergies

The bilateral EnBW/EDF synergy project was brought to a conclusion mid-2007 and incorporated in a group-wide activity. The cooperation with EDF in this field enabled EnBW to achieve total savings of a nine-digit figure in the areas of purchasing, thermal, hydraulic and nuclear generation, research & development and engineering.

In the last quarter of 2007, the Comex initiated two new synergy projects throughout the EDF group: the Skill Synergies project and the follow-up project to Altitude. The experiences made and the knowledge gained both in the bilateral synergy project and the business lines were successfully integrated here. With regard to the Skill Synergies project, the Comex named six fields with potential for knowledge-based synergies in the area of international cooperation involving EnBW in addition to EDF, EDF Energy and Edison: engineering for nuclear and coal-fired plants, gas and steam turbines, gas, energy efficiency and climate change. The follow-up project to Altitude (working title: Operational Excellence) forms the link between the fields in international cooperation with potential synergies to be handled over the next three years. Plans are to utilise synergy effects along the entire value added chain in nine different fields, with potential synergies between 2008 and 2010. These specifically relate to the areas of purchasing, management process, optimisation and trading, customer relations, the executives of tomorrow, network infrastructure, gas and energy efficiency and investment in generation capacities. This means that cooperation between EnBW and EDF has reached a new stage of development at an international level.

The electricity supply agreement concluded with the Italian Riva group in September can be taken as an example of successful sales cooperation within the EDF group. EnBW alone will gain additional volume of around 3,500 GWh in the years 2008 and 2009.

The Etzel joint gas storage project of EDF and EnBW

EDF and EnBW have both signed agreements pertaining to long-term usage rights for salt caverns for subterranean gas storage in the Etzel region. In order to be able to consistently develop growth potential in the gas business segment, EDF and EnBW plan to exploit synergies within the EDF group; EDF and EnBW are acting as joint investors in the above-ground facility. EDF provides support for development of the project with its experience as an operator of storage and pipeline facilities. In addition to this, EDF and EnBW have joined a syndicate that is constructing a 56-km pipeline to connect the storage facilities in Etzel.

Exchange of personnel

The cooperation between EnBW and EDF is also expressed by employees of the two companies often working at the respective partner company or at a foreign subsidiary for several years. Some 15 EnBW employees are at EDF in France on a permanent basis and around 20 at other international EnBW or EDF locations (Poland, Hungary, Czech Republic, Slovakia, Belgium, UK and the United Arab Emirates); 25 EDF colleagues are currently working at EnBW.

In the personnel area, EnBW and EDF also work together and hold numerous joint events and seminars. The annual Human Resources Convention of the EDF group, for instance, took place in Milan in January 2007. This gave executives and staff from HR the opportunity to exchange views on specific current events and the strategy of the EDF group.

The co-recruitment programme for young engineers in the area of nuclear power, which was first launched in 2005, went into its second round in September 2007. The two companies hired a total of ten engineering graduates. After a three-month introduction programme, these young engineers are then employed at the respective partner company for three years with a view to promoting knowledge sharing, intensifying cooperation and networking.

The Leadership Twinning programme, launched in 2004 to promote the exchange of knowledge and experience among the lower and middle management in the sales and sale-related functions of EnBW and EDF, was also successfully implemented in 2007. A similar group-wide exchange between employees from the purchasing departments of EnBW, EDF, EDF Energy and Edison took place in Karlsruhe in June 2007.

European Institute for Energy Research

In 2007, EnBW successfully continued its cooperation with the European Institute for Energy Research (EIfER) founded by EDF and the University of Karlsruhe in 2001, and initiated further joint projects. A 250-metre long CO_2 geothermal ground probe was installed at Triberg in the Black Forest.

At Soultz-sous-Forêt in Alsace, EDF, Electricité de Strasbourg (ES) – one of EDF's subsidiaries – and EnBW are committed to a project for geothermal generation of electricity also involving other partners. A geothermal power station is planned to go into operation here in 2008.

The consequences of climate change for the energy industry are a central topic of another project. Under the leadership of EIfER, experts from the Max Planck Institute, Germany's national meteorological service, EDF and EnBW draw up forecasts for the ice and snow burden on overhead transmission lines and work out methods of avoiding damage caused by this.

Within the scope of another project, two micro CHPs (combined heat and power plants) were put into operation at Reutlingen and Nürtingen under the management of EIfER in 2007.

Regional cross-border collaboration

The cross-border network established in summer 2005 in collaboration with Electricité de Strasbourg and the regional branch of EDF Alsace continued its operations in 2007:

- There are plans for 24 locations along the Upper Rhine where power is generated to be connected across the border within the scope of the project 'Via Energia' and to make them more attractive and accessible to municipal representatives and members of the public.
- A team is currently investigating the possibilities of collaboration in the field of renewable energies and is reviewing the potential for biogas production on a cross-border basis.
- By encouraging an exchange on activities at a political and business level, the aim is to achieve a common plan of action for cooperation with municipalities along the Upper Rhine.

Knowledge management

In order to safeguard our sustained competitiveness in the difficult market environment prevailing in the energy industry, we will need to promote and develop our knowledge even more than in the past. We have successfully faced up to this strategically important challenge for many years now by employing a structured knowledge management system.

Intellectual capital

One central pillar of our knowledge management activities is focusing the development of our intellectual capital on future requirements. For this purpose, we have been employing the instrument of intellectual capital reporting based on the principle of 'Intellectual Capital Statement – Made in Germany' for three years now. We have further developed this instrument and adapted it to the needs of the vertically integrated EnBW group. We lead the field of large companies in this respect.

In contrast to traditional balance sheets based on financial indicators, the intellectual capital statement provides us with greater transparency with regard to potential already existing within the group. By doing so, we gather on a biannual basis a comprehensive overview of the current situation regarding our human, structural and relationship capital and can therefore initiate targeted optimisation measures as required.

Updating the intellectual capital statement

We updated the intellectual capital statement for the electricity segment in 2007 as scheduled. In doing so, it became apparent that the measures initiated in the last two years have already brought about the intended positive effects. As an example, the introduced staff development programmes have strengthened management and social competence. The corporate culture also profited from implementation of the corporate philosophy.

Continuous drafting of intellectual capital statements facilitates a review of the measures taken. Therefore, we will continue to manage our intellectual capital consistently in this way in future.

Human capital	**2007**
General data	
Headcount as of 31 December 2007[1]	20,265
Technical competence	
Employees with university, university of applied sciences or vocational college degree	20%
Employees with technical school training or apprenticeship	73%
Employees with school-leaving certificates without further formal training	7%
Average years of service	16.1
Training days per employee internal[2]	3.1
Job rotation in 2007	2.9%
Management and social competence	
Number of managers (upper/middle management) appraised in internal management review[3]	80%
Motivation	
Employee turnover within the group	4.6%

[1] Number of employees without apprentices/trainees and without inactive employees.
[2] In relation to the participants from the core companies of EnBW in Baden-Württemberg.
[3] In relation to the core companies of EnBW in Baden-Württemberg.

New focal areas for action

Updating the intellectual capital statement uncovered new focal areas for action. These have resulted from changes in EnBW's environment such as the requirements arising from unbundling, market developments in the gas business or the planning of new power stations.

We will build up the necessary new technical competence with the assistance of a structured competence management system. We will make use of our group programme for the promotion of operational excellence with a view to improving our business and communication processes and our innovative power.

Knowledge-centred business process analysis

We will also systematically put knowledge management into practice in the operating business processes. In 2007, we created the conditions for the universally applicable knowledge-centred business process analysis which we have developed; it will enable executives and process managers to analyse their business processes with regard to information flow and the necessary competences. This method will be conveyed within the scope of the programmes for management development and the promotion of operational excellence which have already been established within the group.

Safeguarding expert knowledge

Experience made with pilot applications was incorporated in the further development of the knowledge relay. This tool is now available to all EnBW companies in the form of an internal service by the EnBW academy. It puts us in a position group-wide to support efficiently sharing knowledge gained through experience, in particular in the event of personnel changes.

Knowledge management and knowledge sharing received internal support from the Community of Practice established in 2006. We ensure an exchange with external institutions by collaborating in networks of practitioners and professional bodies and by cooperating with colleges and research institutes.

Outlook

The past few years were characterised by adapting and introducing known knowledge management tools and developing our own individual methods. These form the basis for establishing knowledge-based corporate management. This introductory period is now followed by continued refinement and adaptation of the introduced tools and methods to internal requirements.

Environmental protection and corporate social responsibility

Certified environmental management

EnBW was the first large energy company in Germany to have its environmental management system certified under the international standard ISO 14001 back in 2006. After this initial certification of the EnBW holding company and EnBW Regional AG had been successfully achieved, a large number of the companies in the EnBW group with environmentally relevant activities were certified in the course of 2007. Other companies are planning to obtain certification in 2008 (cf. fig. 1). In this way, EnBW consistently pursued the process of constant improvement in its environmental performance in the year under review.

The fact that EnBW does justice to its role as leader in matters relating to environmental protection is evidenced by the current status of the ISO 14001 certification in relation to the number of employees: this analysis shows that more than 70% of EnBW's employees were employed in companies with certified environmental management at the end of 2007. Certifications scheduled for 2008 will add a further 15% (cf. fig. 2). We are confident that within the next one or two years all companies in EnBW group with environmentally relevant facilities and activities will have established the group-wide environmental management system that is in compliance with the stringent ISO 14001 standard.

Fig. 1
2007/2008 certification schedule

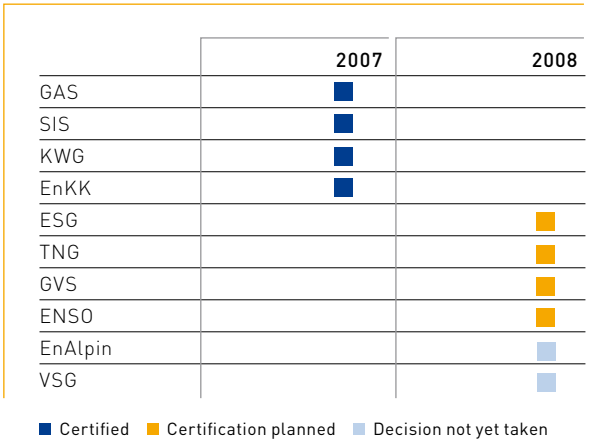
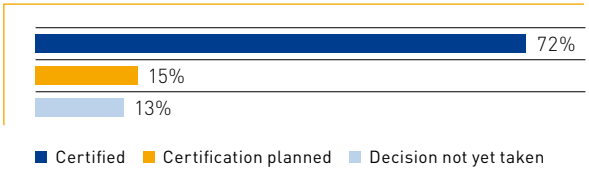


Fig. 2
Status of ISO 14001 certifications in relation to employees



Group-wide IT platform for key indicators

As an important step towards the further development of our environmental management system we have introduced an IT platform for the recording and evaluation of all environmental data relevant to the group. This platform will make it possible to generate an up-to-date summary of key indicators throughout the group at any time. In addition to this, all EnBW companies are able to generate their own key figures, thus enabling them to measure and evaluate their environmental performance.

Corporate responsibility

"We act with foresight, conscious at all times of our special responsibility for the environment and society." This statement stems from our corporate philosophy and demonstrates our corporate culture as a responsible group.

At EnBW, corporate social responsibility means reliably supplying people with energy, generating profits in an impeccable way, and maintaining a stable performance of the group in the long term. Corporate social responsibility also means taking account of the consequences of our economic activities and conducting our core business conscientiously and in a sustainable way and, by doing so, fostering the region.

EnBW is more than just an energy provider. In addition to being commercially successful, we would like to be a welcome partner and a good neighbour. We believe that our duties as a supplier include taking precautions and caring for others. This basic understanding relates to dealing responsibly with our employees, customers and business partners and our whole social environment. EnBW sees itself as a corporate citizen.

Our activities are geared to the concept of sustainability. We think in the long term and invest in the future. Our wish is to leave future generations the same or better conditions. We are convinced that acting responsibly pays off, both for society and the group.

Responsibility for society

We work towards an attractive corporate environment and support sports, art, cultural and community events. As sponsor of art and culture in Baden-Württemberg, EnBW is the partner of one of the most important cultural institutes in Germany, the ZKM Centre for Art and Media Technology in Karlsruhe. We initiated and sponsored the 'Alteliereinblicke' series of exhibitions held in Karlsruhe, the location of the company's headquarters. These exhibitions focus on talented young artists from Baden-Württemberg. The showroom in our representative office in the capital of Germany also provides space for avant-garde art of world renown.

In 2007 we supported the EnBW World Artistic Gymnastics Championship and the EnBW World Artistic Gymnastics Cup (formerly the DTP tournament) in addition to supporting sport for young talent and mass sports in local clubs. We have also been the main sponsor of the two football clubs Karlsruher SC and VfB Stuttgart since July 2004 and 2005, respectively. We similarly strengthen the sporting spirit in our region through our involvement in the 'Tour de Ländle' – Germany's largest cycling tour for amateur and recreational cyclists.

We consider a commitment to social welfare to be vital and already promote this way of thinking on the part of our trainees in the 'social learning' project. But others should also be rewarded for their dedication. For this reason we have been supporting the Release Stuttgart e.V. drug counselling centre, for several years and have, for example, rewarded the 'Echt gut! Ehrenamt in Baden-Württemberg', the campaign to support voluntary work in the region, by awarding the special prize 'EnBW-Ehrenamt-Impuls'.

Special responsibility as an energy supplier

Our task is to develop innovative technologies and ideas for providing energy in the future. This responsibility for our core business is expressed by our commitment to the environment, technology and knowledge. Our attention focuses on energy efficiency and climate protection. We are not only working towards making our own power plants ever more efficient and economical. With our project 'The Energy-Efficient School', for example, we ensure that school buildings are modernised in such a way that they consume much less energy in the future. We share knowledge and pass it on – to teachers, to pupils and their parents and also to other companies. Within the scope of the initiative 'energy efficiency network', experts from our company provide advice to other companies on how they make their energy consumption more efficient.

Knowledge is a vital resource. For this reason, we also support the Phaeno Science Centre in Wolfsburg and the Science Centre in Europapark Rust where visitors of all ages can learn about interesting phenomena of natural science. The EnBW rain forest foundation promotes research into, and active protection and preservation of, rain forests and their biodiversity.

In order to do justice to our social responsibility, we attach value to exchanging ideas with employees, customers, business partners, politicians, journalists and people involved in cultural events. Our aim is partnership based on mutual trust. We inquire about expectations, provide advice and seek discourse. We want to enter into discussions on economic and social issues and to provide suitable platforms for these. In 2007, for example, we held the third 'EnBW Summer Conference on Energy' and in the autumn we hosted the 2nd German Climate Congress in Berlin.

Climate change will also be the topic of our next volume in the series of publications on ethics, energy, aesthetics. With this series we have not only won design prizes, we also entered into social debates, such as the topic of innovation in our last publication "Das neue Denken – Das Neue denken".

German climate congress hosted by EnBW

Climate change is already taking place. It is one of the largest global issues. There is not much time left to act. We consider a serious attitude towards climate change to be not only part of our social responsibility but also in our fundamental economic interest. Consequently, we were quick to start dealing with this topic and formed a scientific advisory board in early 2006 with the most renowned German climate researchers.

EnBW held the 1st German Climate Congress in September 2006. This was the first time that a commercial enterprise had taken the initiative to bring business, science and politics together around one table. Subsequent to this conference, EnBW launched and accompanied the establishment of various business initiatives. We are, for example, a founding member of the group "2° – German Business for Climate Protection" and EnBW played a significant role in establishing a similar group within the Federation of German Industries (BDI).

The 2nd German Climate Congress took place in Berlin in October 2007 under the title 'The Economics of Climate Change'. International Nobel prize winners, experts and decision-makers accepted our invitation to join forces in developing ideas for climate protection. The former US Vice President and Nobel Peace Prize-winner Al Gore held his presentation on the hazards of climate change, for which he was awarded an Oscar. He expressly promoted giving determined support to climate protection and bringing forward the date when the follow-up treaty to the Kyoto protocol will come into effect. Hans-Peter Villis paid tribute to the great contribution Al Gore has made towards the worldwide change in awareness. According to the Nobel Prize Committee, Al Gore is the one individual that has done most to bring about a new awareness that something has to be done against climate change.

We want to enter into the LNG business. It is the right way to go because it will open up new procurement possibilities and make us more independent and stronger. For the same reason, we want to build pipelines and, of course, storage facilities as well.

Financial statements of the EnBW group

Income statement of the EnBW group

€ millions[1]	Note	2007	2006
Revenue including electricity and natural gas tax		15,740.7	14,054.8
Electricity and natural gas tax		-1,028.5	-1,195.3
Revenue	(1)	**14,712.2**	**12,859.5**
Changes in inventories		1.5	10.1
Own work capitalised		51.9	41.8
Other operating income	(2)	987.9	836.5
Cost of materials	(3)	-10,943.9	-9,045.3
Personnel expenses	(4)	-1,476.2	-1,367.7
Amortisation and depreciation	(5)	-777.2	-822.6
Other operating expenses	(6)	-997.0	-1,061.1
Result from operating activities		**1,559.2**	**1,451.2**
Share of profit of entities accounted for using the equity method	(7)	158.9	161.5
Other income from investments	(7)	113.3	49.6
Finance revenue	(8)	397.9	374.8
Finance costs	(8)	-856.4	-847.0
Earnings before tax		**1,372.9**	**1,190.1**
Income tax	(9)	43.2	-75.4
Result of continuing operations[2]		**1,416.1**	**1,114.7**
Result of discontinued operations	(25)	97.9	6.0
Group net profit		**1,514.0**	**1,120.7**
of which profit shares attributable to minority interests		(149.9)	(118.9)
of which profit shares attributable to equity holders of EnBW AG		(1,364.1)	(1,001.8)
Shares outstanding (million), weighted average		**244.257**	**244.232**
Earnings per share from continuing operations (€)[3]		**5.18**	**4.07**
Earnings per share from group net profit (€)[3]		**5.58**	**4.10**

Footnotes to the income statement
[1] Prior-year figures adjusted.
[2] Of which profit shares attributable to the equity holders of EnBW AG: € 1,266.2 million (prior year: € 995.0 million).
[3] Basic and diluted; in relation to the profit shares attributable to the equity holders of EnBW AG.

Footnotes to the balance sheet
[1] Prior-year figures adjusted.
[2] Of which total current and non-current provisions for income tax: € 229.9 million (prior year: € 339.4 million).

Balance sheet of the EnBW group

€ millions[1]	Note	31/12/2007	31/12/2006
Assets			
Non-current assets			
Intangible assets	(10)	1,636.4	1,661.2
Property, plant and equipment	(11)	11,416.2	11,336.1
Investment properties	(12)	87.7	115.1
Entities accounted for using the equity method	(13)	1,856.5	1,758.6
Other financial assets	(14)	5,734.4	6,031.7
Trade receivables	(15)	372.6	334.3
Income tax refund claims	(16)	253.8	256.6
Other non-current assets	(17)	179.8	148.5
Deferred taxes	(23)	6.0	38.9
		21,543.4	**21,681.0**
Current assets			
Inventories	(18)	732.7	612.3
Financial assets	(19)	727.6	274.0
Trade receivables	(15)	2,108.7	2,245.7
Income tax refund claims	(16)	255.1	186.0
Other current assets	(17)	1,725.6	1,178.5
Cash and cash equivalents	(20)	1,317.8	1,932.3
		6,867.5	**6,428.8**
Non-current assets held for sale and assets of discontinued operations	(25)	3.4	38.5
		6,870.9	**6,467.3**
		28,414.3	**28,148.3**
Equity and liabilities			
Equity	(21)		
Group shares			
Subscribed capital		640.0	640.0
Capital reserve		22.2	22.2
Revenue reserves		3,787.7	2,702.1
Revaluation reserve in accordance with IFRS 3		49.6	7.3
Treasury shares		-204.1	-204.1
Total net income recognised in equity		756.0	395.4
		5,051.4	**3,562.9**
Minority interests		950.3	929.5
		6,001.7	**4,492.4**
Non-current liabilities			
Provisions[2]	(22)	8,989.1	8,865.8
Deferred taxes	(23)	1,616.8	2,000.0
Financial liabilities	(24)	3,364.2	3,883.8
Other liabilities and subsidies	(24)	2,127.0	2,126.0
		16,097.1	**16,875.6**
Current liabilities			
Provisions[2]	(22)	1,131.3	1,306.3
Financial liabilities	(24)	588.3	1,226.3
Trade payables	(24)	2,323.3	2,164.6
Income tax liabilities	(24)	6.3	126.8
Other liabilities and subsidies	(24)	2,258.4	1,853.3
		6,307.6	**6,677.3**
Liabilities of discontinued operations	(25)	7.9	103.0
		6,315.5	**6,780.3**
		28,414.3	**28,148.3**

Cash flow statement of the EnBW group

€ millions[1, 2]	2007	2006
1. Operating activities		
EBITDA	2,336.4	2,273.8
EBITDA of discontinued operations	131.5	25.1
Change in non-current provisions	-256.1	-303.5
Gain/loss on disposal of non-current assets	-24.0	-27.3
Other non-cash expenses/income	-69.4	-69.1
Funds from operations (FFO) before tax and financing	**2,118.4**	**1,899.0**
Change in working capital and current provisions	131.8	-245.4
Income tax paid	-691.5	-187.0
Cash flow from operating activities	**1,558.7**	**1,466.6**
of which discontinued operations	(-33.8)	(11.9)
2. Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-816.9	-630.1
Cash received from disposals of intangible assets and property, plant and equipment	30.2	105.2
Cash received from construction cost and investment subsidies	81.2	85.4
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method	-190.5	-387.0
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method	74.1	50.5
Cash paid for investments in other financial assets	-588.1	-594.1
Cash received from the sale of other financial assets	551.4	458.1
Cash received/paid for investments in connection with short-term finance planning	27.9	-30.4
Interest received	311.6	254.8
Dividends received	137.5	127.2
Cash flow from investing activities	**-381.6**	**-560.4**
of which discontinued operations	(72.4)	(46.2)

[1] Prior-year figures adjusted.
[2] For further explanations, please refer to 'other notes' in the notes to the financial statements.

€ millions[1,2]	2007	2006
3. Financing activities		
Interest paid	-403.2	-291.0
Dividends paid	-359.0	-285.9
Cash received from the sale of treasury shares	0.0	14.4
Borrowing	303.6	604.4
Repayment of financial liabilities	-1,322.9	-435.8
Capital reduction for minority interests	-5.1	-5.1
Cash flow from financing activities	**-1,786.6**	**-399.0**
of which discontinued operations	(2.6)	(2.9)
Change in cash and cash equivalents	**-609.5**	**507.2**
Net foreign exchange difference	-5.0	-1.3
Change in cash and cash equivalents	**-614.5**	**505.9**
Cash and cash equivalents at the beginning of the period	1,932.3	1,426.4
Cash and cash equivalents at the end of the period	**1,317.8**	**1,932.3**

[1] Prior-year figures adjusted.
[2] For further explanations, please refer to 'other notes' in the notes to the financial statements.

Statement of changes in equity of the EnBW group

€ millions[1]	Subscribed capital	Capital reserve	Revenue reserves	Revaluation reserve in accordance with IFRS 3
As of 31 December 2005	**640.0**	**22.2**	**1,818.5**	**0.0**
Change in accounting policy			92.5	
As of 31 December 2005 after change in accounting policy	**640.0**	**22.2**	**1,911.0**	**0.0**
Total net income recognised in equity				7.3
Group net profit			1,001.8	
of which result of discontinued operations			(6.8)	
Total income recognised directly in equity and group net profit	**0.0**	**0.0**	**1,001.8**	**7.3**
Sale of treasury shares			4.2	
Dividends paid			-214.9	
Other changes				
As of 31 December 2006	**640.0**	**22.2**	**2,702.1**	**7.3**
Total net income recognised in equity				42.3
Group net profit			1,364.1	
of which result of discontinued operations			(97.9)	
Total income recognised directly in equity and group net profit	**0.0**	**0.0**	**1,364.1**	**42.3**
Dividends paid			-278.5	
Other changes				
As of 31 December 2007	**640.0**	**22.2**	**3,787.7**	**49.6**

[1] Prior-year figures adjusted.

	Total net income recognised in equity						
Treasury shares	Difference from currency translation	Cash flow hedge	Marketable securities and investments	Entities accounted for using the equity method	Group shares	Minority interests	Total
-214.3	**7.4**	**-103.4**	**246.7**	**3.5**	**2,420.6**	**647.1**	**3,067.7**
					92.5		92.5
-214.3	**7.4**	**-103.4**	**246.7**	**3.5**	**2,513.1**	**647.1**	**3,160.2**
	12.2	19.8	137.1	72.1	248.5	-2.0	246.5
					1,001.8	118.9	1,120.7
					(6.8)	(-0.8)	(6,0)
0.0	**12.2**	**19.8**	**137.1**	**72.1**	**1,250.3**	**116.9**	**1,367.2**
10.2					14.4		14.4
					-214.9	-71.0	-285.9
						236.5	236.5
-204.1	**19.6**	**-83.6**	**383.8**	**75.6**	**3,562.9**	**929.5**	**4,492.4**
	2.3	159.2	165.2	33.9	402.9	-1.2	401.7
					1,364.1	149.9	1,514.0
					(97.9)		(97.9)
0.0	**2.3**	**159.2**	**165.2**	**33.9**	**1,767.0**	**148.7**	**1,915.7**
					-278.5	-80.5	-359.0
						-47.4	-47.4
-204.1	**21.9**	**75.6**	**549.0**	**109.5**	**5,051.4**	**950.3**	**6,001.7**

Notes to the 2007 financial statements of the EnBW group

General principles and basis of consolidation

General principles

In accordance with Sec. 315a (1) German Commercial Code (HGB), the consolidated financial statements of EnBW Energie Baden-Württemberg AG (EnBW) are prepared according to the International Financial Reporting Standards (IFRS) the adoption of which is mandatory in the European Union at the balance sheet date. IFRSs whose application is not yet mandatory are not early adopted. In addition, the interpretations of the International Financial Reporting Interpretations Committee/ Standing Interpretations Committee (IFRIC/SIC) are observed. The consolidated financial statements of EnBW comply in all respects with IFRSs and IFRIC interpretations.

The consolidated financial statements are presented in millions of euros. Besides the income statement and balance sheet, a cash flow statement and statement of changes in equity of the EnBW group are presented separately.

In the interest of clarity, items have been combined in the income statement and in the balance sheet and disclosed separately and explained in the notes.

The income statement has been prepared using the nature of expense method.

The consolidated financial statements are prepared as of the balance sheet date of the parent company's financial statements. The parent company's fiscal year is the calendar year.

The registered offices of the company are in Karlsruhe, Germany. The address is EnBW Energie Baden-Württemberg AG, Durlacher Allee 93, 76131 Karlsruhe.

Changes in accounting policies

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have amended some standards and interpretations and issued new ones, the adoption of which is mandatory for the fiscal year 2007, and which are as follows:

- **IAS 1 "Presentation of Financial Statements":** The amendment of IAS 1 requires information to be disclosed in the financial statements that enables users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.
- **IFRS 7 "Financial Instruments: Disclosures"**: The changes due to this new standard are mainly intended to summarise, revise and extend the previous disclosure requirements for accounting for financial instruments.
- **IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies":** This interpretation addresses questions relating to IAS 29 when hyperinflation is identified for the first time in the economy of the reporting entity's functional currency.
- **IFRIC 8 "Scope of IFRS 2":** In IFRIC 8 the IASB comments on the scope of IFRS 2 "Share-based Payment", which is applicable for transactions under which an entity receives goods or services as compensation for a share-based payment.
- **IFRIC 9 "Reassessment of Embedded Derivatives":** IFRIC 9 addresses the question whether a contract needs to be analysed only when it is entered into or also reassessed during its entire term to determine whether it contains an embedded derivative that should be separated in accordance with IAS 39.

- **IFRIC 10 "Interim Financial Reporting and Impairment":** This interpretation deals with the treatment of impairments of goodwill pursuant to IAS 36 "Impairment of Assets" as well as of certain financial assets pursuant to IAS 39 "Financial Instruments: Recognition and Measurement" in interim financial statements in accordance with IAS 34 "Interim Financial Reporting".

The first-time adoption of IAS 1 and IFRS 7 has led to additional disclosures in the notes to the EnBW consolidated financial statements for the fiscal year 2007. The other interpretations listed above did not have any material effect on the EnBW consolidated financial statements.

Entities accounted for using the equity method

In the consolidated financial statements as of 31 December 2007, EnBW discloses the following entities under entities accounted for using the equity method; these had previously been accounted for under other equity investments:

- DREWAG-Stadtwerke Dresden GmbH, Dresden (shareholding of 35.00%)
- FairEnergie GmbH, Reutlingen (shareholding of 24.90%)
- Grosskraftwerk Mannheim AG, Mannheim (shareholding of 32.00%)
- Stadtwerke Esslingen am Neckar GmbH & Co. KG, Esslingen am Neckar (shareholding of 49.98%)
- Stadtwerke Karlsruhe GmbH, Karlsruhe (shareholding of 20.00%)
- Zweckverband Bodensee-Wasserversorgung, Stuttgart (shareholding of 22.39%)
- Zweckverband Landeswasserversorgung, Stuttgart (shareholding of 28.12%)

We had not previously accounted for these entities using the equity method because we were not supplied with IFRS financial statements. We accounted for the entities using the equity method for the first time as of year-end 2007 based on an estimate of the HGB-IFRS differences.

Where possible, negative differences arising from accounting for these entities using the equity method were offset against directly attributable goodwill of lower-tier parent companies. Any remaining differences were offset against revenue reserves.

The prior-year figures were adjusted retroactively. The effects on the consolidated financial statements are as follows:

Balance sheet **Variance in € millions**	**31/12/2006**
Goodwill	-108.0
Entities accounted for using the equity method	+431.0
Other financial assets	-227.9
Revenue reserves	+90.9
Deferred tax liabilities	+4.2

Income statement **Variance in € millions**	**1/1 – 31/12/2006**
Group net profit	-1.6

Accounting for these entities using the equity method reduced earnings per share from group net profit by € 0.01 in the reporting period from 1 January to 31 December 2006 to € 4.10.

Effects of new accounting standards that are not yet mandatory

IASB and IFRIC have published the following interpretations whose adoption was not yet mandatory for the fiscal year 2007. Their application in the future is subject to their adoption by the EU as European law:

- **IFRS 8 "Operating Segments":** IFRS 8 replaces the previous IAS 14 "Segment Reporting" and, with a few minor exceptions, brings the standard in line with the US GAAP provisions of Statement of Financial Accounting Standards (SFAS) 131. IFRS 8 requires operating segments to be identified using the management approach. The standard is effective for fiscal years beginning on or after 1 January 2009. First-time adoption of IFRS 8 is not expected to have any material effect on the EnBW consolidated financial statements.

- **IAS 1 "Presentation of Financial Statements":** The key changes concern the presentation of equity and designation of the individual components of the financial statements. The revised IAS 1 is effective for fiscal years beginning on or after 1 January 2009. It has yet to be adopted by the EU as European law. The changes are not expected to have any material effect on the EnBW consolidated financial statements.

- **IAS 23 "Borrowing Costs":** The amendment of IAS 23 eliminates the allowed alternative treatment of recognising as an expense in the period in which they are incurred any borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets. In future, such borrowing costs must be capitalised as part of the cost of the asset. The standard is effective for fiscal years beginning on or after 1 January 2009. It has not yet been adopted by the EU as European law. The effects on the EnBW consolidated financial statements are currently being assessed.

- **IFRIC 11 "IFRS 2 Group and Treasury Share Transactions":** The interpretation deals with the question of how IFRS 2 "Share-based Payment" applies to agreements on share-based payments which contain group or treasury shares. This interpretation is applicable for the first time for fiscal years beginning on or after 1 March 2007. First-time adoption of IFRIC 11 is not expected to have any material effect on the EnBW consolidated financial statements.

- **IFRIC 12 "Service Concession Arrangements":** IFRIC 12 governs the accounting for arrangements under which a public sector entity as the grantor awards contracts to private operators for the provision of services to the public (e.g. airports, prisons, utilities, etc.). In order to perform these duties, the operator uses infrastructure which, however, continues to be controlled by the grantor. Nevertheless, the operator is responsible for construction, operation and maintenance. This interpretation is effective for fiscal years beginning on or after 1 January 2008. IFRIC 12 has not yet been adopted by the EU as European law. The effects of first-time adoption adoption of IFRIC 12 on the EnBW consolidated financial statements are currently being assessed.

- **IFRIC 13 "Customer Loyalty Programmes":** This interpretation addresses the recognition and measurement of revenue from sales transactions and associated expenses for obligations arising from customer loyalty programmes such as credits, bonuses or other awards operated by the manufacturer or service provider, or by third parties. This interpretation is effective for fiscal years beginning on or after 1 July 2008. It has yet to be adopted by the EU as European law. The effects on the EnBW consolidated financial statements are currently being assessed.

- **IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction":** This interpretation provides guidance on how to determine the limit of IAS 19 "Employee Benefits" for a surplus that can be carried as an asset. In addition, it explains the effects of defined benefit plans on the measurement of assets and provisions on account of a legal obligation to make minimum contributions, e.g. in accordance with statutory requirements or the terms and conditions of the plan. This is to ensure that entities consistently recognise any surplus plan assets as an asset. However, IFRIC 14 does not require the employer to recognise any other obligation as long as the minimum funding contribution is repaid to the entity. This interpretation is effective for fiscal years beginning on or after 1 January 2008. It has yet to be adopted by the EU as European law. The effects of IFRIC 14 on the EnBW consolidated financial statements are currently being assessed.

Changes in presentation

In the first half of 2007, the U-plus group was sold to the waste disposal company ALBA AG, Berlin. In the income statement and cash flow statement, the U-plus group is disclosed as a **discontinued operation**. The comparative figures have been adjusted in the income statement and cash flow statement. The result from discontinued operations is presented in note 25, Non-current assets held for sale and assets and liabilities of discontinued operations.

To enhance presentation of the results of operations, financial position and net assets, we made the following changes in presentation in the fiscal year 2007. The prior-year figures were adjusted accordingly.

- Non-current **income tax refund claims** and **non-current trade receivables** are presented separately in the balance sheet.
- Effects on earnings from **marking stand-alone commodity derivatives to market** are disclosed under other operating income or expenses, as before. Gains or losses from realising these forward transactions are recognised in revenue or cost of materials, respectively. With the exception of futures, such gains or losses had in the prior year been recognised as other operating income or expenses accordingly.

Income statement Variance in € millions	1/1 – 31/12/2006
Revenue	-133.3
Other operating income	-192.9
Cost of materials	213.8
Other operating expenses	112.4

- **Income and expenses from the sale of equity investments** are no longer recorded as other operating income or other operating expenses, but as other income from investments.

Income statement Variance in € millions	1/1 – 31/12/2006
Other operating income	-23.8
Other income from investments	+23.8

- This reporting period is the first time that the **result from continuing operations** and the **group net profit** contain the profit shares attributable to minority interests. These profit shares of minority interests as well as of the equity holders of EnBW AG are reported under an 'of which' caption.
- The **non-operating result** of the EnBW group comprises extraordinary income and expenses. From the fiscal year 2007 onwards, income and expenses relating to other periods are no longer disclosed in the non-operating result.

- The **segment reporting** discloses the operating cash flow for each primary reporting segment for the first time. Non-cash expenses are therefore not disclosed.

- To improve the presentation of changes in the consolidated group in the course of the year, we adapted the calculation basis of average capital employed in line with the value-based management approach. The calculation of average capital employed includes the year-end closing figures as well as the quarterly closing figures.

Consolidated companies

Under the full-consolidation method, all subsidiaries are included on whose financial and business policy control is exercised as defined by the control concept. In this case, the assets and liabilities of a subsidiary are included in full in the consolidated financial statements.

Jointly controlled entities are included in the consolidated financial statements by way of proportionate consolidation. In the case of the proportionate consolidation, the assets and liabilities of the subsidiary are only considered in the consolidated financial statements in proportion to the shareholding of the parent company.

The equity method is used when a significant influence may be exercised on the business policy of the associate, but the entity does not qualify as a subsidiary or a joint venture. When measuring shares this means that only the pro rata equity of the entity is included in consolidated financial statements, and not its assets and liabilities.

The list of shareholdings of the EnBW group is given in a separate list in accordance with Sec. 313 (4) HGB that will be published in the electronic German Federal Gazette (Bundesanzeiger) together with the financial statements. The list of major shareholdings is part of the notes to the financial statements.

There are no cross-holdings as defined by Sec. 19 (1) German Stock Corporations Act (AktG) in the EnBW group.

The companies have been consolidated as follows:

Type of consolidation Number[1]	31/12/2007	31/12/2006
Full consolidation	95	100
Proportionate consolidation (joint ventures)	10	10
Entities accounted for using the equity method	17	28

[1] Prior-year figures adjusted.

Changes in the consolidated group

Of the companies fully consolidated in the consolidated financial statements, 13 (prior year: 5) German companies and 1 (prior year: 0) foreign company were consolidated for the first time in the reporting year. 18 (prior year: 5) companies were deconsolidated and 1 company (prior year: 2) was merged. Of the deconsolidated companies, 18 (prior year: 1) were German companies and 0 (prior year: 4) were foreign companies.

Of the joint ventures, our share of which was included in the consolidated financial statements, 1 German company (prior year: 0) was consolidated in full for the first time and 1 German company was consolidated for the first time in the reporting year (prior year: 2).

Of the entities accounted for using the equity method, 0 (prior year: 2) foreign companies and 0 (prior year: 0) German companies were consolidated for the first time in the reporting year. 2 (prior year: 1) German and 9 (prior year: 0) foreign companies were deconsolidated.

Full consolidation of Erdgas Südwest GmbH, Karlsruhe

Effective 20 February 2007, EnBW purchased a further share of 28.0% in Erdgas Südwest GmbH (ESW). The purchase price for that share was € 56.5 million. This brought EnBW's stake up to 79.0%. As a result of the control now exercised, ESW is consolidated in full. ESW was previously recorded in the consolidated financial statements as a proportionately consolidated entity (shareholding of 51.0%). ESW supplies natural gas to retail customers, industrial customers as well as resellers.

The transition to full consolidation is treated as a business combination achieved in stages. Step-by-step comparison of the cost of the individual share purchases with the interest in the fair value gave rise to goodwill of € 22.2 million for the 28.0% share newly consolidated in 2007. The change in equity which is attributable to the old share of 51.0% totals € 36.6 million and has been recognised directly in equity. ESW contributed € 26.8 million to earnings after tax.

The fair values of the identifiable assets and liabilities of ESW were as follows as of the date of acquisition:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Intangible assets	0.6	14.6
Property, plant and equipment	206.2	245.3
Other non-current assets	0.3	0.3
Current assets	173.9	173.9
Total assets	**381.0**	**434.1**
Non-current liabilities	121.4	102.6
Current liabilities	209.0	209.0
Total liabilities	**330.4**	**311.6**
Net assets	50.6	122.5
EnBW's interest in net assets 28.0%		34.3
Cost		56.5
Goodwill		**22.2**

Full consolidation of GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG, Dresden

Effective 1 March 2007, EnBW acquired the remaining 76.5% stake in GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG, the company that owns the local gas grids in eastern Saxony. GSW had previously been included in the consolidated financial statements as other investment (shareholding of 23.5%). The purchase price for the remaining share was € 30.5 million. This brought EnBW's stake up to 100%. Due to the control gained over the entity as a result, GSW was fully consolidated.

The transition to full consolidation is treated as a business combination achieved in stages. Step-by-step comparison of the cost of the individual share purchases with the interest in the fair value gave rise to preliminary goodwill of € 11.0 million for the 76.5% share acquired in 2007. The preliminary change in equity, which is attributable to the old share of 23.5%, totals € 5.7 million and has been recognised directly in equity.

The effects of the first-time consolidation of GSW on the balance sheet and income statement of the group are not material.

Proportionate consolidation of EnBW Klenk Holzenergie GmbH, Oberrot

In the second half of 2007, EnBW invested in EnBW Klenk Holzenergie GmbH by way of a capital contribution of € 20 million. The company specialises in the construction and operation of biomass combined heat and power (CHP) plants. Klenk Holz AG and EnBW each hold 50% of the shares in the entity. The entity is managed jointly and, accordingly, included in the EnBW consolidated financial statements by means of proportionate consolidation.

The effects of the first-time consolidation of EnBW Klenk Holzenergie GmbH on the balance sheet and income statement of the group are not material.

Pro forma calculation

Adjusted to eliminate the changes in the consolidation group, the prior-year balance sheet and income statement would be as follows (pro forma prior year):

Balance sheet € millions	31/12/2007	Pro forma 31/12/2006
Non-current assets	21,543.4	21,771.2
Current assets	6,867.5	6,200.9
Non-current assets held for sale and assets of discontinued operations	3.4	38.5
Non-current liabilities	16,097.1	16,818.6
Current liabilities	6,307.6	6,557.2
Liabilities of discontinued operations	7.9	103.0

Income statement € millions	2007	Pro forma 2006
Revenue	14,712.2	13,282.7
Changes in inventories	1.5	9.7
Own work capitalised	51.9	42.9
Other operating income	987.9	856.2
Cost of materials	-10,943.9	-9,329.7
Personnel expenses	-1,476.2	-1,425.5
Amortisation and depreciation	-777.2	-853.7
Other operating expenses	-997.0	-1,101.2
Result from operating activities	**1,559.2**	**1,481.4**
Share of profit of entities accounted for using the equity method	158.9	168.4
Other income from investments	113.3	49.7
Finance revenue	397.9	374.8
Finance costs	-856.4	-853.2
Earnings before tax	**1,372.9**	**1,221.1**
Income tax	43.2	-87.7
Result of continuing operations	**1,416.1**	**1,133.4**
Result of discontinued operations	97.9	11.9
Group net profit	**1,514.0**	**1,145.3**
of which profit shares attributable to minority interests	(149.9)	(119.4)
of which profit shares attributable to equity holders of EnBW AG	(1,364.1)	(1,025.9)

Joint ventures

The share of joint ventures in the consolidated balance sheet and the consolidated income statement breaks down as follows:

Balance sheet € millions	31/12/2007	31/12/2006
Non-current assets	303.5	399.5
Current assets	116.8	166.2
Non-current liabilities	79.2	155.3
Current liabilities	59.6	153.6

Income statement € millions	2007	2006
Revenue	284.4	356.4
Cost of materials	-187.9	-247.6
Result from operating activities	46.7	56.3
Financial result	7.8	0.6
Earnings before tax	54.5	56.9
Income tax	-7.4	-14.3
Earnings after tax	47.1	42.6

Basis of consolidation

The financial statements of the domestic and foreign subsidiaries and joint ventures included in consolidation were prepared in accordance with the accounting policies of EnBW.

Capital consolidation is performed according to the purchase method by offsetting the cost of acquisition against the proportionate revalued equity of the subsidiaries at the date of acquisition. Assets and liabilities are carried at fair value. Any remaining positive differences are recognised as goodwill. Negative differences are immediately recognised in profit or loss following a review of their calculation.

Receivables, liabilities and provisions between the consolidated entities are netted. Intercompany income is offset against the corresponding expenses. Intercompany profits are eliminated, unless they are immaterial. Deferred taxes are recorded.

Joint ventures are consolidated according to the same principles as subsidiaries.

The same accounting policies apply to entities accounted for using the equity method. Goodwill is recognised in the carrying amount of the investment. Impairment losses on goodwill are disclosed in investment income. Negative differences are recognised in profit or loss via investment income.

Currency translation

In the separate financial statements of the entities, business transactions in foreign currency are translated at the rate of the transaction date. Non-monetary items are measured at the rate prevailing when they were first recorded. Monetary items are translated at the closing rate as of the balance sheet date. Exchange differences from monetary items are recognised in other operating income or other operating expenses with effect on profit or loss.

The reporting currency of EnBW is the euro (€). The financial statements of the group entities are translated to euro. Currency translation is performed in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" using the functional currency method. Under this method, the assets and liabilities of companies that do not report in euro are translated at the mean rate prevailing on the balance sheet date, while expenses and income are translated at the average annual rate. The companies concerned are foreign entities. Differences from the currency translation of assets and liabilities compared to the translation of the prior year as well as exchange differences between the income statement and the balance sheet are recognised directly in equity under 'Total income/expense recognised in equity'. The same procedure is applied by analogy for foreign companies accounted for using the equity method .

The entities of the EnBW group mainly operate in the euro area.

Currency translation was based on the following exchange rates, among others:

	Closing rate		Average rate	
€ 1	2007	2006	2007	2006
Swiss francs	1.65	1.61	1.64	1.57
Pound sterling	0.73	0.67	0.68	0.68
US dollar	1.47	1.32	1.37	1.26
Hungarian forint	253.73	251.77	251.31	264.13
Czech koruna	26.63	27.49	27.76	28.34

Significant accounting policies

Intangible assets

Intangible assets are carried at amortised cost and, except for goodwill, are amortised using the straight-line method over their useful life. The amortisation period of intangible assets – without goodwill – ranges from three to twenty years.

In accordance with the provisions of IFRS 3 'Business Combinations', goodwill from capital consolidation is not amortised, but tested for impairment at least once a year or whenever there is any indication that the recoverable amount may be lower than the carrying amount.

Property, plant and equipment

Items of property, plant and equipment that are subject to wear and tear are recognised at amortised cost and depreciated using the straight-line method. Borrowing costs are not capitalised as a component of cost. Depreciation is recorded pro rata temporis in the year of addition.

Maintenance and repair costs are recorded as expenses. Renewal or maintenance expenses for assets which lead to future benefits are capitalised.

Investment grants or subsidies are not deducted from the cost of the asset concerned. Pursuant to IAS 20, they are disclosed as subsidies.

The nuclear power generating plants also contain the present value net of depreciation of the cost of the closure and dismantling of the contaminated plants estimated at the time of commissioning.

Depreciation on our major items of property, plant and equipment is computed using the following uniform group-wide useful lives:

	Years
Buildings	25 – 50
Power plants	15 – 50
Electricity distribution plants	25 – 45
Gas distribution plants	15 – 55
Water distribution plants	20 – 40
Other equipment, furniture and fixtures	5 – 14

Leases

Property, plant and equipment under finance leases, which transfer substantially all the risks and rewards incidental to ownership to the EnBW group, are recognised at the inception of the lease at market value or at the lower present value of the lease instalments. Depreciation is charged systematically over the economic useful life.

Lease payments and instalments from operating leases are recognised immediately as an expense in the income statement.

Finance leases, which transfer all risks and rewards incidental to ownership to the lessee, are recognised as a receivable at the amount of the net investment.

Investment properties

Investment properties include land and buildings held to earn rentals or for capital appreciation and not used by EnBW itself. Investment properties that are subject to wear and tear are measured at amortised cost and depreciated over a term of 25 to 50 years using the straight-line method. The market value is determined using internationally recognised methods such as the discounted cash flow or mark-to-market method and disclosed in the notes to the financial statements.

Impairment
The carrying amounts of intangible assets, property, plant and equipment, and investment properties are tested for impairment at each balance sheet date. If there is any indication that the asset may be impaired, the recoverable amount of the asset concerned is determined in impairment testing. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

The fair value is determined on the basis of a business valuation model and reflects the best estimate of the amount at which a third party would acquire the asset. The value in use corresponds to the present value of the future cash flows expected to be derived from an asset or cash-generating unit (smallest identifiable group of assets).

If it is not possible to determine the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset can be allocated.

Goodwill arising from business combinations is allocated to the cash-generating units or groups of cash-generating units that are expected to achieve synergies from the business combination. The recoverable amount of these cash-generating units or groups of cash-generating units is tested for impairment at least once a year. An additional test is performed whenever there is any indication that the carrying amount may not be recoverable. For more information, please refer to note 10, Intangible assets.

If the recoverable amount of an asset falls short of its carrying amount, an impairment loss is recognised on the asset with effect on profit or loss. In the event of impairment losses on cash-generating units to which goodwill has been allocated, the goodwill is reduced first. If the impairment loss exceeds the carrying amount of the goodwill, the difference is allocated proportionally to the remaining non-current assets of the cash-generating unit.

If the reason for a previously recognised impairment loss no longer exists at a later date, the impairment loss is reversed. The increased carrying amount of the asset attributable to a reversal may not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years (amortised cost). Impairment losses on goodwill may not be reversed.

Entities accounted for using the equity method
The investments in associates accounted for using the equity method are initially recognised at cost and subsequently recognised according to the amortised interest in net assets. The carrying amounts are increased or reduced each year by the share in profit, dividend distribution or other changes in equity. Goodwill is recognised in the carrying amount of the investment.

Financial assets

Shares in non-consolidated affiliated entities, in associates not accounted for using the equity method and in other equity investments, as well as some of the long-term investments, are allocated to the 'available for sale' category. They are measured at fair value if it can be determined reliably. Unrealised gains and losses are recorded directly in equity. If there is any permanent or significant impairment as of the balance sheet date, the adjustments to the negative market value are recognised in profit or loss. The unrealised gains or losses previously recorded directly in equity are recognised in profit or loss upon sale. Impairment losses are reflected in an allowance account.

Investments classified as 'held to maturity' are measured at amortised cost.

Loans are accounted for at amortised cost. Loans subject to market interest rates are recognised at nominal value, and low-interest or interest-free loans at present value.

The securities recognised as current financial assets and held for trading are measured at fair value with effect on profit or loss. They are measured at market value. Changes in market value are recognised immediately in profit or loss.

To date, EnBW has not made use of the option to measure financial assets or financial liabilities at fair value through profit or loss (fair value option).

The fair value of the publicly traded securities and other financial investments is based on the market values published as of the balance sheet date.

Inventories

Inventories are stated at costs of purchase or costs of conversion. As a rule, they are measured at average prices. Pursuant to IAS 2, costs of conversion contain the direct costs and an appropriate portion of the necessary materials and production overheads including depreciation. Costs of conversion are determined on the basis of normal capacity utilisation. Borrowing costs are not capitalised as a component of costs of conversion. Appropriate allowance is made for risks relating to slow-moving goods. Where necessary, the lower net realisable value compared to the carrying amount is recognised. Write-ups on inventories are deducted from the cost of materials.

The nuclear fuel rods disclosed in the inventories are measured at amortised cost. Depreciation is determined in accordance with consumption.

Emission allowances

Emission allowances are recognised under inventories. Emission allowances acquired without consideration in the current fiscal year are recognised at their nominal value, while those acquired for a consideration to cover anticipated consumption are recognised at cost. Emission allowances acquired for trading purposes, however, are recognised as other assets at fair value with effect on profit or loss, and any fluctuation in fair value is recognised directly in profit or loss.

Receivables
Trade receivables and other receivables are accounted for at cost less any bad debt allowances required based on the actual bad debt risk. Low-interest or interest-free receivables are stated at present value. Some bad debt allowances are recognised via an allowance account. The decision whether the bad debt allowance reduces the carrying amount directly or indirectly via an allowance account is linked to the probability of the anticipated default.

Treasury shares
Own equity instruments which are repurchased (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Provisions for pensions and similar obligations
Provisions for pensions and similar obligations are determined using the projected unit credit method in accordance with IAS 19. This method considers current and future pension benefits known at the balance sheet date as well as future anticipated salary and pension increases. Actuarial gains and losses outside the 10% corridor are distributed over the average remaining working lives of the employees. Assets of funds established to cover the pension obligations are deducted from the provision. The service cost is disclosed in personnel expenses, while the interest portion of an increase in the provision is recognised in the financial result.

The company pension scheme includes defined benefit obligations under a multi-employer plan. The contribution payments to the supplemental pension plans are recognised in personnel expenses in the income statement.

Deferred taxes
Deferred taxes are recorded in accordance with the temporary concept (IAS 12) on all timing differences between the tax accounts and the IFRS balance sheet of the individual entities. Deferred taxes from consolidation entries are recognised separately. Deferred tax assets are recognised on unused tax losses if it is reasonably certain that they will be utilised. Deferred taxes are calculated on the basis of the tax rates that apply or that are expected to apply in the individual countries at the time of utilisation. A tax rate of 29.0% is applied for German group companies. Tax assets and tax liabilities are offset against each other if the conditions to do so have been satisfied.

Other provisions
Other provisions take account of all legal or constructive obligations towards third parties resulting from past events that are identifiable at the balance sheet date and which are uncertain in terms of amount and/or date of occurrence. The provisions are recognised at their settlement amount. They are measured at the estimated future amount or the amount most likely to be incurred.

The non-current provisions are stated at the future amount needed to settle the obligation discounted to the balance sheet date. This does not apply to provisions for pensions and similar obligations. They are subject to special rules in accordance with IAS 19.

Liabilities
Liabilities are recognised at the amount repayable. Liabilities from finance leases are measured at the lower of fair value and present value of the minimum lease payments at the date when the leased asset is recognised.

The construction cost subsidies recorded as liabilities are released to other operating income in accordance with the use of the subsidised property, plant and equipment. As a rule, the period of release for construction cost subsidies is between 40 and 45 years. Investment subsidies and grants are released over the depreciation period of the subsidised assets. The amount released is offset against depreciation on the face of the balance sheet.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale and assets of discontinued operations are individual non-current assets, groups of assets or operations which can be sold in their present condition, whose sale is highly probable and which satisfy all the criteria defined in IFRS 5. The item "liabilities of discontinued operations" includes liabilities that are part of a discontinued operation.

Assets that meet the criteria to be classified as non-current assets held for sale for the first time are measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets ceases.

Gains or losses from measuring individual assets held for sale and groups of assets are disclosed as result of continuing operations until they are finally sold.

Income and expenses from the operation of discontinued operations as well as gains and losses from their measurement at fair value less costs to sell are disclosed as result from discontinued operations. Gains and losses on the sale of discontinued operations are also recognised in this item.

Derivatives

Derivatives are measured at fair value (market value) in accordance with IAS 39. They are recognised under other assets and other liabilities and subsidies. The market values are derived from market prices or using generally accepted valuation methods.

If they are contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements (own use), they are not recognised as derivatives under IAS 39, but as pending contracts in accordance with IAS 37.

Derivatives are classified as 'held for trading' unless hedge accounting is used. Changes in market value are recognised immediately in profit or loss.

For derivatives used in a hedge, the accounting treatment of changes in fair value depends on the nature of the hedge.

In the case of changes in the fair value of cash flow hedges which are used to offset future cash flow risks arising from existing hedged transactions or highly probable forecast transactions, the unrealised gains and losses are initially recognised directly in equity (total net income recognised in equity) in the amount of the hedged transaction covered. Amounts are reclassified to the income statement when the hedged transaction is recognised in profit or loss.

In the case of a fair value hedge used to hedge the fair value of assets or liabilities, the gains or losses from the measurement of derivatives and the hedged transactions at fair value are recognised in profit or loss.

Foreign currency risks from investments with a foreign functional currency are secured by hedges of a net investment in a foreign operation. Unrealised exchange differences are initially recognised in equity and reclassified to profit or loss when the foreign operation is sold.

Contingent liabilities

Contingent liabilities are possible obligations to third parties or present obligations where an outflow of resources is remote or the amount cannot be determined reliably. Contingent liabilities are generally not recognised.

Significant accounting judgments, estimates and assumptions

The **exercise of judgments** when applying the accounting policies did not have any significant effect on the carrying amounts of the assets and liabilities reported in the financial statements.

Uncertain future events need to be estimated as of the balance sheet date in order to determine the carrying amounts of certain assets and liabilities. These estimates are based on assumptions and forecasts and are thus subject to risks and uncertainty. The key future-oriented assumptions and other sources of uncertainty as of the balance sheet date concerning estimates which have given rise to a considerable risk that material adjustments of carrying amounts of assets and liabilities may be required in the next fiscal year are explained below.

Goodwill: Goodwill is tested for impairment at least once a year. The impairment test involves estimates above all concerning the future cash inflows. Changes in the overall economic, industry or company situation in the future may reduce cash inflows and lead to an impairment of goodwill.

Property, plant and equipment: Technical progress, deterioration in the market situation or damage could lead to an impairment of property, plant and equipment.

Pension provisions: When calculating pension provisions, the choice of underlying assumptions such as the imputed interest rate or trend, of demographic probabilities using the 2005 G Heubeck mortality tables and accepted approximation methods when determining the pension from the statutory pension insurance fund may lead to differences compared to the actual obligations incurred over time.

Nuclear power provisions: The provisions for closure and disposal relating to nuclear power are based on external appraisals that are updated annually. These appraisals are based on cost estimates of the settlement value for each commitment. The uncertainty inherent in the estimates is primarily due to changes in the scope of insurance, departures from the assumed cost development and changes in payment dates. Changes in the discount rate could also lead to an adjustment of the nuclear power provisions.

Provisions for onerous contracts: Provisions for onerous contracts are generally set up for onerous procurement and sales agreements. Future changes in market prices on the procurement or sales side may lead to an adjustment of the provisions for onerous contracts.

Acquisition accounting: For acquisition accounting purposes, all identifiable assets, liabilities and contingent liabilities acquired in a share purchase are recognised at fair value as of the date of acquisition. Estimates are used to calculate the fair value of these assets and liabilities as of the date of acquisition. Land, buildings and other equipment, furniture and fixtures are generally measured by independent appraisers. Marketable securities are recognised at market price. The measurement of intangible assets is based on the nature of the intangible asset as well as the complexity of determining fair value. Fair value is therefore determined on the basis of independent appraisals from external valuation experts.

Income tax: Estimates are needed to set up tax provisions and to assess the recoverability of deferred tax assets on unused tax losses. The assessment of recoverability of deferred tax assets is subject to uncertainty in terms of the interpretation of complex tax regulations and the amount and timing of future taxable income.

Entities accounted for using the equity method: IFRS financial statements were not available to us for all entities. Therefore, these entities were accounted for using the equity method based on an estimate of the HGB-IFRS differences.

Notes to the income statement and the balance sheet

(1) Revenue

Revenue is recognised when the risk has been transferred to the customer. The electricity and natural gas tax paid by the entities is deducted from revenue on the face of the income statement.

Income and expenses from energy trading are disclosed net. The net disclosure means that revenue from energy trading is reported net of the related cost of materials. For the fiscal year 2007, the net energy trading revenue came to € 2,247.9 million (prior year, adjusted: € 2,636.5 million).

The segment reporting contains a breakdown of revenue by business segment.

(2) Other operating income

€ millions[1]	2007	2006
Rent and lease income	31.5	40.8
Income from the release and reduction of specific bad debt allowances	13.1	13.7
Disposals of assets	18.8	28.5
Exchange rate gains	15.1	7.7
Reversal of provisions	293.4	273.8
Release of construction cost subsidies	88.1	84.5
Income from derivatives	213.7	62.9
Sundry	314.2	324.6
Total	**987.9**	**836.5**

[1] Prior-year figures adjusted.

Disposals of assets contain income of € 5.7 million (prior year: € 6.7 million) from the disposal of real property held for sale.

Sundry other operating income includes extraordinary income of € 21.1 million (prior year: € 32.2 million).

Reversals of impairment losses on intangible assets, property, plant and equipment and investment properties amounted to € 7.7 million in the reporting period (prior year: € 8.4 million).

(3) Cost of materials

€ millions[1]	2007	2006
Cost of materials and supplies and of purchased merchandise	8,759.5	6,990.2
Cost of purchased services	2,184.4	2,055.1
Total	**10,943.9**	**9,045.3**

[1] Prior-year figures adjusted.

Cost of raw materials and supplies and of purchased merchandise comprises in particular gas and electricity procurement costs, the necessary increases – other than that due to the passage of time – in provisions for the decommissioning of nuclear power stations, costs for the disposal of irradiated fuel rods and radioactive waste as well as the consumption of nuclear fuel rods, of nuclear fuels and of the fuels of conventional power stations.

Cost of purchased services mainly contains expenses for network use, services purchased for the operation and maintenance of the plants as well as the cost of waste disposal and contract production. In addition, other expenses directly attributable to services rendered are shown under this heading.

(4) Personnel expenses

€ millions[1]	2007	2006
Wages and salaries	1,125.9	989.4
Social security, pension and other benefit cost	350.3	378.3
of which for post-employment benefits	(157.5)	(189.2)
Total	**1,476.2**	**1,367.7**

[1] Prior-year figures adjusted.

Average headcount of continuing operations during the year[1]	2007	2006
Electricity	11,592	11,494
Gas	881	796
Energy and environmental services	7,149	6,123
Other activities/Holding	555	527
Employees of continuing operations	**20,177**	**18,940**
Apprentices and trainees in the group	1,225	1,205

[1] Adjusted to the segment structure as of 31 December 2007.

Expenses for post-employment benefits from the increase in the benefit obligation amount to € 72.2 million (prior year: € 75.5 million). The other expenses for post-employment benefits mainly contain other social benefits that can be provided for and contributions to the pension guarantee association.

For entities included on a proportionate basis, 678 employees (prior year: 723) have been included in the total figure according to the EnBW share. The average headcount of discontinued operations during the year 2007 was 322 (prior year: 1,319).

(5) Depreciation and amortisation

€ millions[1]	2007	2006
Amortisation of intangible assets	92.0	80.4
Depreciation of property, plant and equipment	689.1	741.8
Depreciation of investment properties	2.0	7.1
Release of investment cost subsidies	-5.9	-6.7
Total	**777.2**	**822.6**

[1] Prior-year figures adjusted.

In the reporting year there were no impairment losses on goodwill from capital consolidation (prior year: € 0.0 million). The impairment losses recognised on other intangible assets, property, plant and equipment and investment properties amounted to € 11.9 million (prior year: € 96.3 million). The impairment losses recognised in the prior year were mainly caused by the technical problems with the mechanical-biological waste treatment plants and their associated closure.

(6) Other operating expenses

€ millions[1]	2007	2006
Rent and lease expenses	73.0	69.8
Expense from specific bad debt allowances	40.5	37.6
Disposals of assets	27.7	21.6
Exchange rate losses	27.1	13.4
Other personnel expenses	85.7	51.1
Advertising expenses	137.8	131.4
Administrative and selling expenses	136.7	119.5
Audit, legal and consulting fees	134.7	99.2
Expenses from derivatives	26.7	100.9
Insurance	40.3	38.8
Dues and levies	8.1	8.3
Other taxes	15.3	8.6
Sundry	243.4	360.9
Total	**997.0**	**1,061.1**

[1] Prior-year figures adjusted.

Sundry other operating expenses include extraordinary expenses of € 17.8 million (prior year: € 115.8 million).

(7) Share of profit of entities accounted for using the equity method and other investment income

€ millions[1]	2007	2006
Income from entities accounted for using the equity method	158.9	146.7
Reversal of negative difference at entities accounted for using the equity method	0.0	14.8
Share of profit of entities accounted for using the equity method	**158.9**	**161.5**
Investment income	48.5	49.5
of which non-consolidated affiliated entities	(3.9)	(2.8)
Write-downs of investments	-8.6	-23.5
of which non-consolidated affiliated entities	(0.0)	(-4.7)
Income from the sale of equity investments	17.3	23.8
Other	56.1	-0.2
Other income from investments	**113.3**	**49.6**
Investment income	**272.2**	**211.1**

[1] Prior-year figures adjusted.

The share of profit of entities accounted for using the equity method does not contain any income from the reversal of provisions for the potential acquisition of associates in the fiscal year 2007 (prior year: € 12.0 million). Write-downs include impairment losses on other investments of € 8.6 million (prior year: € 18.8 million) and impairment losses on shares in affiliated entities of € 0.0 million (prior year: € 4.7 million). Other income from investments contains, among other items, income from the reversal of provisions for onerous contracts from writer obligations for the potential acquisition of equity investments of € 54.3 million (prior year: provisioning of € 4.8 million).

(8) Finance revenue and finance costs

€ millions[1]	2007	2006
Interest and similar income	327.1	248.6
of which non-consolidated affiliated entities	(0.4)	(0.0)
Other finance revenue	70.8	126.2
Finance revenue	**397.9**	**374.8**
Borrowing costs	-276.9	-282.4
Other interest and similar expenses	-27.6	-69.9
of which non-consolidated affiliated entities	(-0.3)	(-0.2)
Interest portion of increases in provisions	-466.1	-447.6
Personnel provisions	(-208.6)	(-200.7)
Provisions relating to nuclear power	(-246.2)	(-240.0)
Other non-current provisions	(-11.3)	(-6.9)
Other finance costs	-85.8	-47.1
Finance costs	**-856.4**	**-847.0**
Financial result	**-458.5**	**-472.2**

[1] Prior-year figures adjusted.

Interest and similar income contains interest income from interest-bearing securities and loans, dividends and other profit shares.

Interest income of € 385.7 million was offset against economically related interest expenses in the reporting period (prior year: € 0.0 million).

Borrowing costs and other interest and similar expenses mainly consist of expenses for bank interest and bonds of € 190.5 million (prior year: € 191.7 million), interest on back taxes of € 1.9 million (prior year: € 28.1 million) as well as the interest portion for finance lease costs of € 45.9 million (prior year: € 60.2 million), other financing interest of € 40.5 million (prior year: € 31.2 million) and interest on put options of minority interests of entities that have already been fully consolidated amounting to € 22.5 million (prior year: € 20.6 million). The interest portions from the increase in provisions relate to the annual increase of the non-current provisions due to the passage of time.

Other finance revenue/finance costs contain write-ups/write-downs of securities, reversals of the provisions for potential losses from writer obligations and realised exchange rate gains/losses from sales of securities.

(9) Income tax

€ millions[1]	2007	2006
Current income tax	406.2	54.0
Deferred tax	-449.4	21.4
Income tax (-income/+expense)	**-43.2**	**75.4**

[1] Prior-year figures adjusted.

Current income tax contains net expenses of € 84.1 million (prior year: net income of € 279.6 million) that relate to prior periods. Deferred tax contains net income of € 81.6 million (prior year: € 34.4 million) that relates to prior periods. The net tax income is due primarily to use of the lower tax rate of 29.0% (previously: 38.0%) in the calculation of deferred taxes as a result of the German 2008 Business Tax Reform Act.

Deferred taxes are computed using a tax rate of 29.0% (prior year: 38.0%). This consists of corporate income tax, the solidarity surcharge and the average trade tax at the tax rates applicable as of 2008.

In 2007, the deferred tax expense was reduced by € 35.3 million (prior year: € 24.5 million) by recognising previously unused tax losses and increased by a € 12.0 million write-down of a deferred tax asset (prior year: € 3.6 million). In addition, the deferred tax expense was reduced by € 186.8 million on account of the increase in unused tax losses (prior year: € 0.0 million).

The reconciliation from the theoretical income tax expense to the current income tax expense is presented below:

€ millions[1]	2007	%	2006	%
Earnings before tax	**1,372.9**		**1,190.1**	
Applicable tax rate		38.0		38.0
Theoretical income tax expense	**521.7**		**452.2**	
Tax effects				
Difference foreign tax rates and tax rate difference	-19.5	-1.4	5.9	0.5
Tax-free income	-92.8	-6.8	-67.4	-5.7
Non-deductible expenses	29.3	2.1	48.9	4.1
Addbacks and reductions for trade tax purposes	12.9	0.9	9.7	0.8
Measurement of associates using the equity method	-54.9	-4.0	-43.0	-3.6
Change in deferred tax assets relating to unused tax losses	-22.9	-1.7	-15.2	-1.3
Zero-rated disposals of investments	-0.1	0.0	-9.0	-0.8
Taxes relating to other periods	2.5	0.2	-314.0	-26.4
Non-recurring effect, tax reduction under the German 2008 Business Tax Reform Act	-412.0	-30.0	0.0	0.0
Other	-7.4	-0.4	7.3	0.6
Current income tax (-income/+expense)	**-43.2**		**75.4**	
Effective tax rate		**-3.1**		**6.3**

[1] Prior-year figures adjusted.

(10) Intangible assets

€ millions[1]	Franchises, industrial rights, licences and similar rights	Internally generated intangible assets	Goodwill	Other	Total
Cost					
As of 1 January 2007	1,491.1	47.6	606.1	17.3	2,162.1
Increase/decrease due to changes in the consolidated companies[2]	15.5	0.0	57.5	0.0	73.0
Additions	25.1	7.3	0.0	12.5	44.9
Reclassifications	-0.1	13.9	0.0	-12.7	1.1
Reclassifications to assets held for sale and discontinued operations	-2.7	0.0	-8.9	0.0	-11.6
Currency adjustments	-10.2	0.0	-0.2	0.0	-10.4
Disposals	-43.9	0.0	0.0	0.0	-43.9
As of 31 December 2007	1,474.8	68.8	654.5	17.1	2,215.2
Accumulated amortisation					
As of 1 January 2007	474.9	12.0	14.0	0.0	500.9
Additions	83.5	8.5	0.0	0.0	92.0
Reclassifications	-0.3	0.3	0.0	0.0	0.0
Reclassifications to assets held for sale and discontinued operations	-2.3	0.0	0.0	0.0	-2.3
Currency adjustments	-0.9	0.0	0.0	0.0	-0.9
Disposals	-10.9	0.0	0.0	0.0	-10.9
As of 31 December 2007	544.0	20.8	14.0	0.0	578.8
Carrying amounts					
As of 31 December 2007	930.8	48.0	640.5	17.1	1,636.4
Cost					
As of 1 January 2006	1,213.7	43.2	475.0	12.5	1,744.4
Increase/decrease due to changes in the consolidated companies	286.4	0.0	143.6	0.3	430.3
Additions	19.9	1.2	0.0	13.2	34.3
Reclassifications	10.2	3.2	0.0	-8.1	5.3
Currency adjustments	-9.4	0.0	0.0	0.0	-9.4
Disposals	-29.7	0.0	-12.5	-0.6	-42.8
As of 31 December 2006	1,491.1	47.6	606.1	17.3	2,162.1
Accumulated amortisation					
As of 1 January 2006	403.9	7.0	14.0	0.0	424.9
Decrease due to changes in the consolidated companies	-0.3	0.0	0.0	0.0	-0.3
Additions	75.4	5.0	0.0	0.0	80.4
Additions of discontinued operations	0.4	0.0	0.0	0.0	0.4
Currency adjustments	-0.7	0.0	0.0	0.0	-0.7
Disposals	-3.8	0.0	0.0	0.0	-3.8
As of 31 December 2006	474.9	12.0	14.0	0.0	500.9
Carrying amounts					
As of 31 December 2006	1,016.2	35.6	592.1	17.3	1,661.2

[1] Prior-year figures adjusted.
[2] Including increases in equity holdings.

Of the carrying amount of **intangible assets**, an amount of € 249.7 million (prior year: € 281.8 million) relates to an electricity procurement right that qualifies as a finance lease. The contract expires in 2015. The carrying amount of intangible assets also includes operating licences for power stations of € 311.2 million (prior year: € 328.9 million) and customer relationships of € 159.6 million (prior year: € 162.3 million).

In 2007, a total of € 32.4 million (prior year: € 20.6 million) was spent on **research & development**. The recognition criteria required under IFRS were not satisfied.

Goodwill was allocated to the cash-generating units or groups of cash-generating units for impairment test purposes. No impairment losses were recognised on goodwill in 2007.

Goodwill totalled € 640.5 million as of 31 December 2007. Of this figure, 85.1% is attributable to the cash-generating units or groups of cash-generating units presented in the table below:

Cash-generating unit/group of cash generating units	Carrying amount of the goodwill allocated to the cash-generating unit/group of cash-generating units € millions
Electricity sales/ distribution	183.9
Gas sales/ distribution	99.5
Stadtwerke Düsseldorf AG subgroup	143.8
Energiedienst Holding AG subgroup	117.8

The goodwill that is allocated to the other cash-generating units or groups of cash-generating units accounted for less than 10% of total goodwill. It amounted to a total of € 95.5 million.

The recoverable amount of the cash-generating unit is determined on the basis of fair value less costs to sell. Using a business valuation model, fair value is derived from the cash flow planning, based on the mid-term planning approved by the Board of Management for a period of three years and valid as of the date of the impairment test. The planning is based on past experience and on estimates concerning the future market development.

The discount rates applied to the cash flows are determined on the basis of market data and range from 5.1% to 7.8% after tax (prior year: 4.8% to 7.4% after tax).

A constant growth rate of 1.5% (prior year: 1.5%) is used to extrapolate the cash flows beyond the detailed planning period taking into account the expected price and volume-related growth.

Changes in the value of put options of minority interests in entities that have already been fully consolidated were retroactively offset against the associated goodwill for the fiscal year 2006. Offsetting led to a decrease in goodwill of € 41.2 million.

Goodwill by segment developed as follows:

€ millions[1]	Electricity	Gas	Energy and environmental services	Total
Carrying amounts as of 1 January 2007	441.1	91.6	59.4	592.1
Increase/decrease due to changes in the consolidated companies[2]	15.5	41.7	0.3	57.5
Reclassifications to assets held for sale and discontinued operations	0.0	0.0	-8.9	-8.9
Other changes	-0.2	0.0	0.0	-0.2
Carrying amounts as of 31 December 2007	456.4	133.3	50.8	640.5
Carrying amounts as of 1 January 2006	383.6	61.9	15.5	461.0
Increase/decrease due to changes in the consolidated companies	65.9	33.8	43.9	143.6
Other changes	-8.4	-4.1	0.0	-12.5
Carrying amounts as of 31 December 2006	441.1	91.6	59.4	592.1

[1] Prior-year figures adjusted.
[2] Including increases in equity holdings.

(11) Property, plant and equipment

€ millions	Land and buildings	Power stations	Distribution plants	Other equipment	Assets under construction	Total
Cost						
As of 1 January 2007	3,578.0	11,481.8	14,082.2	1,549.2	391.0	31,082.2
Increase/decrease due to changes in the consolidated companies	1.0	14.3	129.3	0.6	0.2	145.4
Additions	33.9	134.4	247.3	91.2	347.7	854.5
Reclassifications	41.6	100.2	47.2	84.3	-253.7	-19.6
Reclassifications to assets held for sale and discontinued operations	-88.2	0.0	0.0	-179.7	-1.9	-269.8
Currency adjustments	1.6	-8.9	3.0	-0.3	0.1	-4.5
Disposals	-9.2	-119.3	-94.7	-39.2	-2.3	-264.7
As of 31 December 2007	3,558.7	11,602.5	14,414.3	1,506.1	481.1	31,562.7
Accumulated depreciation						
As of 1 January 2007	1,313.3	9,365.1	8,028.4	1,032.3	7.0	19,746.1
Decrease due to changes in the consolidated companies	0.0	0.0	0.0	-0.1	0.0	-0.1
Additions	58.3	236.1	304.3	90.4	0.0	689.1
Reclassifications	14.4	-3.2	0.2	0.8	0.0	12.2
Reclassifications to assets held for sale and discontinued operations	-30.5	0.0	0.0	-125.7	0.0	-156.2
Currency adjustments	0.0	-5.4	0.9	-0.2	0.0	-4.7
Disposals	-3.7	-25.5	-72.3	-36.0	0.0	-137.5
Reversal of impairment losses	0.0	-2.4	0.0	0.0	0.0	-2.4
As of 31 December 2007	1,351.8	9,564.7	8,261.5	961.5	7.0	20,146.5
Carrying amounts						
As of 31 December 2007	2,206.9	2,037.8	6,152.8	544.6	474.1	11,416.2

€ millions	Land and buildings	Power stations	Distribution plants	Other equipment	Assets under construction	Total
Cost						
As of 1 January 2006	3,240.9	11,016.1	13,371.9	1,350.9	345.2	29,325.0
Increase/decrease due to changes in the consolidated companies	310.8	230.2	484.4	164.8	19.5	1,209.7
Additions	31.1	205.3	239.7	75.7	205.1	756.9
Reclassifications	27.1	59.9	63.9	27.7	-163.6	15.0
Reclassifications to assets held for sale and discontinued operations	-3.1	0.0	0.0	0.0	0.0	-3.1
Currency adjustments	3.7	-7.0	5.9	0.5	0.0	3.1
Disposals	-32.5	-22.7	-83.6	-70.4	-15.2	-224.4
As of 31 December 2006	3,578.0	11,481.8	14,082.2	1,549.2	391.0	31,082.2
Accumulated depreciation						
As of 1 January 2006	1,229.0	9,176.5	7,793.0	959.0	7.3	19,164.8
Decrease due to changes in the consolidated companies	-1.3	0.1	0.0	-5.6	-0.3	-7.1
Additions	97.4	224.2	292.4	127.8	0.0	741.8
Additions of discontinued operations	2.8	0.0	0.0	11.8	0.0	14.6
Reclassifications	1.4	-7.3	7.2	3.1	0.0	4.4
Reclassifications to assets held for sale and discontinued operations	1.5	0.0	0.0	0.0	0.0	1.5
Currency adjustments	0.1	-4.7	2.0	0.2	0.0	-2.4
Disposals	-14.4	-19.5	-66.2	-64.0	0.0	-164.1
Reversal of impairment losses	-3.2	-4.2	0.0	0.0	0.0	-7.4
As of 31 December 2006	1,313.3	9,365.1	8,028.4	1,032.3	7.0	19,746.1
Carrying amounts						
As of 31 December 2006	2,264.7	2,116.7	6,053.8	516.9	384.0	11,336.1

Items of **property, plant and equipment** are encumbered by property liens totalling € 19.7 million (prior year: € 22.2 million).

Land and buildings also include land rights and buildings on third-party land. Other equipment includes waste disposal facilities, other technical facilities as well as furniture and fixtures.

Finance leases account for € 11.0 million (prior year: € 168.0 million) of the carrying amount of property, plant and equipment. These pertain in particular to the powerhouse of the Rheinhafen thermal power station in Karlsruhe. It is highly likely that EnBW will exercise its option to purchase the powerhouse when the contract expires in 2015.

The carrying amounts of the finance leases recognised as non-current assets are summarised below:

€ millions	31/12/2007	31/12/2006
Franchises, industrial rights and similar rights and assets	249.7	281.8
Land, land rights and buildings including buildings on third-party land	11.0	26.2
Technical equipment and machines	0.0	141.8
Total	**260.7**	**449.8**

Group capital expenditures on intangible assets and property, plant and equipment of € 816.1 million (prior year: € 630.1 million) are derived as follows from the statement of changes in non-current assets:

€ millions	31/12/2007	31/12/2006
Additions to intangible assets and property, plant and equipment according to the statement of changes in non-current assets	899.4	791.2
Additions to the provision recognised for the decommissioning and dismantling of nuclear power generating plants	-83.3	-161.1
Capital expenditures on intangible assets and property, plant and equipment[1]	**816.1**	**630.1**

[1] From continuing operations.

(12) Investment properties

€ millions	
Cost	
As of 1 January 2007	200.4
Additions	0.6
Reclassifications	-22.1
Reclassifications to assets held for sale and discontinued operations	-26.5
Disposals	-2.3
As of 31 December 2007	150.1
Accumulated depreciation	
As of 1 January 2007	85.3
Additions	2.0
Reclassifications	-11.9
Reclassifications to assets held for sale and discontinued operations	-6.5
Disposals	-1.2
Reversal of impairment losses	-5.3
As of 31 December 2007	62.4
Carrying amount	
As of 31 December 2007	87.7
Cost	
As of 1 January 2006	229.0
Additions	1.7
Reclassifications	-20.4
Reclassifications to assets held for sale and discontinued operations	-5.7
Disposals	-4.2
As of 31 December 2006	200.4
Accumulated depreciation	
As of 1 January 2006	90.8
Additions	7.1
Reclassifications	-7.4
Reclassifications to assets held for sale and discontinued operations	-2.6
Disposals	-1.6
Reversal of impairment losses	-1.0
As of 31 December 2006	85.3
Carrying amount	
As of 31 December 2006	115.1

As of the balance sheet date, the market value of the real estate that is classified as **investment properties** was € 96.3 million (prior year: € 128.2 million). The market value was determined either using the discounted cash flow method or from current market prices. The valuation was performed by internal and external valuers. About half of the investment properties were valued by external valuers. Rent income totalled € 10.7 million (prior year: € 14.1 million). The directly allocable operating expenses amounted to € 0.9 million (prior year: € 0.9 million). Operating expenses that were not offset by rent income totalled € 0.5 million (prior year: € 0.4 million).

The impairment losses on investment properties amounted to € 0.5 million (prior year: € 5.2 million). There are no obligations to purchase investment properties.

Gains on disposal of € 21.8 million were generated in the fiscal year 2007 from the sale of investment properties (prior year: € 4.5 million).

(13) Entities accounted for using the equity method

€ millions[1]	
Cost	
As of 1 January 2007	1,765.4
Increase/decrease due to profits/losses	158.9
Increase/decrease due to amounts recognised directly in equity	33.9
Reclassifications	-7.5
Reclassifications to assets held for sale and discontinued operations	-0.8
Currency adjustments	0.5
Decrease due to dividend distributions	-87.1
As of 31 December 2007	1,863.3
Accumulated impairment	
As of 1 January 2007	6.8
Decrease due to changes in the consolidated companies	0.0
As of 31 December 2007	6.8
Carrying amount	
As of 31 December 2007	1,856.5
Cost	
As of 1 January 2006	1,807.0
Increase/decrease due to changes in the consolidated companies	-308.8
Increase/decrease due to profits/losses	134.7
Offsetting of negative differences with effect on profit or loss	14.8
Increase/decrease due to amounts recognised directly in equity	72.1
Reclassifications	27.9
Currency adjustments	-1.9
Decrease due to dividend distributions	-79.6
Other additions/disposals	99.2
As of 31 December 2006	1,765.4
Accumulated impairment	
As of 1 January 2006	37.7
Decrease due to changes in the consolidated companies	-30.9
As of 31 December 2006	6.8
Carrying amount	
As of 31 December 2006	1,758.6

[1] Prior-year figures adjusted.

The goodwill disclosed from equity consolidation came to € 124.5 million (prior year: € 128.8 million).

The table below shows the key items of the income statements and balance sheets of the entities accounted for using the equity method:

Results of the entities accounted for using the equity method € millions[1]	2007	2006
Revenue	6,653.5	6,552.8
Profit for the year	477.9	460.4
Adjustment to EnBW investment and equity measurement	-319.0	-298.9
Share of profit of entities accounted for using the equity method	158.9	161.5

[1] Prior-year figures adjusted.

Balance sheet figures of the entities accounted for using the equity method € millions[1]	31/12/2007	31/12/2006
Assets	11,063.3	10,714.1
Liabilities	5,898.7	5,840.1
Equity	5,164.6	4,874.0
Adjustment to EnBW investment and equity measurement	-3,308.1	-3,115.4
Carrying amount of the entities accounted for using the equity method	1,856.5	1,758.6

[1] Prior-year figures adjusted.

Our share of the contingent liabilities of entities accounted for using the equity method came to € 423.8 million as of 31 December 2007 (prior year: € 476.8 million).

The fair value of those investments for which there are published price quotations amounts to € 1,571.4 million (prior year: € 1,571.9 million). The carrying amount of these investments is € 1,155.4 million (prior year: € 1,060.1 million).

The following entities accounted for using the equity method have a different balance sheet date and are consolidated with the figures from their financial statements as of 30 September 2007:

- Elektrizitätswerk Rheinau AG, Rheinau/Switzerland
- DIW Deutsche Industriewartung AG, Stuttgart
- EVN Energie-Versorgung Niederösterreich AG, Maria Enzersdorf/Austria

(14) Other financial assets

The **shares in affiliated entities** disclosed in the financial assets are entities that are not included in the consolidated financial statements due to immateriality.

The **non-current securities** are mainly fixed-interest securities as well as listed shares. To a large extent, the non-current securities are held in special funds. For consolidation purposes, the individual securities in the special funds are shown separately in the consolidated balance sheet by type of investment.

Loans comprise loans to affiliated entities of € 0.3 million (prior year: € 0.3 million), loans to entities in which investments are held of € 22.4 million (prior year: € 23.5 million) and other loans of € 68.9 million (prior year: € 110.7 million).

Impairment losses of financial assets are recorded on a separate allowance account and presented in the statement of changes in non-current assets below.

€ millions[1]	Shares in affiliated entities	Other investments[2]	Non-current securities[3]	Loans	Total
Cost					
As of 1 January 2007	64.1	774.7	5,229.7	187.9	6,256.4
Additions	6.5	168.5	2,919.3	9.1	3,103.4
Reclassifications	0.3	6.9	-445.8	-26.8	-465.4
Reclassifications to assets held for sale and discontinued operations	-2.1	-9.4	0.0	-0.1	-11.6
Currency adjustments	0.0	-1.2	-0.1	-1.3	-2.6
Disposals	-5.2	-26.6	-2,871.5	-23.1	-2,926.4
As of 31 December 2007	63.6	912.9	4,831.6	145.7	5,953.8
Accumulated impairment					
As of 1 January 2007	15.3	139.2	16.8	53.4	224.7
Additions	0.0	8.6	0.0	0.9	9.5
Reclassifications to assets held for sale and discontinued operations	-2.6	-7.2	0.0	0.0	-9.8
Currency adjustments	0.0	0.0	0.0	-0.1	-0.1
Disposals	-4.6	-0.2	0.0	-0.1	-4.9
As of 31 December 2007	8.1	140.4	16.8	54.1	219.4
Carrying amounts					
As of 31 December 2007	55.5	772.5	4,814.8	91.6	5,734.4
Cost					
As of 1 January 2006	54.6	621.8	4,963.7	161.6	5,801.7
Increase/decrease due to changes in the consolidated companies	0.0	25.0	-456.9	49.0	-382.9
Additions	1.2	136.3	3,258.5	40.0	3,436.0
Reclassifications	8.4	68.4	-51.0	-16.4	9.4
Currency adjustments	0.0	-0.9	0.0	-2.8	-3.7
Disposals	-0.1	-75.9	-2,484.6	-43.5	-2,604.1
As of 31 December 2006	64.1	774.7	5,229.7	187.9	6,256.4
Accumulated impairment					
As of 1 January 2006	10.6	116.8	31.1	66.8	225.3
Additions	4.7	18.8	0.0	2.2	25.7
Reclassifications	0.0	14.3	-14.3	0.0	0.0
Disposals	0.0	-10.7	0.0	-4.5	-15.2
Reversal of impairment losses	0.0	0.0	0.0	-11.1	-11.1
As of 31 December 2006	15.3	139.2	16.8	53.4	224.7
Carrying amounts					
As of 31 December 2006	48.8	635.5	5,212.9	134.5	6,031.7

[1] Prior-year figures adjusted.
[2] Of the additions, € 67.5 million (prior year: € 68.5 million) stems from market valuation, of the disposals € 0.2 million (prior year: € 0.0 million).
[3] Of the additions, € 96.8 million (prior year: € 167.3 million) stems from market valuation, of the disposals € 8.5 million (prior year: € 70.2 million).

(15) Trade receivables

			31/12/2007			31/12/2006
€ millions	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	2,108.7	372.6	2,481.3	2,245.7	334.3	2,580.0
of which from affiliated entities	(11.3)	(14.2)	(25.5)	(9.1)	(14.2)	(23.3)
of which from equity investments	(36.5)	(4.1)	(40.6)	(107.0)	(0.2)	(107.2)
of which from entities accounted for using the equity method	(9.3)	(0.0)	(9.3)	(1.0)	(0.1)	(1.1)

Non-current trade receivables principally include receivables relating to electricity supplies, whose term to maturity does not match the customary business cycle.

Bad debt allowances on trade receivables break down as follows:

€ millions	2007	2006
As of 1 January	74.7	100.2
Utilisation	-52.4	-40.2
Net allocations	33.8	14.7
As of 31 December	56.1	74.7

The credit risks inherent in trade receivables are presented below:

€ millions	31/12/2007	31/12/2006
Not overdue and not impaired	2,353.4	2,447.4
Overdue, but not impaired		
≤ 3 months	65.4	60.7
> 3 months ≤ 6 months	7.8	8.4
> 6 months ≤ 1 year	3.9	8.1
> 1 year	6.0	20.4
Impaired	44.8	35.0
Total	**2,481.3**	**2,580.0**

There was no indication as of the balance sheet date that any impairment losses needed to be recognised on the trade receivables recorded as not impaired.

(16) Income tax refund claims

Current and non-current income tax refund claims essentially comprise the corporate income tax credit arising from transition to the half-income method pursuant to the German Tax Reduction Act (StSenkG) from 23 October 2000, on the basis of the revised act on tax measures accompanying the introduction of the European company and the amendment of other tax law provisions (SEStEG) from 7 December 2006.

In addition, this item contains deductible tax on investment income and deductible withholding tax on interest from prior years and the current year.

(17) Other assets

			31/12/2007			31/12/2006
€ millions	Current	Non-current	Total	Current	Non-current	Total
Other tax refund claims	33.7	0.0	33.7	25.1	0.0	25.1
Derivatives	1,014.0	7.7	1,021.7	524.7	11.1	535.8
of which without hedges	(836.2)	(1.9)	(838.1)	(490.9)	(2.6)	(493.5)
of which cash flow hedge	(177.8)	(5.8)	(183.6)	(33.8)	(6.7)	(40.5)
of which fair value hedge	(0.0)	(0.0)	(0.0)	(0.0)	(1.8)	(1.8)
Finance lease receivables	7.9	48.3	56.2	7.7	47.1	54.8
Payments on account	253.6	33.8	287.4	216.1	29.2	245.3
Prepaid expenses	18.3	71.0	89.3	31.9	59.7	91.6
Sundry assets	398.1	19.0	417.1	373.0	1.4	374.4
	1,725.6	**179.8**	**1,905.4**	**1,178.5**	**148.5**	**1,327.0**

The **finance lease receivables** arose from supply contracts for various forms of energy such as electricity, heat, cooling and compressed-air under which the economic ownership of the leased technical equipment and machinery is allocable to the lessee. The lease agreements provide for escalation clauses as well as rent extension and purchase price options that can be exercised only by the respective contracting parties. The agreements are based on the following parameters and terms to maturity:

€ millions	31/12/2007	31/12/2006
Total lease instalments	69.3	77.8
Interest portion of outstanding lease instalments	13.1	23.0
Present value of outstanding lease instalments	**56.2**	**54.8**

The terms to maturity of the nominal value of the outstanding lease instalments are as follows:

€ millions	31/12/2007	31/12/2006
Due within 1 year	10.7	11.1
Due in 1 to 5 years	39.6	43.8
Due in more than 5 years	19.0	22.9
Total	**69.3**	**77.8**

The present value of the outstanding lease instalments splits up as follows:

€ millions	31/12/2007	31/12/2006
Due within 1 year	9.2	10.6
Due in 1 to 5 years	32.9	31.3
Due in more than 5 years	14.1	12.9
Total	**56.2**	**54.8**

Bad debt allowances of € 0.4 million have been recognised for outstanding finance lease receivables (prior year: € 7.3 million). In the past fiscal year, finance lease receivables were written up by € 6.9 million (prior year: € 0.0 million).

Payments on account contain prepayments for electricity procurement agreements of € 204.9 million (prior year: € 142.7 million). Of the total amount of prepaid expenses, € 38.4 million (prior year: € 43.3 million) relates to deferred lease instalments.

Bad debt allowances on other assets measured at amortised cost developed as follows:

€ millions	2007	2006
As of 1 January	52.2	44.2
Utilisation	-17.1	-1.2
Net allocations	-6.4	9.2
As of 31 December	**28.7**	**52.2**

The credit risks of financial instruments disclosed under other assets break down as follows:

€ millions	31/12/2007	31/12/2006
Not overdue and not impaired	1,489.8	927.9
Overdue, but not impaired		
≤ 3 months	0.1	0.4
> 3 months ≤ 6 months	0.1	0.1
> 6 months ≤ 1 year	0.1	0.1
> 1 year	0.0	18.9
Impaired	0.5	0.8
Total	**1,490.6**	**948.2**

There was no indication as of the balance sheet date that any impairment losses needed to be recognised on the other assets recorded as not impaired.

(18) Inventories

€ millions	31/12/2007	31/12/2006
Raw materials, consumables and supplies	289.4	246.1
Nuclear fuel rods (incl. payments on account)	380.6	285.0
Work in progress	29.5	31.0
Finished goods and merchandise	25.1	34.5
Payments on account	8.1	15.7
Total	**732.7**	**612.3**

There are no restrictions on titles to assets or other encumbrances. There are no significant long-term construction contracts which would require accounting for as long-term construction contracts.

In the reporting year, impairment losses of € 4.6 million (prior year: € 9.2 million) were recorded on inventories.

(19) Financial assets

Current financial assets mainly include profit participation certificates as well as fixed-interest securities. Other current financial assets principally relate to loans issued. Due to the measurement at market value, reversals of impairment losses came to € 0.0 million in the fiscal year (prior year: € 3.3 million) and impairment losses to € 0.8 million (prior year: € 2.2 million).

€ millions	31/12/2007	31/12/2006
Profit participation rights, funds and shares	515.3	204.8
Other current financial assets	212.3	69.2
Total	**727.6**	**274.0**

Current financial assets totalling € 119.9 million (prior year: € 133.2 million) were provided as collateral. The collateral was mainly provided for stock exchange transactions fluctuating according to the development of the trading volume and the development of market prices. Market interest rates applied to the collateral provided. This collateral will be used by the stock exchanges in the event of non-performance of the obligations undertaken in the transactions.

(20) Cash and cash equivalents

Cash and cash equivalents relate almost exclusively to bank balances, largely in the form of time and call deposits.

(21) Equity

The development of equity and profit for the year is presented separately in the statement of changes in equity.

Subscribed capital

The capital stock of EnBW AG amounts to € 640,015,872.00 (prior year: € 640,015,872.00) and is divided into 250,006,200 (prior year: 250,006,200) registered no-par value shares, all of which have been fully paid in. The no-par value shares each represent an imputed share of € 2.56/share of the subscribed capital (prior year: € 2.56/share).

Electricité de France International SA (EDFI) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW) each directly hold 45.01% of the capital stock of EnBW AG as of 31 December 2007 (prior year: 45.01%).

Capital reserve

The capital reserve contains the amounts received from the issue of shares of EnBW AG which exceed the imputed value of the shares.

Revenue reserves

The revenue reserves contain the pro rata revenue reserves of the parent company and the other companies included in the consolidation after the date of purchase accounting.

Retained earnings of EnBW AG

Taking account of the profit carryforward of € 1.4 million (prior year: € 30.3 million) and after transferring € 200.0 million to other revenue reserves (prior year: € 249.6 million), retained earnings come to € 406.9 million (prior year: € 279.9 million). In the prior year, an additional € 14.6 million had been transferred to the legal reserve. On 25 April 2008, the Board of Management will propose to the annual general meeting that a dividend of € 1.51 per share (prior year: € 1.14 per share) be distributed from the retained earnings of EnBW AG. As of 31 December 2007, a total of 244,256,523 shares were entitled to dividends (prior year: 244,256,523). If the annual general meeting approves this proposal, the amount distributed by EnBW AG for fiscal 2007 will total € 368.8 million (prior year: € 278.5 million).

The carrying amounts recognised by EnBW AG pursuant to German commercial law for subscribed capital and the capital reserve were included in the statement of group equity pursuant to IFRS. The retained earnings of EnBW AG are disclosed under revenue reserves.

Revaluation reserve in accordance with IFRS 3

The revaluation reserve in accordance with IFRS 3 was set up in relation to the acquisitions achieved in stages of Stadtwerke Düsseldorf AG, Erdgas Südwest GmbH and GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG. It is determined on the basis of the changes in fair value of assets and liabilities occurring between the dates of acquisition in proportion to the shares held prior to full consolidation.

Treasury shares

As of 31 December 2007, EnBW AG holds 5,749,677 treasury shares that are valued at € 35.79 in the separate financial statements of EnBW AG (prior year: 5,749,677 shares at € 35.79). They account for 2.3% (prior year: 2.3%) of the capital stock.

The company has no rights, in particular dividend entitlements, from the directly or indirectly held treasury shares. In accordance with the rulings of IFRS, the treasury shares are not recognised as securities but offset against the revenue reserves on the face of the balance sheet.

Total net income recognised in equity

Total net income recognised in equity comprises changes in the market value of marketable securities and investments, changes in the market value of cash flow hedges, amounts recognised directly in equity for accounting for entities using the equity method as well as exchange differences from the translation of financial statements of foreign entities.

For details on the changes of marketable securities and investments recognised directly in equity, we refer to the notes on accounting for financial instruments.

Minority interests

Minority interests relate to shares in group entities held by third parties. The minority interests relate in particular to ENSO Strom AG, ENSO Erdgas GmbH, the Energiedienst group, Stadtwerke Düsseldorf AG, Gasversorgung Süddeutschland GmbH and Erdgas Südwest GmbH.

(22) Provisions

The provisions disclosed separately by maturity in the balance sheet are combined for the explanations of the items in the notes to the financial statements.

			31/12/2007			31/12/2006
€ millions	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Provisions for pensions and similar obligations	199.2	3,722.6	3,921.8	191.4	3,667.2	3,858.6
Tax provisions	202.5	40.4	242.9	319.0	34.3	353.3
Provisions for non-contractual nuclear obligations	18.4	3,280.6	3,299.0	12.7	3,140.2	3,152.9
Provisions for contractual nuclear obligations	108.0	1,199.1	1,307.1	115.7	1,264.9	1,380.6
Other electricity provisions	227.1	27.6	254.7	188.2	30.5	218.7
Personnel provisions	91.9	343.1	435.0	107.7	304.7	412.4
Provisions for onerous contracts	49.2	312.0	361.2	92.1	328.9	421.0
Other provisions	235.0	63.7	298.7	279.5	95.1	374.6
Total	**1,131.3**	**8,989.1**	**10,120.4**	**1,306.3**	**8,865.8**	**10,172.1**

Provisions for pensions and similar obligations

The provisions for pensions and similar obligations are recorded on the basis of the existing commitments for future and current post-employment benefits to current and former employees with a pension entitlement, as well as their surviving dependants. Most of them are defined benefit plans. The commitments are measured above all on the basis of the length of service and remuneration of the employees. In addition, the company pension scheme includes defined benefit obligations under a multi-employer plan. The contributions payable to the supplemental pension plans are made as a certain percentage of the respective employee's compensation subject to the additional benefits.

The amount of the provisions for defined benefit obligations corresponds to the present value of the expected future obligations adjusted for unrecognised actuarial gains and losses. The provisions are calculated using actuarial methods. Plan assets were created in accordance with IAS 19.7 and will be used exclusively to cover pension obligations. They were deducted from the pension obligations.

The main parameters (averages) of the calculation of the defined benefit obligations for the domestic companies are presented below:

	31/12/2007	31/12/2006
Discount rate	5.25%	4.50%
Future expected wage and salary increases	2.50%	3.00%
Future expected pension increase	2.25%	2.25%
Staff turnover	2.00%	2.00%
Expected return on plan assets	5.50%	5.50%

The calculations are based on the 2005 G mortality tables of Prof. Dr. Klaus Heubeck.

The expense for pensions and similar obligations is comprised as follows:

€ millions[1]	2007	2006
Personnel expenses		
Current service cost	65.4	62.9
Past service cost	0.1	0.1
Expected return on plan assets	-5.3	-5.2
Actuarial gains and losses	12.0	17.7
	72.2	**75.5**
Net interest		
Interest cost	194.5	188.5
Total	**266.7**	**264.0**

[1] Prior-year figures adjusted.

The present value of the claims for pension and similar benefit obligations can be reconciled to the carrying amount of the benefit obligations as follows:

€ millions	31/12/2007	31/12/2006
Projected benefit obligation	4,090.8	4,452.3
of which internally funded benefits	(3,875.0)	(4,232.6)
of which externally funded benefits	(215.8)	(219.7)
Fair value of plan assets	-105.4	-105.6
Plan surplus	3.5	11.5
Unrecognised actuarial gains/losses	-67.1	-499.5
Unrecognised past service cost	0.0	-0.1
Provisions for pensions and similar obligations	**3,921.8**	**3,858.6**

Statement of changes in plan assets € millions	2007	2006
Fair market value of plan assets at the beginning of the fiscal year	105.6	101.2
Expected return on plan assets	5.3	5.2
Transfer of assets	2.8	8.8
Benefits paid	-7.5	-7.0
Actuarial gains and losses	-0.8	-1.8
Other changes	0.0	-0.8
Fair market value of plan assets at the end of the fiscal year	**105.4**	**105.6**

The actual return on plan assets amounted to € 4.2 million (prior year: € 3.4 million).

Experience adjustments € millions	2007	2006	2005
Projected benefit obligations	-31.9	-22.7	29.6
Fair market value of plan assets	-0.8	-1.8	-0.1

Composition of plan assets %	31/12/2007	31/12/2006
Shares	22.9	23.5
Fixed-interest securities	57.3	61.5
Other assets	19.8	15.0
	100.0	**100.0**

The investment objective for the external plan assets is to cover benefit obligations with a similar term. Plan assets do not include any shares of EnBW group entities. The investment strategy takes into consideration the maturity structure and volume of benefit obligations. The average return was 4.0% (prior year: 3.4%). The expected return was 5.5% (prior year: 5.5%). The expected return is calculated based on the asset forecasts of each asset class as well as negotiations with banks. The forecasts are based on past experience and business information.

Development of the present value of the defined benefit obligation € millions	2007	2006
Projected benefit obligation of all obligations at the beginning of the fiscal year	4,452.3	4,529.9
Current service cost	65.4	63.4
of which reclassifications to assets held for sale and discontinued operations	(0.0)	(0.5)
Interest cost	194.5	189.0
of which reclassifications to assets held for sale and discontinued operations	(0.0)	(0.5)
Benefits paid	-203.7	-195.3
Actuarial gains and losses	-420.1	-153.8
Past service cost	0.1	-0.1
Changes in the consolidated companies and currency adjustments	0.0	17.3
Reclassifications	13.6	1.9
Reclassification to liabilities of discontinued operations	-11.3	0.0
Present value of the defined benefit obligation at the end of the fiscal year	**4,090.8**	**4,452.3**

€ millions	31/12/2007	31/12/2006
Benefits covered by assets	215.8	219.7
Full coverage	98.6	91.8
Partial coverage	117.2	127.9
Benefits not covered by assets	3,875.0	4,232.6

€ millions	31/12/2007	31/12/2006	31/12/2005
Present value of benefit obligations	4,090.8	4,452.3	4,529.9
Fair market value plan assets	-105.4	-105.6	-101.2
Plan surplus or deficit	3,985.4	4,346.7	4,428.7

Multi-employer plans

The expenses from defined benefit obligations via multi-employer plans amounted to € 8.3 million (prior year: € 8.2 million). In the prior year, an additional amount of € 18.4 million was paid into the supplemental pension scheme for the period from 2006 to 2015, leading to an additional expense of € 2.4 million for the reporting period (prior year: € 1.0 million).

Statement of changes in provisions

€ millions	As of 1/1/2007	Increases	Reversals	Increase arising from the passage of time
Provisions for pensions and similar obligations	3,858.6	75.5	0.0	190.6
Tax provisions	353.3	118.5	10.7	0.0
Provisions relating to nuclear power	4,533.5	180.9	190.5	246.2
Other electricity provisions	218.7	110.5	49.1	0.5
Personnel provisions	412.4	113.9	5.8	13.8
Provisions for onerous contracts	421.0	75.3	64.4	10.2
Other provisions	374.6	114.9	44.1	0.6
Total	**10,172.1**	**789.5**	**364.6**	**461.9**

The average residual term of the provisions for pensions and similar obligations as well as of the provisions relating to nuclear power is more than ten years.

Tax provisions

The tax provisions contain provisions for income taxes like corporate income tax including solidarity surcharge as well as trade tax.

Provisions relating to nuclear power

The provisions relating to nuclear power have been recorded for the disposal of irradiated fuel rods and radioactive waste as well as for the decommissioning and restoration of contaminated plants.

€ millions	31/12/2007	31/12/2006
Decommissioning and restoration	2,734.3	2,688.7
Disposal of spent fuel rods	1,717.6	1,710.4
Waste	154.2	134.4
Total	**4,606.1**	**4,533.5**

The provisions are all based on public law obligations and requirements in the operating licences.

Changes recognised directly in equity	Changes in consolidated companies, currency adjustments, reclassifications	Reclassifications to assets held for sale and discontinued operations	Utilisations	As of 31/12/2007
0.0	-0.6	-6.1	196.2	3,921.8
0.0	-90.6	-1.1	126.5	242.9
-3.5	-0.8	0.0	159.7	4,606.1
-1.4	-2.0	0.0	22.5	254.7
0.0	3.5	-1.2	101.6	435.0
0.0	1.2	-2.7	79.4	361.2
0.0	-3.3	-16.3	127.7	298.7
-4.9	**-92.6**	**-27.4**	**813.6**	**10,120.4**

In those instances where contracts had not been concluded under civil law by the balance sheet date for performance of these public law obligations, the provisions were measured based on external appraisals and cost estimates (non-contractual nuclear obligations). This mainly concerns the anticipated costs relating to decommissioning and post-closure operating of the plants, dismantling and disposal of parts of nuclear plants and the actual costs of ultimate storage. With regard to the disposal of fuel rods, the non-contractual share of costs mostly relates to costs for conditioning in preparation for ultimate storage, transportation costs, costs for the procurement of containers for ultimate storage purposes as well as the costs of actual ultimate storage.

In addition, part of the carrying amount of the provision is substantiated by civil-law contracts (contractual nuclear obligations). On the one hand, these are personnel costs for the company's own staff expected to be dealing with the decommissioning. On the other hand, the disposal of fuel rods mainly comprises costs yet to be incurred for reprocessing spent fuel rods, costs of local interim storage in the vicinity of the plants, central interim storage at the Gorleben and Ahaus interim storage facilities as well as costs for transportation and the procurement of containers.

The provisions for the decommissioning and restoration of contaminated plants are recognised at the discounted settlement amount at the time of commissioning. This is disclosed accordingly under the generating facilities and depreciated systematically. It totals € 229.9 million (prior year: € 262.7 million). Changes in estimates due to changes in assumptions concerning the future development of costs were recognised without effect on profit or loss by adjusting the appropriate balance sheet item. Decommissioning costs are calculated on the basis of the scenario that assumes that the plants will be removed immediately.

The provisions relating to nuclear power are set up in an amount equivalent to the present value of the expected future obligations and increased annually to reflect the passage of time. The discount rate for calculating the provisions is unchanged at 5.5%.

The payments on account considered in the provisions relating to nuclear power amount to € 444.4 million (prior year: € 430.6 million).

Other provisions

Other electricity provisions relate to obligations from CO_2 emission allowances, the German Renewable Energies Act (EEG), the German Combined Heat and Power Act (KWKG) and the conventional procurement of electricity and fuels.

Personnel provisions concern above all obligations from early retirement arrangements, long service awards and energy price reductions promised for retirement age.

Other provisions are discounted using an interest rate of 5.25% on average (prior year: 4.50%).

(23) Deferred taxes

The measurement differences of continuing operations from the tax accounts on which deferred taxes have been recognised break down as follows:

	31/12/2007		31/12/2006	
€ millions	Deferred tax assets [1]	Deferred tax liabilities[1]	Deferred tax assets[1]	Deferred tax liabilities[1,2]
Non-current assets	570.9	2,394.5	98.2	3,405.4
Current assets and non-current assets held for sale	404.8	790.4	1,146.0	382.8
Non-current liabilities	1,585.4	1,772.5	1,882.2	2,127.3
Current liabilities	741.4	112.8	746.3	64.0
Unused tax losses	156.9		145.7	
Subtotal	**3,459.4**	**5,070.2**	**4,018.4**	**5,979.5**
Netting	-3,453.4	-3,453.4	-3,979.5	-3,979.5
Total	**6.0**	**1,616.8**	**38.9**	**2,000.0**

[1] Deferred tax assets and liabilities prior to offsetting.
[2] Prior-year figures adjusted.

Deferred tax assets are recognised on unused tax losses only to the extent that it is probable that taxable profit will be available against which the temporary difference can be used. Unused tax losses reduced the current tax burden in the reporting period by € 134.4 million (prior year: € 180.1 million). Unused tax losses for which no deferred tax assets have been recognised in the balance sheet amounted to € 54.3 million for corporate income tax (CIT) and € 91.4 million for trade tax (prior year: € 76.5 million for CIT and € 223.3 million for trade tax). The existing unused tax losses can be carried forward for an indefinite period. According to the law to reduce tax benefits, from 2004 onwards only 60% of the current taxable income which exceeds € 1 million can be offset against unused tax losses.

The deferred taxes on unused tax losses break down as follows:

€ millions	31/12/2007	31/12/2006
Corporate income tax (or comparable foreign tax)	107.9	120.2
Trade tax on income	49.0	25.5
Total	**156.9**	**145.7**

Deferred tax assets of € 3,453.4 million (prior year: € 3,979.5 million) were offset against deferred tax liabilities in 2007.

Deferred tax liabilities totalling € 28.3 million (prior year: assets of € 0.4 million) were debited directly from equity under total net income recognised in equity.

(24) Liabilities and subsidies

The liabilities and subsidies disclosed separately by maturity in the balance sheet are combined again for the explanations of the items in the notes to the financial statements.

€ millions[1]	31/12/2007	31/12/2006
Non-current liabilities	3,842.1	4,311.5
Current liabilities	5,092.1	5,291.5
Liabilities	**8,934.2**	**9,603.0**
Non-current subsidies	1,649.1	1,698.3
Current subsidies	84.2	79.5
Subsidies	**1,733.3**	**1,777.8**
Non-current liabilities and subsidies	5,491.2	6,009.8
Current liabilities and subsidies	5,176.3	5,371.0
Liabilities and subsidies	**10,667.5**	**11,380.8**

[1] Prior-year figures adjusted.

Liabilities		of which due in			
€ millions[1]	31/12/2007	< 1 year	1 – 5 years	> 5 years	31/12/2006
Bonds	2,478.2	241.7	1,267.3	969.2	3,258.1
Commercial papers	199.5	199.5	0.0	0.0	0.0
Liabilities to banks	546.9	78.0	327.1	141.8	853.9
Other financial liabilities	727.9	69.1	313.4	345.4	998.1
Financial liabilities	**3,952.5**	**588.3**	**1,907.8**	**1,456.4**	**5,110.1**
Payments received on account of orders	165.0	69.8	56.5	38.7	120.7
Trade payables	2,329.0	2,323.3	5.7	0.0	2,170.7
of which liabilities to affiliated entities	(8.2)	(8.2)	(0.0)	(0.0)	(10.5)
of which liabilities to entities in which investments are held	(106.9)	(103.0)	(3.9)	(0.0)	(162.9)
of which liabilities to entities accounted for using the equity method	(2.7)	(2.7)	(0.0)	(0.0)	(0.9)
Other deferred income	173.4	19.8	153.6	0.0	230.7
Liabilities from derivatives	910.5	887.0	3.3	20.2	482.1
of which without hedges	(811.2)	(807.9)	(3.3)	(0.0)	(445.2)
of which cash flow hedge	(79.1)	(79.1)	(0.0)	(0.0)	(36.9)
of which fair value hedge	(20.2)	(0.0)	(0.0)	(20.2)	(0.0)
Other liabilities	1,403.8	1,203.9	40.4	159.5	1,488.7
of which from income tax	(7.0)	(6.3)	(0.0)	(0.7)	(126.8)
of which interest from back taxes	(20.0)	(19.3)	(0.7)	(0.0)	(84.9)
of which from other taxes	(271.9)	(271.9)	(0.0)	(0.0)	(187.9)
of which relating to social security	(30.4)	(15.8)	(0.1)	(14.5)	(36.2)
Total	**8,934.2**	**5,092.1**	**2,167.3**	**1,674.8**	**9,603.0**

[1] Prior-year figures adjusted.

Financial liabilities were reduced by € 1,157.6 million in the fiscal year 2007 (prior year: increase of € 411.3 million).

A bond of EnBW International Finance B.V. of € 750 million which matured on 28 February 2007 was repaid as scheduled.

The commercial paper programme established at EnBW International Finance B.V. was used throughout the entire year 2007 for short-term financing purposes; short-term borrowings totalled € 199.5 million as of the balance sheet date.

Liabilities to banks were reduced again in the course of the year by scheduled repayments on the part of EnBW AG and its subsidiaries.

The item 'other financial liabilities' includes mainly long-term finance leases that were reduced further during the year.

The maturity structure of our financial liabilities is as follows:

€ millions	Due in 2008	Due in 2009	Due in 2010	Due in 2011	Due in 2012	Due after 2012	Total
Bonds	241.7	0.0	210.1	0.0	1,057.2	969.2	2,478.2
Commercial papers	199.5	–	–	–	–	–	199.5
Liabilities to banks	78.0	237.7	17.9	42.1	29.4	141.8	546.9
Other financial liabilities	69.1	65.5	70.0	74.9	103.0	345.4	727.9
Financial liabilities	**588.3**	**303.2**	**298.0**	**117.0**	**1,189.6**	**1,456.4**	**3,952.5**

The structure of the main bonds is as follows:

Issuer	Issue volume	Carrying amounts	Coupon	Maturity
EnBW International Finance B.V.	CHF 400 million	€ 241.7 million	2.250%	25/2/2008
EnBW International Finance B.V.	€ 150 million	€ 149.7 million	5.000%	6/9/2010
EnBW International Finance B.V.	€ 1,000 million	€ 996.7 million	5.875%	28/2/2012
EnBW International Finance B.V.	€ 500 million	€ 494.5 million	4.250%	19/10/2016
EnBW International Finance B.V.	€ 500 million	€ 474.7 million[1]	4.875%	16/1/2025
Various		€ 120.9 million		
Total bonds		**€ 2,478.2 million**		

[1] Adjusted for valuation effects from interest-induced hedging transactions.

The majority of the outstanding liabilities to banks are bilateral loan agreements.

As in the prior year, EnBW AG had a fully unused contractually agreed syndicated line of credit of € 2.5 billion as of 31 December 2007. In addition, the group had further free lines of credit of € 340 million at its disposal (prior year: € 259 million).

The average interest rates on financial liabilities developed as follows as of 31 December 2007:

Average interest rates (%)	31/12/2007	31/12/2006
Liabilities to banks	4.1	4.7
Bonds	4.9	4.8
Commercial papers	4.6	–
Other financial liabilities	4.6	4.7
Total financial liabilities	4.7	4.8

Overall, the average interest rate on financial liabilities changed only marginally in 2007. The average interest rate on bank liabilities was reduced as non-current bank loans with higher interest coupons were repaid in full upon maturity in the course of 2007. The large majority of financial liabilities are still subject to long-term fixed interest agreements.

Of the liabilities to banks, € 19.7 million (prior year: € 22.2 million) is secured by property liens.

In fiscal 2007, other financial liabilities primarily include liabilities from finance leases. The minimum payments from such leases have the following maturities:

	Nominal value		Present value	
€ millions	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Due within 1 year	103.0	119.2	98.8	113.8
Due in 1 to 5 years	413.3	474.3	329.8	376.3
Due in more than 5 years	283.7	543.3	176.1	320.8
Total	**800.0**	**1,136.8**	**604.7**	**810.9**

Liabilities to affiliated entities relate to non-consolidated affiliated entities. Trade payables include accruals for outstanding invoices amounting to € 1,125.1 million (prior year: € 1,065.1 million). Other liabilities mainly consist of the potential purchase obligations from put options of minority interests of entities that have already been fully consolidated of € 397.4 million (prior year: € 396.9 million), liabilities from taxes of € 298.9 million (prior year: € 399.6 million) and interest obligations from bonds of € 83.7 million (prior year: € 115.9 million).

Subsidies

Subsidies include investment grants, construction and investment cost subsidies.

€ millions	31/12/2007	31/12/2006
Investment grants	15.9	18.9
Investment cost subsidies	33.7	36.4
Construction cost subsidies	1,683.7	1,722.5
Total	**1,733.3**	**1,777.8**

The investment grants were awarded in accordance with Sec. 4a German Investment Grant Act (InvZuIG).

The construction cost subsidies which have not yet been recognised in profit or loss were largely used for capital expenditures in the electricity and gas segments; title to the subsidised assets is retained by the EnBW group companies.

Of the total amount of subsidies, an amount of € 1,649.1 million (prior year: € 1,698.3 million) will be recognised in profit or loss in more than one year.

(25) Non-current assets held for sale and assets and liabilities of discontinued operations

Discontinued operations comprise the U-plus group that was sold in the reporting period, the discontinued Thermoselect operations and the winding up of the operations of the former Salamander AG.

In the first half of 2007, the U-plus group was sold to the waste disposal company ALBA AG, Berlin. In the income statement, the statement of changes in equity, segment reporting and cash flow statement, the U-plus group is disclosed as a discontinued operation. The comparative figures have been adjusted in the income statement, the statement of changes in equity, segment reporting and cash flow statement.

Under agreements reached with the administrators of the GARANT group, the EnBW group acquired all shares in Salamander Schuhe GmbH and its subsidiaries. The entities are insolvent and do not have any business operations. The power to manage and dispose of these entities' assets rests with the administrators, and they are therefore not controlled by EnBW.

The assets and liabilities disclosed net in the consolidated balance sheet break down as follows:

€ millions	31/12/2007	31/12/2006
Property, plant and equipment held for sale	0.3	1.7
Investment properties held for sale	3.1	5.7
Non-current assets held for sale	**3.4**	**7.4**
Other non-current assets of discontinued operations	0.0	5.2
Current assets of discontinued operations	0.0	25.9
Assets of discontinued operations	**0.0**	**31.1**
	3.4	**38.5**
Non-current liabilities of discontinued operations	0.0	35.4
Current liabilities of discontinued operations	7.9	67.6
Liabilities of discontinued operations	**7.9**	**103.0**

Non-current assets held for sale concern land and buildings. The assets and liabilities of discontinued operations relate to the winding up of operations that have already been sold.

The result of discontinued operations that is reported separately in the income statement breaks down as follows:

€ millions	2007	2006
Revenue	97.2	226.6
Other income	98.5	54.7
Other expenses	-97.1	-279.3
Amortisation and depreciation	-5.8	-15.0
Other income from investments	-13.0	0.7
Finance revenue	0.0	1.1
Finance costs	-1.6	-4.4
Net gain/loss on the disposal of assets	32.9	23.1
Earnings before tax	111.1	7.5
Income tax	-13.2	-1.5
Result of discontinued operations	97.9	6.0
of which profit shares attributable to minority interests	(0.0)	(-0.8)
of which profit shares attributable to equity holders of EnBW AG	(97.9)	(6.8)

The positive earnings of discontinued operations in fiscal 2007 are mainly due to the sale of the U-plus group and reversals of provisions relating to agreements with the GARANT group administrators.

In the reporting period, cash inflows of € 73.6 million were recorded from the sale of fully consolidated entities (prior year: € 49.5 million).

Accounting for financial instruments

Financial instruments include primary financial instruments and derivatives.

On the assets side, primary financial instruments mainly consist of financial assets, trade receivables, other assets and cash and cash equivalents. On the liabilities side, they consist of financial liabilities, trade payables and other liabilities.

Fair value and carrying amounts of financial instruments by measurement category
The table below shows the fair values and carrying amounts of the financial assets and financial liabilities contained in the individual balance sheet items:

Assets as of 31 December 2007		Carrying amounts by measurement category			
€ millions	Fair value	Held for trading	Available for sale	Held to maturity	Loans and receivables
Financial assets[1]	6,434.0	171.5	4,875.9	1,110.7	303.9
Trade receivables	2,481.3				2,481.3
Other assets	1,490.6	838.1			412.7
Cash and cash equivalents	1,317.8				1,317.8
Total	**11,723.7**	**1,009.6**	**4,875.9**	**1,110.7**	**4,515.7**

Liabilities as of 31 December 2007		Carrying amounts by measurement category	
€ millions	Fair value	Held for trading	Financial liabilities measured at amortised cost
Financial liabilities	3,946.1		3,347.8
Trade payables	649.1		649.1
Other liabilities and subsidies	1,421.4	811.2	510.9
Total	**6,016.6**	**811.2**	**4,507.8**

Assets as of 31 December 2006		Carrying amounts by measurement category			
€ millions	Fair value	Held for trading	Available for sale	Held to maturity	Loans and receivables
Financial assets[1]	6,286.8	204.8	4,959.1	938.5	203.3
Trade receivables	2,580.0				2,580.0
Other assets	948.3	493.5			357.7
Cash and cash equivalents	1,932.3				1,932.3
Total	**11,747.4**	**698.3**	**4,959.1**	**938.5**	**5,073.3**

Liabilities as of 31 December 2006		Carrying amounts by measurement category	
€ millions	Fair value	Held for trading	Financial liabilities measured at amortised cost
Financial liabilities	5,226.1		4,299.2
Trade payables	666.8		666.8
Other liabilities and subsidies	973.9	445.2	491.8
Total	**6,866.8**	**445.2**	**5,457.8**

[1] The carrying amount of equity instruments measured at cost is € 470.3 million as of the balance sheet date (prior year: € 432.1 million).

Derivatives designated as hedging instruments	Carrying amount in accordance with IAS 17	Not within the scope of IFRS 7	Balance sheet		
			Total	Non-current	Current
			6,462.0	5,734.4	727.6
			2,481.3	372.6	2,108.7
183.6	56.2	414.8	1,905.4	179.8	1,725.6
			1,317.8		1,317.8
183.6	**56.2**	**414.8**	**12,166.5**	**6,286.8**	**5,879.7**

Derivatives designated as hedging instruments	Carrying amount in accordance with IAS 17	Not within the scope of IFRS 7	Balance sheet		
			Total	Non-current	Current
	604.7		3,952.5	3,364.2	588.3
		1,679.9	2,329.0	5.7	2,323.3
99.3		2,957.6	4,379.0	2,120.6	2,258.4
99.3	**604.7**	**4,637.5**	**10,660.5**	**5,490.5**	**5,170.0**

Derivatives designated as hedging instruments	Carrying amount in accordance with IAS 17	Not within the scope of IFRS 7	Balance sheet		
			Total	Non-current	Current
			6,305.7	6,031.7	274.0
			2,580.0	334.3	2,245.7
42.3	54.8	378.7	1,327.0	148.5	1,178.5
			1,932.3		1,932.3
42.3	**54.8**	**378.7**	**12,145.0**	**6,514.5**	**5,630.5**

Derivatives designated as hedging instruments	Carrying amount in accordance with IAS 17	Not within the scope of IFRS 7	Balance sheet		
			Total	Non-current	Current
	810.9		5,110.1	3,883.8	1,226.3
		1,503.9	2,170.7	6.1	2,164.6
36.9		2,999.3	3,973.2	2,119.9	1,853.3
36.9	**810.9**	**4,503.2**	**11,254.0**	**6,009.8**	**5,244.2**

The fair values were determined based on the market values published as of the balance sheet date and the methods and underlying assumptions described below.

Financial assets

The fair value of primary financial instruments in the 'held for trading' category equals the quoted price as of the balance sheet date.

The fair value of financial instruments in the 'available for sale' category is generally determined based on quoted prices. Certain equity instruments that are not traded in an active market and whose fair value therefore cannot be determined reliably are measured at cost.

The financial instruments in the 'held to maturity' category are securities listed on the stock exchange. The fair value is derived from the market price as of the balance sheet date and totalled € 1,082.7 million as of 31 December 2007 (prior year: € 919.6 million).

There are no liquid markets for loans measured at amortised cost. For short-term loans, it is assumed that fair value approximates the carrying value. For long-term loans, the market value is determined by discounting the expected future cash flows. If they are subject to floating interest rates, the carrying amount corresponds to fair value.

Trade receivables

Trade receivables primarily have short terms to maturity. Consequently, their carrying amounts, as of the balance sheet date approximate their fair value. Receivables that bear off-market interest with remaining terms to maturity of more than one year are disclosed in the balance sheet at present value.

Other assets

For derivatives, fair values are determined based on market prices or generally accepted valuation methods:

€ millions	31/12/2007	31/12/2006
Derivatives with a positive market value	1,021.7	535.8
of which derived from market prices	15.3	16.8
of which determined using generally accepted valuation methods	1,006.4	519.0

The fair value of finance lease receivables is determined by discounting the expected future cash flows.

For short-term sundry other assets, it is assumed that fair value approximates the carrying value. For long-term sundry other assets, the market value is determined by discounting the expected future cash flows. If they are subject to floating interest rates, the carrying amount corresponds to fair value.

Cash and cash equivalents

Cash and cash equivalents have short terms to maturity. Consequently, their carrying amounts, as of the balance sheet date, approximate their fair value.

Financial liabilities

The fair value of bonds listed on the capital market is the nominal value multiplied by the quoted price as of the balance sheet date.

For short-term financial liabilities, it is assumed that fair value approximates the carrying value. For long-term financial liabilities, the market value is determined by discounting the expected future cash outflows. If they are subject to floating interest rates, the carrying amount corresponds to fair value. The fair market value of the bonds as of 31 December 2007 amounts to € 2,470.6 million (prior year: € 3,362.1 million), while the fair market value of the liabilities to banks comes to € 548.1 million (prior year: € 865.9 million).

Trade payables

Trade payables primarily have short terms to maturity. Consequently, their carrying amounts, as of the balance sheet date, approximate their fair value.

Other liabilities and subsidies

For derivatives, fair values are determined based on market prices or generally accepted valuation methods:

€ millions	2007	2006
Derivatives with a negative market value	910.5	482.1
of which derived from market prices	51.5	46.6
of which determined using generally accepted valuation methods	859.0	435.5

For short-term liabilities, it is assumed that fair value approximates the carrying value. For long-term liabilities, the market value is determined by discounting the expected future cash outflows. If they are subject to floating interest rates, the carrying amount corresponds to fair value.

The fair value of lease liabilities is determined by discounting the expected future cash flows.

Net gains or losses by measurement category

€ millions	2007	2006
Financial assets and liabilities held for trading	176.4	-33.9
Available-for-sale financial assets	3.3	68.3
Financial assets held to maturity	0.0	0.0
Loans and receivables	-30.5	-21.4
Financial liabilities measured at amortised cost	0.3	-0.5

The presentation of net gains and losses does not include derivatives that are used as hedging instruments. Stand-alone derivatives are included in the 'financial assets and liabilities held for trading' measurement category.

The net gains posted in the 'financial assets and liabilities held for trading' measurement category include gains from marking to market as well as interest and currency effects.

The net gains recorded in the 'available-for-sale financial assets' measurement category include impairment losses as well as realised gains on disposal and currency effects.

The net gains in the 'loans and receivables' measurement category principally concern currency effects, impairment losses and reversals of impairment losses.

The net losses of financial liabilities measured at amortised cost are attributable to currency effects.

Gains of € 155.6 million from changes in the market value of available-for-sale financial assets were recognised directly in equity in the fiscal year 2007 (prior year: € 165.6 million). An amount of € 4.8 million of these changes in market value recognised directly in equity was reclassified to profit or loss (prior year: € 51.7 million).

Impairment losses recognised on financial assets classified as 'available for sale' and 'loans and receivables' came to € 8.6 million (prior year: € 23.5 million) and € 0.9 million (prior year: € 2.2 million) respectively. Trade receivables were written down by € 40.7 million (prior year: € 36.6 million). In the fiscal year 2007, impairment losses of € 0.6 million (prior year: € 2.8 million) were recorded on other assets measured at amortised cost.

Total interest income and expenses

€ millions	2007	2006
Total interest income	359.9	289.1
Total interest expenses	-277.5	-302.1

The total interest income and expenses arose from financial instruments that are not measured at fair value. The main items here are interest received from loans and bank balances as well as interest and dividends received from financial assets classified as 'available for sale'. The interest expenses were incurred on bonds, bank liabilities and finance lease liabilities.

The total interest income includes interest of € 2.4 million received on impaired financial assets totalling € 2.4 million (prior year: € 1.0 million).

Derivatives

Both physical and financial options and forward transactions are entered into to hedge risks in the commodity area, while forward transactions are used almost exclusively in the foreign exchange area. In the area of financing, swap transactions were concluded to minimise risks.

All derivatives held for trading are accounted for as assets or liabilities. Derivative financial instruments are measured at market value. The market values are derived from market prices or using generally accepted valuation methods.

Changes in the fair value of derivatives which are neither intended for own use nor qualify as cash flow hedges are recorded in the income statement.

Hedge accounting in accordance with IAS 39 is applied in the finance area mainly for currency hedges for investments with a foreign functional currency and for interest rate hedges for non-current liabilities. In the commodity area, fluctuations of future cash flows from planned procurement and sales transactions are hedged.

Cash flow hedges

Cash flow hedges have been entered into in particular in the commodity area to cover price risks from future sales and procurement transactions as well as to limit the risk of interest rate fluctuation of variable-interest liabilities.

Changes in fair value of the hedges used – above all forward contracts and futures – are thus effectively recorded directly in total net income recognised in equity (measurement of financial instruments at market value) until termination of the hedge. The ineffective portion of the gain or loss on the hedging instrument is immediately recognised in profit or loss.

As of 31 December 2007, unrealised gains from derivatives came to € 109.0 million (prior year: losses of € 79.1 million). The effective portion of the cash flow hedges of € -53.2 million (prior year: € -48.7 million) was recognised directly in equity in the reporting period. The ineffective portion of cash flow hedges resulted in expenses of € 1.1 million as of 31 December 2007 (prior year: € 0.3 million) and reclassifications from total net income recognised in equity resulted in expenses of € 261.8 million (prior year: € 77.9 million). The reclassifications were made to revenue (€ 6.9 million, prior year: € 122.9 million), cost of materials (€ 264.8 million, prior year: € 73.3 million), other operating income (€ 0.0 million, prior year: € 28.3 million) and other operating expenses (€ 3.9 million, prior year: € 0.0 million).

An amount of € 20.4 million (prior year: € 11.9 million) was reclassified from total net income recognised in equity for the decrease (prior year: increase) in costs of purchase of inventories.

As of 31 December 2007, existing hedged transactions are covered by cash flow hedges for foreign currencies and interest hedges with terms of up to four and two years, respectively (prior year: up to three years in each case). In the commodity area, the terms of hedged forecast transactions are no more than three years (prior year: up to three years).

For optimisation purposes, hedging relationships are redesignated and dedesignated as is customary in the industry.

Fair value hedges

Fair value hedges are entered into above all to hedge fixed-interest liabilities against market price risks. Interest swaps are used as hedging instruments. With a fair value hedge, both the hedged transaction and the hedge for an exposure are measured at fair value through profit or loss. The change in the fair value of hedging instruments of € -22.0 million was recognised in profit or loss in the reporting period (prior year: € -22.7 million). For hedged liabilities, the fluctuation in market values arising from the hedged risk is also recognised in profit or loss. Changes in market value from hedged transactions of € 21.0 million were recognised in the reporting year (prior year: € 21.6 million).

Hedges of net investments in foreign entities

Primary foreign currency bonds are used to hedge against foreign exchange risks from investments with a foreign functional currency. As of 31 December 2007, € 18.0 million (prior year: € 11.1 million) arising from exchange rate changes in the hedges is disclosed in the currency translation item under equity.

Contracts that have been concluded to meet the company's expected usage requirements are not recorded in the balance sheet pursuant to the provisions of IAS 39.

Regular way purchases or sales (cash purchases/sales) of primary financial instruments are generally recognised as of the settlement date. Derivative financial assets are recognised as of the trading date. Derivative and primary financial instruments are recognised in the balance sheet when EnBW becomes party to the contract.

Purchases and sales of fuels are made in euros, US dollars or pounds sterling.

Counterparty risks are assessed taking into account the term of the current replacement and selling risk. In addition, these risks are analysed with reference to the current rating by the rating agency Moody's. Trading partners that do not have such an external rating are subjected to an internal rating procedure.

The counterparty risk is based on replacement and selling risks resulting from the market value of the item in question with the individual trading partner as of the balance sheet date. Netting options agreed in master agreements concluded with the trading partner are also taken into account when determining the counterparty risk. If there is a netting agreement, positive and negative market values are netted for each trading partner. Otherwise, only positive market values are taken into consideration.

As part of the credit risk management, bilateral margin agreements have been concluded with individual trading partners. Margin payments based on such agreements are considered in the assessment of the counterparty risk.

	Counterparty risk as of 31 December 2007 € millions	
Moody's	< 1 year	1 – 5 years
up to A1	68.7	39.6
up to A3	37.2	23.2
Baa1	23.1	10.0
up to Baa3	2.7	0.3
Total	**131.7**	**73.1**

The nominal volume of the derivatives presented below is stated net. It represents the sum of all purchase and sale amounts underlying the transactions. The amount of the nominal volume allows conclusions to be drawn about the extent to which derivatives have been used. However, it does not reflect the risk of the group as the derivative transactions are counterbalanced by underlyings with risks that run counter to that of the derivative. Collateral is provided or obtained for derivatives that are traded on the stock exchange.

	Derivatives designated as hedging instruments			
	Nominal volume		Market value	
€ millions	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Forward exchange transactions				
< 1 year	171.3	188.1	-17.3	-0.1
1 – 5 years	286.7	266.6	-8.8	-5.3
Electricity options and futures				
< 1 year	1,600.7	1,122.8	0.0	-12.1
1 – 5 years	1,341.4	1,589.7	-47.8	-11.4
Forward electricity transactions				
< 1 year	0.0	47.2	0.0	-3.1
1 – 5 years	0.0	0.0	0.0	0.0
Forward gas transactions and swaps				
< 1 year	0.0	0.0	0.0	0.0
1 – 5 years	0.0	0.0	0.0	0.0
Forward coal transactions and swaps				
< 1 year	316.1	349.6	99.0	20.4
1 – 5 years	273.2	263.6	73.6	8.5
Derivatives for emission allowances				
< 1 year	0.0	0.0	0.0	0.0
1 – 5 years	0.0	0.0	0.0	0.0
Interest swaps				
Fixed interest paying				
< 1 year	35.0	87.4	0.0	2.2
> 1 year	190.0	172.6	5.8	4.5
Fixed interest bearing				
< 1 year	0.0	14.9	0.0	0.1
> 1 year	300.0	285.1	-20.2	1.7
Other forward transactions and derivatives				
< 1 year	0.0	0.0	0.0	0.0
1 – 5 years	0.0	0.0	0.0	0.0
Total	**4,514.4**	**4,387.6**	**84.3**	**5.4**
of which derivatives with a positive fair value			(183.6)	(42.3)
of which derivatives with a negative fair value			(99.3)	(36.9)

Derivatives not designated as hedging instruments				Total derivatives			
Nominal volume		Market value		Nominal volume		Market value	
31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
508.6	605.9	-7.2	-6.4	679.9	794.0	-24.5	-6.5
232.8	65.6	-2.1	-1.0	519.5	332.2	-10.9	-6.3
449.8	824.4	5.7	4.7	2,050.5	1,947.2	5.7	-7.4
199.9	63.4	-0.3	4.6	1,541.3	1,653.1	-48.1	-6.8
11,898.2	4,233.2	-6.8	60.8	11,898.2	4,280.4	-6.8	57.7
3,236.2	1,362.5	-8.0	3.8	3,236.2	1,362.5	-8.0	3.8
136.2	164.4	-0.2	-2.1	136.2	164.4	-0.2	-2.1
0.0	60.8	0.0	-2.2	0.0	60.8	0.0	-2.2
713.7	531.9	25.5	2.1	1,029.8	881.5	124.5	22.5
218.0	91.3	-0.1	0.8	491.2	354.9	73.5	9.3
468.1	222.9	13.8	-18.2	468.1	222.9	13.8	-18.2
373.3	40.9	7.3	-1.0	373.3	40.9	7.3	-1.0
28.8	10.4	-0.1	-0.2	63.8	97.8	-0.1	2.0
0.0	33.7	0.0	-1.0	190.0	206.3	5.8	3.5
30.2	1.7	0.0	-0.1	30.2	16.6	0.0	0.0
5.3	37.8	-0.1	0.2	305.3	322.9	-20.3	1.9
52.9	132.9	-0.7	3.8	52.9	132.9	-0.7	3.8
16.1	20.7	0.2	-0.3	16.1	20.7	0.2	-0.3
18,568.1	**8,504.4**	**26.9**	**48.3**	**23,082.5**	**12,892.0**	**111.2**	**53.7**
		(838.1)	(493.5)			(1,021.7)	(535.8)
		(811.2)	(445.2)			(910.5)	(482.1)

Reconciliation of derivatives used for hedging purposes to total net income recognised directly in equity (cash flow hedge)

€ millions	31/12/2007	31/12/2006	Variance
Derivatives designated as hedging instruments with a positive fair value	183.6	40.5	143.1
Derivatives designated as hedging instruments with a negative fair value	79.1	36.9	42.2
	104.5	**3.6**	**100.9**
Deferred tax on changes recognised directly in equity in derivatives designated as hedging instruments	-31.3	-2.4	-28.9
Hedge ineffectiveness	2.3	3.4	-1.1
Cascading effects	2.2	-85.5	87.7
Minority interests	-2.1	-2.7	0.6
Changes recognised directly in equity in derivatives designated as hedging instruments (cash flow hedge)	**75.6**	**-83.6**	**159.2**

The cascading effects concern the changes in market value of the futures that are part of hedges accumulated until the time of cascading. In cascading, annual and quarterly futures are settled by other futures instead of in cash.

Reconciliation of the changes in carrying amounts of stand-alone derivatives to the income statement

€ millions	31/12/2007	31/12/2006	Variance
Derivatives with a positive fair value	838.1	493.5	344.6
Derivatives with a negative fair value	811.2	445.2	366.0
Changes in fair value of the derivatives	**26.9**	**48.3**	**-21.4**

The income from derivatives disclosed in the income statement breaks down as follows:

€ millions	2007
Fair value adjustment	-21.4
Income recognised	206.2
Hedge ineffectiveness	1.1
Income from derivatives	**185.9**
of which other operating income	(213.7)
of which other operating expenses	(26.7)
of which finance revenue	(0.3)
of which finance costs	(1.4)

When the derivatives are sold the income recognised reverses the previous market valuation of economically secured stand-alone derivatives. As a result of previously marking the derivatives to market, the hedged transactions are not carried out at the price hedged by the derivative, but at the current spot price.

In the interest of transparency, we have disclosed the effects from marking to market as well as the income recognised.

Risk management system

Risk management principles at EnBW

As an energy company, EnBW is exposed to financial price risks in the currency, interest and commodity areas in the course of its operating activities, investments and financing transactions. In addition, there are credit and liquidity risks. It is company policy to eliminate or limit these risks by systematic risk management.

Exchange rate fluctuation between the euro and other currencies, fluctuation in interest rates on international money and capital markets as well as fluctuating prices on the markets for electricity, coal, gas and emission allowances are the main price risks for EnBW. The hedging policy used to limit these risks is set forth by the Board of Management and is documented in internal group guidelines. They also provide for the use of derivates.

The derivatives used to hedge against financial risks are subject to the assessment criteria such as value at risk ratios and position limit and loss limit defined in the risk management guidelines. The segregation of duties between trading and back-office processing and control are a further key element of our risk management.

The corresponding financial transactions are only concluded with counterparties with excellent credit ratings. Using suitable hedging instruments, it is possible to make use of market opportunities while hedging the risk position.

The risks arising from financial instruments as well as the methods used to assess and manage them have not been changed significantly since the prior year.

For further details on EnBW's risk management system, we refer to our explanations given in the risk report as part of the management report.

Credit risks

EnBW is exposed to credit risks from the counterparties not performing under contractual agreements. EnBW manages its credit risks by generally demanding a high credit rating of its counterparties and limiting the credit risk with counterparties. The credit ratings of counterparties are continually monitored by EnBW's system for managing credit ratings. Commodity and energy transactions are generally made under master agreements. These master agreements are generally only entered into following careful scrutiny of the counterparty's creditworthiness. Exceptions to this business policy can be made only if it is in the justified interest of the company, e.g. in order to penetrate new markets. In terms of the customer structure, the receivables from individual counterparties are not so high that they would give rise to a significant concentration of risks.

Financial investments are only made with the investment limits and partners defined as counterparties in the treasury guidelines. Compliance with these guidelines is constantly monitored by the internal control system.

The maximum credit risk from financial assets (including derivatives with positive market value) is equivalent to the carrying amounts recognised in the balance sheet. The maximum credit risk amounts to € 11,751.7 million as of the cut-off date (prior year: € 11,766.3 million).

Liquidity risks

Liquidity risks arise for EnBW from the obligation to repay liabilities completely and in time. The purpose of EnBW's cash and liquidity management is to secure the company's solvency.

The cash management determines any cash requirements and surpluses on a central basis. By offsetting cash requirements and excess cash, the number of banking transactions is reduced to a minimum. The offsetting is carried out by cash pooling. Cash management has implemented standardised processes and systems to manage bank accounts and internal clearing accounts and perform automated payment transactions.

For liquidity management purposes, a finance plan based on cash flows is prepared centrally. As they arise, finance needs are covered by suitable liquidity management instruments. In addition to ensuring that liquidity is available on a daily basis, EnBW maintains further liquidity reserves of € 2.8 billion that are available in the short term. The amount of liquidity reserves is based on strategic liquidity planning taking into account defined worst case parameters. The liquidity reserve is made up of contractually agreed, syndicated and free credit lines with various terms to maturity. In view of the liquidity available and existing credit lines, EnBW does not consider there to be any concentration of risk.

Further, details on financial liabilities are presented in note 24, 'liabilities and subsidies'.

The tables below show future undiscounted cash flows from financial liabilities and derivative financial instruments that affect the future liquidity situation of the EnBW group.

The analysis includes all contractual obligations as of the balance sheet date 31 December 2007 that are disclosed in the balance sheet.

Interest and redemption payments are taken into consideration for debt instruments issued and liabilities to banks.

The interest payments on fixed-interest financial instruments are based on the contractually agreed interest rates. In the case of floating interest on financial instruments, the interest rates last fixed prior to 31 December 2007 were used.

Financial instruments denominated in foreign currency are translated using the spot rate as of 31 December 2007.

Where derivatives are concerned, positive or negative market values are generally included, provided they give rise to a net outflow of resources. Undiscounted cash flows are based on the following terms and conditions:

- Swap transactions are only included in the liquidity analysis provided they give rise to a net outflow of resources.
- Forward exchange transactions are taken into account, provided they give rise to an outflow of resources.
- In the case of forward transactions, all calls are taken into account. The future cash flows are equivalent to the quantities measured at the contractually agreed price.
- Future transactions are not included in the liquidity analysis because they are settled by daily variation margins and there is thus no liquidity risk.

Undiscounted cash flows as of 31 December 2007 € millions	Total	2008	2009	2010	2011	Cash flows > 2011
Non-derivative financial liabilities						
Debt instruments issued	3,677.8	563.4	115.9	325.6	106.2	2,566.7
Liabilities to banks	656.7	109.7	267.6	43.6	59.0	176.8
Finance lease liabilities	796.2	103.0	102.9	102.9	102.8	384.6
Other financial liabilities	207.8	13.7	12.0	11.0	10.8	160.3
Trade payables	649.1	645.2	3.9	0.0	0.0	0.0
Other financial liabilities	510.9	360.8	5.8	0.0	0.0	144.3
Derivative financial assets	6,807.0	4,826.1	1,702.8	277.9	0.1	0.1
Derivative financial liabilities	528.3	445.0	51.5	9.4	1.1	21.3
Total	**13,833.8**	**7,066.9**	**2,262.4**	**770.4**	**280.0**	**3,454.1**

Undiscounted cash flows as of 31 December 2006 € millions	Total	2007	2008	2009	2010	Cash flows > 2010
Non-derivative financial liabilities						
Debt instruments issued	4,400.3	910.1	370.2	116.1	328.3	2,675.6
Liabilities to banks	921.2	430.9	90.0	250.1	31.9	118.3
Finance lease liabilities	1,138.0	119.2	118.9	118.6	118.5	662.8
Other financial liabilities	305.2	16.2	12.5	12.0	11.1	253.4
Trade payables	666.8	662.8	4.0	0.0	0.0	0.0
Other financial liabilities	491.8	335.1	8.3	0.0	0.0	148.4
Derivative financial assets	904.4	599.8	251.8	49.9	2.9	0.0
Derivative financial liabilities	1,802.3	1,315.0	419.4	65.2	2.7	0.0
Total	**10,630.0**	**4,389.1**	**1,275.1**	**611.9**	**495.4**	**3,858.5**

The increase recorded for derivative financial assets and liabilities compared to the prior year is essentially due to a considerably higher volume of forward transactions to purchase electricity in trading for own account. The volume of sales, which also increased as a result, is not taken into account here. Instead, a one-sided overview is presented of all derivatives causing an outflow of resources. The netting agreements concluded with numerous trading partners are not included here either, which means that the company's actual liquidity risk cannot be derived directly from the derivatives.

Market risks

Currency risks

EnBW has exposure to foreign currencies from procurement and hedging of prices for fuel needs, as well as gas and oil trading. The currency risk is hedged with the help of appropriate financial instruments – in the reporting period forward exchange contracts only – on the basis of continuously monitored exchange rate forecasts. Foreign exchange risks are hedged centrally. EnBW principally has exposure from US dollars and Swiss francs.

The net assets tied up at foreign group entities outside the euro area and the translation risk are only hedged against exchange rate fluctuation in exceptional cases.

The effects of changes in exchange rates on the profit for the year and on equity are analysed below. The analysis was made assuming that all other parameters, such as interest, remain unchanged. The analysis includes financial instruments whose exchange rate exposure might affect equity or the profit for the year. These mainly are hedging instruments from cash flow hedges and hedging instruments from hedges of net investments in foreign operations, stand-alone derivatives and receivables and liabilities denominated in foreign currency.

Revaluation (devaluation) of the euro by 10% against all other currencies as of the balance sheet date 31 December 2007 would reduce (increase) the profit for the year by € 20.5 million (prior year: € 28.4 million). This hypothetical reduction of earnings is attributable to the EUR/USD and EUR/CHF currency sensitivities (€ 14.5 million (prior year: € 28.4 million) and € 6.0 million (prior year: € 0.0 million), respectively).

Equity would decrease (increase) by € 9.9 million as of the 31 December 2007 in the event of a 10% revaluation (devaluation). A 10% revaluation of the euro in the prior year would increase equity by € 10.9 million. This hypothetical reduction of equity is attributable to the EUR/USD and EUR/CHF currency sensitivities (€ 45.8 million (prior year: € -26.2 million) and € -35.9 million (prior year: € 37.1 million), respectively).

Interest rate risks

EnBW uses a multitude of interest-sensitive financial instruments in order to meet the requirements of operational and strategic liquidity management. Interest rate risks therefore only stem from floating-rate instruments here.

Interest-induced changes in the market value of interest-bearing securities in the 'available for sale' measurement category are presented under other price risks for shares, share-based investment funds and interest-bearing securities.

On the assets side, there is interest exposure from bank balances and on the liabilities side from floating rate liabilities to banks. In addition, there are interest rate risks from derivatives in the form of swap transactions. EnBW mainly has interest rate risks in the euro area.

The effects of changes in interest rates on the profit for the year and on equity are analysed below. The analysis was made assuming that all other parameters, such as exchange rates, remain unchanged. The analysis includes only financial instruments whose interest rate exposure might affect equity or the profit for the year. For analysis purposes, the average change in yield over the last ten years was used.

Changes in the level of interest rates in the euro area by 60 base points in relation to the nominal volume as of the balance sheet date 31 December 2007 would increase (reduce) the profit for the year by € 1.8 million (prior year: € 2.7 million). The hypothetical change in profit comprises potential effects from interest derivatives of € -0.5 million (prior year: € -0.3 million), floating-rate bank balances of € 4.9 million (prior year: € 4.9 million) and primary financial liabilities subject to floating- rate interest of € -2.6 million (prior year: € -1.9 million).

Commodity price risks

In the context of our energy trading activities, energy trading contracts are entered into for the purpose of price risk management, optimisation of power stations, burden equalisation and optimisation of margins. Trading for own account is only permitted within narrow, clearly defined boundaries.

The price risks mostly arise from the procurement and sale of electricity and the procurement of coal, gas and oil as fuels and of emission allowances. Furthermore, EnBW is exposed to price risks from speculative items entered into in own-account trading. The price risks are hedged using appropriate financial instruments on the basis of continuously monitored forecasts of market prices. The hedging instruments used in the reporting period were forwards, futures, swaps and options.

The sensitivity of the measurement of derivatives to electricity, coal, oil, gas and emission allowances is analysed below. The analysis was made assuming that all other parameters remain unchanged. The analysis includes only derivatives whose changes in market value affect equity or the profit for the year. These are derivatives that are accounted for as stand-alone derivatives as well as derivatives used as hedging instruments in cash flow hedges. The analysis does not include any derivatives that are intended for the purpose of receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements (own use) and are not required to be accounted for in accordance with IAS 39. Likewise, our generation and distribution positions are not included in the analysis either. The sensitivities presented below therefore do not represent the actual economic risks that the EnBW group is exposed to and serve only to satisfy the disclosure requirements of IFRS 7.

Sensitivity in terms of the electricity price:
A decrease (increase) in the market price by 15% as of the balance sheet date 31 December 2007 (prior year: 15%) would raise (reduce) the profit for the year by € 65.8 million (prior year: € 49.3 million).

A decrease (increase) in the market price by 15% as of the balance sheet date 31 December 2007 (prior year: 15%) would raise (reduce) equity by € 131.4 million (prior year: € 167.3 million).

Sensitivity in terms of the coal price:
A decrease (increase) in the market price by 15% as of the balance sheet date 31 December 2007 (prior year: 15%) would reduce (raise) the profit for the year by € 7.9 million (prior year: € 13.9 million).

A decrease (increase) in the market price by 15% as of the balance sheet date 31 December 2007 (prior year: 15%) would reduce (raise) equity by € 62.3 million (prior year: € 31.4 million).

Sensitivity in terms of the oil price:
A decrease (increase) in the market price by 20% as of the balance sheet date 31 December 2007 would raise (reduce) the profit for the year by € 2.6 million. In the prior year, a decrease in the market price by 20% would have improved the profit for the year by € 5.0 million.

Sensitivity in terms of the gas price:
A decrease (increase) in the market price by 25% as of the balance sheet date 31 December 2007 would reduce (raise) the profit for the year by € 6.0 million. In the prior year, a decrease in the market price by 25% would have raised the profit for the year by € 1.1 million.

Sensitivity in terms of the price of emission allowances:
A decrease (increase) in the market price by 50% (prior year: 50%) as of the balance sheet date 31 December 2007 would reduce (raise) the profit for the year by € 52.0 million (prior year: € 13.9 million).

Other price risks for shares, share-based investment funds and interest-bearing securities
EnBW has investments in shares and share-based investment funds and fixed-interest securities which present price risks for the company.

When selecting the securities, the company always attaches particular importance to high marketability and good credit rating. As of the balance sheet date 31 December 2007, shares, share-based investment funds and fixed-interest securities of € 4,538.4 million (prior year: € 4,698.1 million) were exposed to market price risks.

The effects of prices risks from shares and share-based investment funds as well as interest-bearing securities on the profit for the year and on equity are analysed below. The analysis was made assuming that all other parameters, such as currencies, remain unchanged. The analysis includes financial instruments whose price risks might affect equity or the profit for the year.

The analysis of the market price risk of shares and share-based investment funds was carried out based on historical volatility (the last 360 trading days). A standard deviation was assumed as a realistic scenario. The market risk of fixed-interest securities was analysed by modified duration. Taking into account the changes in interest rates assumed (see interest rate risk) in relation to the fair value of fixed-interest securities, earnings are determined in absolute figures.

The assumptions underlying the sensitivity analysis are 10% for shares and share-based investment funds and 3% for interest-bearing securities.

With the risk scenario given, the profit for the year would increase (decrease) by € 3.6 million (prior year: € 8.3 million). The hypothetical change in profit for the year is due to fixed-interest securities.

With the risk scenario given, equity would increase (decrease) by € 285.5 million (prior year: € 291.8 million). Of the hypothetical change in profits, an amount of € 218.5 million (prior year: € 224.3 million) is attributable to shares and share-based investment funds and € 67.0 million (prior year: € 67.5 million) to fixed-interest securities.

Other notes

Earnings per share[1]		2007	2006
Result of continuing operations	€ millions	1,416.1	1,114.7
of which profit shares attributable to equity holders of EnBW AG	€ millions	(1,266.2)	(995.0)
Group net profit	€ millions	1,514.0	1,120.7
of which profit shares attributable to equity holders of EnBW AG	€ millions	(1,364.1)	(1,001.8)
Number of shares outstanding (weighted average)	thousand shares	244,257	244,232
Earnings per share from continuing operations[2]	€	5.18	4.07
Earnings per share from continuing operations before amortisation of goodwill from capital consolidation[2]	€	5.18	4.07
Earnings per share from discontinued operations[2]	€	0.40	0.03
Earnings per share from group net profit[2]	€	5.58	4.10
Dividends per share for fiscal year 2006 of EnBW AG	€	–	1.14
Proposed dividends per share for fiscal year 2007 of EnBW AG	€	1.51	–

[1] Prior-year figures adjusted.
[2] In relation to the profit shares attributable to the equity holders of EnBW AG.

Earnings per share is determined by dividing the earnings attributable to the equity holders of EnBW AG by the average number of shares outstanding. The indicator may be diluted by potential shares on account of share options or convertible bonds. As EnBW does not have any potential shares, the basic earnings per share is identical to the diluted earnings per share.

Contingent liabilities and financial commitments

The disclosures on contingent liabilities and financial commitments relate to the nominal values.

After the amended German Atomic Power Act (AtG) and the amended Directive on the Coverage Provisions in the Nuclear Power Industry (AtDeckV) came into force on 27 April 2002, the German nuclear power plant operators are required to provide evidence of coverage provision up to a maximum amount of € 2.5 billion per case of damage. Of this provision, € 255.6 million is covered by uniform third-party liability insurance. Nuklear Haftpflicht GbR is now restricted to a solidarity agreement to cover claims in connection with evacuation measures ordered by the authorities of between € 0.5 million and € 15 million. In proportion to their shares in nuclear power stations, group companies have undertaken to equip their operating companies with sufficient resources so that they can meet their obligations from the membership in Nuklear Haftpflicht GbR at all times.

To fulfil the subsequent coverage provision of € 2,244.4 million per case of damage, EnBW and the other ultimate parent companies of the German nuclear power plant operators agreed by contract dated 11 July/27 July/ 21 August/28 August 2001 to provide financial assistance to the liable nuclear power plant operator in case of damage after exhausting its own possibilities and those of its parent company – so that it can meet its payment obligations (solidarity agreement). According to the agreement, EnBW has to bear a 24.921% share of the liability as of 31 December 2007 and as of 1 January 2008, plus 5% for loss settlement costs. Sufficient liquidity has been provided for in the liquidity plan.

Financial commitments from rent agreements and operating leases break down as follos:

€ millions	31/12/2007	31/12/2006
Due within 1 year	65.9	69.4
Due in 1 to 5 years	137.6	165.7
Due in more than 5 years	66.2	67.8
Total	**269.7**	**302.9**

Financial commitments from rent agreements and leases mainly relate to warehouse and administrative buildings as well as electricity generating facilities.

The EnBW group has long-term purchase commitments for natural gas, coal and other fossil fuels as well as electricity. In addition, there are commitments from long-term agreements for the purchase, conversion, enrichment, production and disposal of uranium. The energy and environmental services segment also has long-term commitments under disposal agreements.

The expected payments to settle these purchase commitments, and from contingent liabilities and other collateral are as follows:

	31/12/2007	of which due in			31/12/2006
€ millions		< 1 year	1 – 5 years	> 5 years	
Electricity	10,012.7	2,010.1	2,620.7	5,381.9	9,823.3
Natural gas	2,898.2	872.5	2,025.7	0.0	2,822.8
Brown coal and other fossil fuels	1,229.5	39.2	192.3	998.0	1,257.5
Hard coal	425.0	280.8	144.2	0.0	364.8
Other	1,609.2	193.2	671.5	744.5	2,326.3
Subtotal long-term purchase commitments	**16,174.6**	**3,395.8**	**5,654.4**	**7,124.4**	**16,594.7**
Purchase commitment	246.3	190.5	53.3	2.5	318.6
Capital commitments Intangible assets	0.8	0.8	0.0	0.0	2.1
Capital commitments Property, plant and equipment	432.9	240.0	192.9	0.0	305.9
Financial commitments from the purchase of investments	274.4	244.1	30.3	0.0	393.4
Guarantees and collateral	133.4	131.5	1.9	0.0	236.9
Guarantees for third-party services	137.8	107.0	0.0	30.8	141.5
Other financial commitments	111.4	30.9	79.1	1.4	143.0
Total	**17,511.6**	**4,340.6**	**6,011.9**	**7,159.1**	**18,136.1**

Guarantees and collateral, guarantees for third-party services and other financial commitments include an amount of € 4.1 million (prior year: € 7.0 million) from joint ventures.

Pending litigation against group companies for which no provisions were set up on account of the unlikeliness of the counterparty winning the case could lead to potential financial commitments of € 159.8 million (prior year: € 154.1 million) from EnBW's perspective. In addition, various court cases, investigations by authorities or proceedings and other claims are pending against group entities. The chances of their being successful is, however, remote and they are therefore not reported under contingent liabilities and financial commitments.

Audit fees

The group audit fees recorded as an expense break down as follows:

€ thousands	2007	2006
Statutory audit	2,506.7	2,398.9
Other attest services	680.6	591.2
Tax advisory services	1,046.3	909.6
Other services	634.4	994.4
Total	**4,868.0**	**4,894.1**

Exemption pursuant to Sec. 264 (3) HGB and Sec. 264b HGB

The following German subsidiaries made use of the exemption provisions of Sec. 264 (3) HGB or Sec. 264b HGB in 2007 with respect to the publication of financial statements:

Exemption pursuant to Sec. 264 (3) HGB

- EnBW Akademie Gesellschaft für Personal und Managemententwicklung mbH, Stuttgart
- EnBW EnHol Beteiligungsgesellschaft mbH, Karlsruhe
- EnBW Gas GmbH, Stuttgart
- EnBW Gasnetz GmbH, Stuttgart
- EnBW Grundstücksverwaltung Rheinhafen GmbH, Karlsruhe
- EnBW Kernkraft GmbH, Obrigheim
- EnBW Kommunale Beteiligungen GmbH, Stuttgart
- EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH, Stuttgart
- EnBW Kraftwerke AG, Stuttgart
- EnBW REG Beteiligungsgesellschaft mbH, Stuttgart
- EnBW Regional AG, Stuttgart
- EnBW Systeme Infrastruktur Support GmbH, Karlsruhe
- EnBW Trading GmbH, Karlsruhe
- EnBW Transportnetze AG, Stuttgart
- EnBW Vertriebs- und Servicegesellschaft mbH, Stuttgart
- EnBW Waste Management GmbH, Stuttgart
- Kernkraftwerk Obrigheim GmbH, Obrigheim
- Neckarwerke Stuttgart GmbH, Stuttgart
- NWS Energiehandel GmbH, Stuttgart
- NWS REG Beteiligungsgesellschaft mbH, Stuttgart
- Objektschutzdienst Schäfer GmbH, Karlsruhe
- TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH, Karlsruhe
- TEWERATIO GmbH, Stuttgart
- T-plus GmbH, Karlsruhe
- TWS Kernkraft GmbH, Gemmrigheim
- U-plus Umweltservice AG, Karlsruhe
- Yello Strom GmbH, Cologne
- Yello Strom Verwaltungs-GmbH, Karlsruhe

Exemption pursuant to Sec. 264b HGB

- Alb Windkraft GmbH & Co. KG, Geislingen/Steige
- EnBW City GmbH & Co. KG, Stuttgart
- EnBW Grundstücks- und Gebäudemanagement GmbH & Co. KG Karlsruhe, Karlsruhe
- EnBW Grundstücks- und Gebäudemanagement GmbH & Co. KG Stuttgart, Stuttgart
- EnSüdWest Energiebeteiligungen AG & Co. KG, Karlsruhe
- EVGA Grundstücks- und Gebäudemanagement GmbH & Co. KG, Stuttgart
- Facilma Grundbesitzmanagement und -service GmbH & Co. Besitz KG, Karlsruhe
- KMS Kraftwerke Grundbesitzmanagement und -service GmbH & Co. Besitz KG, Karlsruhe
- NWS Grundstücksmanagement GmbH & Co. KG, Stuttgart
- Salamander Marken GmbH & Co. KG, Kornwestheim

Declaration of compliance with the German Corporate Governance Code

The Board of Management and Supervisory Board of EnBW Energie Baden-Württemberg AG issued the declaration of compliance with the German Corporate Governance Code required by Sec. 161 German Stock Corporation Act (AktG) on 6 December 2007 and made it permanently available to the shareholders on the internet at www.enbw.com/declarationofcompliance.

The declaration of compliance of the listed subsidiary ZEAG Energie AG is available on the internet at www.zeag-energie.de.

Remuneration of the Board of Management

Total remuneration paid to the Board of Management for the fiscal year 2007 amounted to € 11.1 million (prior year: € 10.3 million). This amount includes short-term remuneration of € 9.0 million (prior year: € 8.0 million). The long-term remuneration amounts to € 2.0 million (prior year: € 2.3 million).

The addition to the pension obligations for this group of persons came to € 2.2 million in the fiscal year 2007 (prior year: € 2.2 million) including service and interest cost.

There are defined benefit obligations in accordance with IFRS of € 9.6 million (prior year: € 11.3 million) for the current members of the Board of Management.

Former members of the Board of Management and their surviving dependants received € 4.2 million (prior year: € 3.4 million). There are defined benefit obligations to former members of the Board of Management and their surviving dependants in accordance with IFRS of € 46.7 million (prior year: € 43.1 million).

Remuneration of the Supervisory Board

Based on the proposed dividend of € 1.51 per share, the members of the Supervisory Board will receive total remuneration of € 0.6 million (prior year: € 0.6 million) including attendance fees for the fiscal year 2007.

Share deals and shareholdings of key management personnel

The company did not receive any notices in the fiscal year 2007 on transactions with EnBW shares or related financial instruments of key management personnel, or persons closely related to them in accordance with Sec. 15a Securities Trading Act (WpHG). The total EnBW shares held by all members of the Board of Management and the Supervisory Board amount to less than 1% of the company's shares outstanding.

Cash flow statement

The cash flow statement is split up into cash flows from operating, investing and financing activities. The balance of the cash flow statement represents the change in cash and cash equivalents during the fiscal year 2007 of € -609.5 million (prior year: € 507.2 million).

Cash and cash equivalents relate almost exclusively to bank balances, largely in the form of time and call deposits and correspond to the amount disclosed in the balance sheet as cash and cash equivalents.

Additions, reversals and the utilisation of provisions for pensions and similar obligations as well as of the provisions relating to nuclear energy are disclosed as changes in non-current provisions in the cash flow statement.

The cash flows of discontinued operations are contained in the cash flows from operating, investing and financing activities pursuant to IFRS 5.33c and disclosed separately.

In the fiscal year 2007, the cash flow from operating activities was € 1,558.7 million (prior year: € 1,466.6 million).

Other non-cash expenses and income break down as follows:

€ millions	2007	2006
Income from the release of construction cost subsidies	-88.1	-84.5
Income and expenses from changes in specific bad debt allowances	27.4	23.9
Reversals of impairment losses on property, plant, equipment and intangible assets	-7.7	-8.4
Other	-1.0	-0.1
Total	**-69.4**	**-69.1**

In the fiscal year 2007, € 80.5 million was distributed to minority interests of group entities (prior year: € 71.0 million).

Purchase prices for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method totalled € 204.5 million in the reporting year (prior year: € 471.2 million). In the reporting year, cash and cash equivalents of € 14.0 million were acquired in the course of share purchases (prior year: € 84.2 million). The purchase prices were provided in the form of cash and mainly attributable to the increase of our shareholdings in Erdgas Südwest GmbH, ENSO Energie Sachsen Ost GmbH and GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG.

Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method relates above all to discontinued operations.

We also refer to the explanations given in the management report on the net assets of EnBW.

Funds from operations (FFO)

FFO before tax and financing improved in the reporting year by € 219.4 million to € 2,118.4 million (prior year: € 1,899.0 million). The reason for this is the increase in earnings power in the group. FFO after tax and financing decreased by € 330.2 million to € 1,472.8 million (prior year: € 1,803.0 million), mainly as a result of the significant increase in income tax payments.

Funds from operations (FFO) € millions	2007	2006
FFO before tax and financing	**2,118.4**	**1,899.0**
Income tax paid	-691.5	-187.0
Interest and dividends received	449.1	382.0
Interest paid	-403.2	-291.0
FFO after tax and financing	**1,472.8**	**1,803.0**

Cash and cash equivalents

Of the cash and cash equivalents, € 61.3 million (prior year: € 48.7 million) is attributable to proportionately consolidated entities. Cash was not subject to any significant restrictions on disposal.

Additional disclosures on capital management

EnBWs capital management covers the management of liabilities as well as of financial assets.

All deliberations on the long-term capital management at EnBW are based on a theoretical analysis of the capital market in order to determine the best possible capital structure. Both debt capital and equity are included in these deliberations. An optimum capital structure aims to minimise the total cost of capital, taking into consideration a premium for retaining financial flexibility. For EnBW, the optimum capital structure implies achieving an A-range rating. The analysis is performed on an ongoing basis.

Based on the mid-term planning, EnBW analyses the financial headroom for a given rating target. This determines the scope for strategic leverage. The Board of Management addresses this topic at least once a year.

Acquisitions and divestitures are key factors for the company's financial headroom. The acquisitions and divestitures planned and performed are reviewed regularly and compared against the headroom determined.

EnBW uses a rolling planning horizon of three months for the short-term management of liquidity. EnBW also uses tools which allow forecasts to be made about liquidity requirements over a medium-term period.

EnBW's capital management also extends to the active management of financial assets. Based on appraisals of the pension provisions as well as appraisals on the nuclear provisions, EnBW determines the effects of the next 30 years using a cash-flow based model. This model forms the basis for the management of the financial assets. It allows simulations of various alternative return and provision scenarios.

EnBW manages the financial assets such that the pensions and nuclear obligations are covered up to 2032.

The group's net financial debt splits up as follows:

Net debt in € millions	**31/12/2007**	**31/12/2006**
Cash[1]	-829.2	-1,367.7
Short-term investments[1]	-171.5	-149.6
Cash and cash equivalents[1]	**-1,000.7**	**-1,517.3**
Bonds[2]	2,698.2	3,258.1
Liabilities to banks	546.9	853.9
Other financial liabilities	727.9	998.1
Financial liabilities[2]	**3,973.0**	**5,110.1**
Net financial debt[1,2]	**2,972.3**	**3,592.8**
Pension and nuclear power provisions	8,527.9	8,392.1
Long-term investments and loans	-4,906.4	-5,347.4
Short-term capital resources of the special funds and short-term securities to cover the pension and nuclear power provisions	-832.4	-619.8
Liabilities from put options	397.4	396.9
Other	-289.1	-153.3
Net debt[2]	**5,869.7**	**6,261.3**

[1] Without short-term captital resources of the special funds and short-term securities to cover the pension and nuclear power provisions.
[2] Adjusted for valuation effects from interest-induced hedging transactions.

Segment reporting

by business segment	Electricity		Gas		Energy and environmental services	
€ millions[1]	2007	2006	2007	2006	2007	2006
External revenue	11,539.7	9,509.0	2,479.3	2,757.9	693.2	592.6
Internal revenue	206.5	174.8	108.6	74.8	617.3	502.5
Total revenue	11,746.2	9,683.8	2,587.9	2,832.7	1,310.5	1,095.1
EBITDA	1,978.6	2,032.8	275.3	309.5	233.2	48.5
EBIT	1,409.9	1,473.0	172.2	223.3	127.8	-128.1
Cash flow from operating activities	1,215.6	1,021.8	295.5	270.6	134.1	179.6
Share of profit of entities accounted for using the equity method	147.6	153.8	3.0	1.4	8.3	6.3
Amortisation and depreciation	-566.1	-547.6	-95.9	-85.2	-103.3	-93.5
Impairment losses	-2.6	-12.2	-7.2	-1.0	-2.1	-83.1
Capital expenditures	568.9	403.4	71.7	71.4	175.5	155.3
Segment assets	13,102.9	12,472.8	2,855.2	2,808.6	2,133.1	2,133.9
Segment liabilities	10,127.5	9,651.6	665.0	679.0	992.7	1,122.9
Carrying amount of the entities accounted for using the equity method	1,630.1	1,533.1	34.6	34.5	191.8	191.0
Goodwill	456.4	441.1	133.3	91.6	50.8	59.4
Number of employees as of 31 December	11,632	11,754	891	827	7,187	6,734

[1] Prior-year figures adjusted.

The objective of the segment reporting is to provide information about the main business operations of the group. At the same time, it is designed to give an insight into the risk and opportunity structure of a diversified group. The segmentation of the business areas and regions in the EnBW group follows the internal reporting. The structure and content of the internal reporting provides a view of the risk and opportunity structure of the various business segments.

The allocation of goodwill to business segments was adjusted retroactively.

The segment figures have been determined in accordance with the accounting policies used in the consolidated financial statements.

The segment reporting comprises the electricity, gas as well as energy and environmental services segments.

The electricity segment comprises the value added stages generation, trading/procurement, transmission, distribution, and sales. The gas segment comprises the midstream area including import agreements and infrastructure, storage, trading/portfolio management as well as the downstream area including transmission, distribution as well as sales. The energy and environmental services segment includes the areas thermal disposal, non-thermal disposal, water and other services.

The holding/consolidation segment contains consolidation effects, EnBW AG as well as other activities not allocable to the other segments.

Internal revenue shows the level of sales between group companies. Intersegment sales were made at market prices. The segmentation of capital expenditures, assets and gross liabilities was performed within the EnBW group itself. Reconciliation of the segment assets and segment liabilities to gross assets and gross liabilities is as follows:

Holding/ consolidation		Continuing operations		Discontinued operations		Total	
2007	2006	2007	2006	2007	2006	2007	2006
0.0	0.0	14,712.2	12,859.5	97.2	226.6	14,809.4	13,086.1
-932.4	-752.1	0.0	0.0	0.0	0.0	0.0	0.0
-932.4	-752.1	14,712.2	12,859.5	97.2	226.6	14,809.4	13,086.1
-150.7	-117.0	2,336.4	2,273.8	131.5	25.1	2,467.9	2,298.9
-150.7	-117.0	1,559.2	1,451.2	125.7	10.1	1,684.9	1,461.3
-52.7	-17.3	1,592.5	1,454.7	-33.8	11.9	1,558.7	1,466.6
0.0	0.0	158.9	161.5	0.0	0.0	158.9	161.5
0.0	0.0	-765.3	-726.3	-5.8	-14.5	-771.1	-740.8
0.0	0.0	-11.9	-96.3	0.0	-0.5	-11.9	-96.8
0.0	0.0	816.1	630.1	0.8	0.0	816.9	630.1
146.4	200.5	18,237.6	17,615.8				
4,407.7	4,115.7	16,192.9	15,569.2				
0.0	0.0	1,856.5	1,758.6				
0.0	0.0	640.5	592.1				
555	547	20,265	19,862	0	1,286	20,265	21,148

€ millions[1]	31/12/2007	31/12/2006
Gross assets pursuant to the balance sheet	**28,414.3**	**28,148.3**
Non-current financial assets (without investment properties)	-7,590.9	-7,790.3
Non-current receivables from affiliated entities	-14.2	-14.2
Deferred tax	-6.0	-38.9
Current financial assets	-727.6	-274.0
Current receivables from affiliated entities	-11.3	-9.1
Income tax refund claims	-508.9	-442.6
Cash and cash equivalents	-1,317.8	-1,932.3
Assets of discontinued operations	0.0	-31.1
Segment assets	**18,237.6**	**17,615.8**
Gross liabilities pursuant to the balance sheet	**22,412.6**	**23,655.9**
Non-current financial liabilities	-3,364.2	-3,883.8
Potential purchase price commitments from put options	-397.4	-396.9
Deferred tax	-1,616.8	-2,000.0
Current financial liabilities	-588.3	-1,226.3
Current liabilities to affiliated entities	-8.2	-10.5
Income tax provisions/liabilities	-236.9	-466.2
Liabilities of discontinued operations	-7.9	-103.0
Segment liabilities	**16,192.9**	**15,569.2**

[1] Prior-year figures adjusted.

In accordance with the risk and opportunities structure, the segment reporting by region comprises the regions Germany and the rest of Europe.

By region € millions	2007	2006
Segment assets		
Germany	16,579.0	15,985.5
Rest of Europe	1,658.6	1,630.3
	18,237.6	**17,615.8**
Capital expenditures on intangible assets and property, plant and equipment		
Germany	712.6	569.7
Rest of Europes	103.5	60.4
	816.1	**630.1**

Related parties

Related parties include above all Electricité de France (EDF) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW). The financial statements of EnBW AG are included in the consolidated financial statements of EDF on a proportionate basis.

The business transacted with EDF during the reporting year had the following impact on the consolidated financial statements of EnBW:

Income statement € millions	2007	2006
Revenue	819.6	786.0
Cost of materials	765.9	881.6

Balance sheet € millions	31/12/2007	31/12/2006
Receivables	111.6	116.0
Payments on account	37.7	34.4
Liabilities	90.1	72.0
Payments on account received	44.4	50.0

The revenue and cost of materials mainly result from electricity supply and electricity procurement agreements. All business relations with EDF are at arm's length.

The business relations with joint ventures conducted at market conditions were as follows:

Income statement € millions	2007	2006
Revenue	43.3	117.6
Cost of materials	36.3	53.0

Balance sheet € millions	31/12/2007	31/12/2006
Other loans	7.4	14.9
Receivables	7.4	127.3
Payments on account	1.4	1.3
Liabilities	5.1	131.4
Payments on account received	1.3	0.0

In the course of ordinary business activities, relationships also exist with associates, including among others municipal entities (public utilities, in particular) accounted for using the equity method. Goods and service transactions with these entities took place at arm's length and had the following impact on the balance sheet and income statement of the EnBW group:

Income statement € millions	2007	2006
Revenue	130.2	82.5
Cost of materials	35.8	37.4

Balance sheet € millions	31/12/2007	31/12/2006
Other loans	0.0	5.3
Receivables	9.3	9.3
Liabilities	4.8	-1.1
Payments on account received	0.4	0.0

The EnBW group has not entered into any significant transactions with related persons.

The basic principles of the remuneration system and amount of remuneration for the Board of Management, the Supervisory Board and former members of the Board of Management are presented in the remuneration report. No loans or advances were granted to members of the Board of Management or Supervisory Board.

Disclosures concerning franchises

Franchise agreements in the areas electricity, gas, district heating and water are in place between the individual companies in the EnBW group and the municipalities. The majority of the franchise agreements have a term of 20 years. There are obligations governed by law to connect to the supply networks. Under the franchise agreements, the EnBW group is obliged to provide and maintain the facilities required to satisfy the general supply needs. In addition, it is required to pay a franchise fee to the municipalities. Upon expiry of a franchise agreement, the facilities must be returned or transferred to the municipalities or the subsequent network operator in return for reasonable compensation, unless the franchise agreement is extended.

Absorption of surplus revenues

EnBW received the first approvals for the network user charges for electricity and gas in the third quarter of 2006. The regulatory authorities had announced that in the next calculation period they would deduct the difference between the approved network revenues and the revenues actually recorded from 1 November 2005 to 1 February 2006, until the network user charges have been approved (retroactive surplus revenues absorption).

The legitimacy of this retroactive surplus revenues absorption is currently being clarified in court. Based on the judgments handed down to date, the risk of claims being enforced against EnBW is considered to be very low. Accordingly, no provisions were recognised in the balance sheet.

Subsequent events

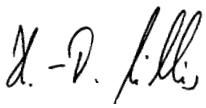
There were no other events after 31 December 2007 which would be significant for assessing the net assets, financial position and results of operations of the group.

Future-oriented statements

This report contains statements relating to the future that are based on current assumptions and projections of the management of EnBW. Such statements are subject to risks and uncertainties. These and other factors mean that the actual results, financial position, development or performance of the company may diverge materially from the estimates made here. EnBW assumes no obligation of any kind to update future-oriented statements or to adjust them to reflect future events or developments.

Karlsruhe, 8 February 2008

EnBW Energie Baden-Württemberg AG



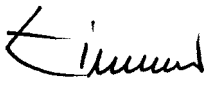
Villis

Lederer

Dr. Beck

Dr. Holzherr

Dr. h.c. Schmidt



Dr. Zimmer

Audit opinion

We have audited the consolidated financial statements prepared by EnBW Energie Baden-Württemberg AG, Karlsruhe, comprising the income statement, the balance sheet, the cash flow statement, the statement of changes in equity as well as the notes to the financial statements, together with the group management report which has been combined with the management report of the company, for the fiscal year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ['Handelsgesetzbuch': German Commercial Code] is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) as well as the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

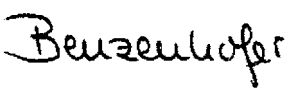
Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Stuttgart, 8 February 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Prof. Dr. Wollmert
Wirtschaftsprüfer
(German public auditor)



Benzenhöfer
Wirtschaftsprüferin
(German public auditor)

Declaration of the legal representatives

We assure to the best of our knowledge that in accordance with the applicable accounting principles the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group and that the group management report which has been combined with the management report of the company gives a true and fair view of the business development including the result and situation of the group and also describes the significant opportunities and risks relating to the anticipated development of the group for the remaining fiscal year.

Karlsruhe, 8 February 2008

EnBW Energie Baden-Württemberg AG

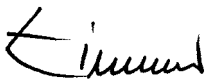
Villis

Lederer

Dr. Beck

Dr. Holzherr

Dr. h.c. Schmidt



Dr. Zimmer

Major shareholdings

Major shareholdings of EnBW Energie Baden-Württemberg AG (EnBW AG)

	Footnote	Registered office	Capital share[1] (in %)	Equity[2] (€ thousands)	Earnings[2] (€ thousands)	Revenue[2] (€ thousands)
Holding						
EnBW Energie Baden-Württemberg AG		Karlsruhe		1,826,345	605,515	0
Neckarwerke Stuttgart GmbH		Stuttgart	100.00	872,304	69,270	0
Electricity segment						
Fully consolidated companies						
1 EnAlpin AG		Visp/Switzerland	100.00	117,253	11,222	68,019
2 EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH		Stuttgart	100.00	297,640	–[4]	79,521
3 EnBW Kraftwerke AG		Stuttgart	100.00	1,063,141	–[4]	2,112,105
4 EnBW Regional AG		Stuttgart	100.00	413,925	–[4]	2,096,731
5 EnBW Trading GmbH		Karlsruhe	100.00	2,560	–[4]	8,275,556
6 EnBW Transportnetze AG		Stuttgart	100.00	177,791	–[4]	1,964,550
7 EnBW Vertriebs- und Servicegesellschaft mbH		Stuttgart	100.00	15,164	–[4]	4,949,874
8 ENSO Strom Netz GmbH		Dresden	100.00	49	–[4]	313,214
9 EVGA Grundstücks- und Gebäudemanagement GmbH & Co. KG		Stuttgart	100.00	86,335	4,642	34,312
10 Facilma Grundbesitzmanagement und -service GmbH & Co. Besitz KG		Karlsruhe	100.00	123,977	5,005	15,789
11 GESO Beteiligungs- und Beratungs-AG		Dresden	100.00	112,484	–[4]	1,223
12 Kernkraftwerk Obrigheim GmbH		Obrigheim	100.00	146,590	95,460	0
13 KMS Kraftwerke Grundbesitzmanagement und -service GmbH & Co. Besitz KG		Karlsruhe	100.00	236,884	4,354	9,724
14 Netzgesellschaft Ostwürttemberg GmbH		Ellwangen	100.00	100	–[4]	193,491
15 NWS Grundstücksmanagement GmbH & Co. KG		Stuttgart	100.00	310,998	32,520	52,105
16 TWS Kernkraft GmbH		Gemmrigheim	100.00	149,297	–[4]	148,393
17 Watt Deutschland GmbH		Frankfurt am Main	100.00	4,375	569	222,980
18 Yello Strom GmbH		Cologne	100.00	500	–[4]	794,896
19 EnBW Kernkraft GmbH		Obrigheim	99.80	10,000	–[4]	700,985
20 EnBW Ostwürttemberg DonauRies AG		Ellwangen	99.72	105,442	–[4]	418,066
21 ZEAG Energie AG		Heilbronn	98.26	113,461	16,190	102,141
22 Energiedienst Holding AG	[3]	Laufenburg/Switzerland	75.97[8]	591,098	71,763	571,469
23 ENSO Strom AG		Dresden	68.91	278,668	49,211	927,275
24 Kraftwerk Bexbach Verwaltungsgesellschaft mbH		Bexbach an der Saar	66.66	23,010	1,150	2,622
25 Stadtwerke Düsseldorf AG	[6]	Düsseldorf	54.95	348,244	39,072	1,333,348

	Footnote	Registered office	Capital share[1] (in %)	Equity[2] (€ thousands)	Earnings[2] (€ thousands)	Revenue[2] (€ thousands)
Electricity segment						
Proportionately consolidated companies						
26 Energotrans a.s.	6	Prague/Czech Republic	100.00	153,831	35,557	106,325
27 Prazská energetiká a.s.	6	Prague/Czech Republic	50.93	386,188	60,822	492,179
28 Fernwärme Ulm GmbH	5	Ulm	50.00	20,942	-242	44,462
29 Prazská teplárenská a.s.	6	Prague/Czech Republic	48.45	295,885	46,938	184,690
Companies accounted for using the equity method						
30 EVN Energie-Versorgung Niederösterreich AG	3,5	Maria Enzersdorf/ Austria	35.72	3,014,733	258,978	2,233,124
31 DREWAG – Stadtwerke Dresden GmbH	6	Dresden	35.00	301,902	–[9]	711,498
32 Großkraftwerk Mannheim AG	6	Mannheim	32.00	114,142	6,647	399,454
33 Budapesti Elektromos Müvek Nyrt. (ELMÜ)	6	Budapest/Hungary	27.25	283,759	58,584	834,594
34 Eszak-Magyarországi Áramszolgáltató Nyrt. (EMASZ)	6	Miskolc/Hungary	26.83	140,188	16,857	360,991
35 Elektrownia Rybnik S.A.	6	Rybnik/Poland	26.31	175,263	12,930	310,820
36 FairEnergie GmbH	6	Reutlingen	24.90	90,766	–[9]	274,682
37 Mátrai Erömü ZRt. (MATRA)	6	Visonta/Hungary	21.71	184,706	36,225	226,833
38 Stadtwerke Karlsruhe GmbH	6	Karlsruhe	20.00	165,710	–[9]	479,292
Equity investments						
39 e.wa.riss GmbH & Co. KG	6	Biberach	50.00	12,110	5,347	48,862
40 Schluchseewerk AG	6	Laufenburg/Baden	50.00	59,339	2,809	76,159
41 Energie- und Wasserwerke Bautzen GmbH	6	Bautzen	49.00	16,630	–[9]	41,737
42 Stadtwerke Weinheim GmbH	6	Weinheim	39.32	26,296	3,281	52,012
43 Kraftwerk Ryburg-Schwörstadt AG	5,6	Rheinfelden/Switzerland	38.00	24,046	1,163	9,217
44 Elektrizitätswerk Mittelbaden AG & Co. KG	6	Lahr	34.74	42,347	14,552	181,682
45 Stadtwerke Elbtal GmbH	6	Coswig	30.00	7,417	–[9]	52,818
46 Albwerk GmbH & Co. KG	6	Geislingen an der Steige	25.10	14,179	6,942	62,146
47 Energie- und Wasserversorgung Bruchsal GmbH	6	Bruchsal	25.10	21,993	–[9]	45,647
48 ENRW Energieversorgung Rottweil GmbH & Co. KG	6	Rottweil	25.10	23,142	2,183	69,193
49 Stadtwerke Schwäbisch Gmünd GmbH	6	Schwäbisch Gmünd	25.10	22,701	–[9]	66,793
50 Stadtwerke Sindelfingen GmbH	6	Sindelfingen	25.10	25,650	5,174	71,140
51 Stadtwerke Nürtingen GmbH	6	Nürtingen	25.00	28,476	1,203	37,437
52 Zespół Elektrocieptowni Wrocławskich Kogeneracja S.A.		Wroclaw/Poland	15.59	209,072	15,736	102,352
53 MVV Energie AG	5	Mannheim	15.07	587,881	67,927	1,088,194

	Footnote	Registered office	Capital share[1] (in %)	Equity[2] (€ thousands)	Earnings[2] (€ thousands)	Revenue[2] (€ thousands)
Gas segment						
Fully consolidated companies						
54 EnBW Gas GmbH		Stuttgart	100.00	133,970	–[4]	688,781
55 ENSO Erdgas GmbH		Dresden	100.00	44,490	–[4]	366,654
56 Gasversorgung Süddeutschland GmbH	[7]	Stuttgart	100.00	76,694	–[4]	1,786,697
57 GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG		Dresden	100.00	1,278	60	19,872
58 Erdgas Südwest GmbH		Karlsruhe	79.00	46,705	16,312	156,087
Companies accounted for using the equity method						
59 Stadtwerke Esslingen am Neckar GmbH & Co. KG	[6]	Esslingen am Neckar	49.98	56,025	3,680	69,961
Equity investments						
60 Heilbronner Versorgungs GmbH	[6]	Heilbronn	25.10	36,375	–[9]	99,799
61 Technische Werke Schussental GmbH & Co. KG	[6]	Ravensburg	25.10	22,924	4,447	69,072
Energy and environmental services segment						
Fully consolidated companies						
62 EnBW Beteiligungen AG		Kornwestheim	100.00	195,257	205,426	0
63 EnBW City GmbH & Co. KG		Stuttgart	100.00	96,583	30	0
64 EnBW Energy Solutions GmbH		Stuttgart	100.00	39,268	6,678	65,881
65 EnBW Grundstücks- und Gebäude-management GmbH & Co. KG Karlsruhe		Karlsruhe	100.00	137,390	1,635	12,650
66 EnBW Grundstücks- und Gebäude-management GmbH & Co. KG Stuttgart		Stuttgart	100.00	46,090	2,205	5,750
67 EnBW Kommunale Beteiligungen GmbH		Stuttgart	100.00	995,226	–[4]	2,105
68 EnBW Systeme Infrastruktur Support GmbH		Karlsruhe	100.00	16,500	–[4]	277,317
69 T-plus GmbH		Karlsruhe	100.00	15,000	–[4]	53,888
70 U-plus Umweltservice AG		Karlsruhe	100.00	158,221	50,815	0
71 AWISTA Gesellschaft für Abfallwirtschaft und Stadtreinigung mbH	[6]	Düsseldorf	51.00	37,063	6,478	152,599

	Footnote	Registered office	Capital share[1] (in %)	Equity[2] (€ thousands)	Earnings[2] (€ thousands)	Revenue[2] (€ thousands)
Proportionately consolidated companies						
72 Industriekraftwerk Baienfurt OHG		Baienfurt	50.00	9,728	6,076	37,457
Companies accounted for using the equity method						
73 Gegenbauer Holding SA & Co. KG		Berlin	49.00	19,691	10,904	14,661
74 DIW Deutsche Industriewartung AG	[5]	Stuttgart	45.20	102,727	5,581	0
75 Zweckverband Landeswasserversorgung	[6]	Stuttgart	28.12	148,466	-198	38,864
76 Zweckverband Bodensee-Wasserversorgung	[6]	Stuttgart	22.39	192,888	-1,610	51,253

[1] Shares of the respective parent company calculated pursuant to Sec. 313 (2) HGB (as of 31 December 2007).
[2] In the case of separate entities, the figures stem from financial statements prepared pursuant to local principles and do not show the contributions of each company to the consolidated financial statements.
[3] Disclosures for sub-group in accordance with IFRS.
[4] Profit and loss transfer agreement and/or domination agreement.
[5] Diverging fiscal year.
[6] Prior-year figures.
[7] Held via EnBW Eni Verwaltungsgesellschaft mbH, Karlsruhe (EnBW shareholding: 50%), which is fully consolidated by virtue of the casting vote regulation.
[8] Before taking treasury shares of the company into account.
[9] Profit and loss transfer agreement with third parties.

These plans for the future are ambitious, but at the same time realistic: we want to raise the value of the company sustainably over the next few years.

Additional information

Company boards

Parent company

EnBW Energie Baden-Württemberg AG
Durlacher Allee 93
76131 Karlsruhe
Germany
www.enbw.com

Offices held by members of the Board of Management*

Hans-Peter Villis
(Member and Chairman of the Board of Management since 1 October 2007, list of offices held since then)
(1) EVN Energie-Versorgung Niederösterreich AG (since 17 January 2008)
Stadtwerke Düsseldorf AG (since 16 November 2007, chairman since 12 December 2007)

Pierre Lederer
(1) Deutsche Steinkohle AG (until 30 November 2007)
EnBW Kernkraft GmbH (from 14 March to 16 November 2007)
EnBW Kraftwerke AG (Chairman from 7 March to 25 November 2007)
EnBW Regional AG (Chairman)
EnBW Transportnetze AG (Chairman)
EnBW Vertriebs- und Servicegesellschaft mbH (until 31 May 2007)
Energiedienst AG
(2) EnBW Energy Solutions GmbH
EnBW Gas GmbH (Chairman)
EnBW Trading GmbH (Chairman)
Energiedienst Holding AG
Gasversorgung Süddeutschland GmbH (Chairman)

Dr. Bernhard Beck
(1) DREWAG – Stadtwerke Dresden GmbH
EnBW Beteiligungen AG (Chairman since 16 November 2007)
EnBW Kraftwerke AG
EnBW Systeme Infrastruktur Support GmbH (Chairman)
EnBW Vertriebs- und Servicegesellschaft mbH
Energiedienst AG
ENSO Strom AG
GESO Beteiligungs- und Beratungs-AG
SOMENTEC Software AG (Chairman)
Stadtwerke Düsseldorf AG
(2) BKK VerbundPlus, Körperschaft des öffentlichen Rechts (Chairman)
EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (Chairman)
EnBW Trading GmbH (since 28 February 2007)
Energiedienst Holding AG
ENSO Energie Sachsen Ost GmbH
Gasversorgung Süddeutschland GmbH
TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH (Chairman)
TEWERATIO GmbH (Chairman)

Dr. Christian Holzherr
(1) EnBW Vertriebs- und Servicegesellschaft mbH
(2) EnBW Trading GmbH

Dr. h.c. Detlef Schmidt
(1) EnBW Regional AG
EnBW Vertriebs- und Servicegesellschaft mbH (Chairman)
ENSO Strom AG (Chairman)
GESO Beteiligungs- und Beratungs-AG (Chairman)
Stadtwerke Düsseldorf AG
(2) EnBW Energy Solutions GmbH
EnBW Trading GmbH
ENSO Energie Sachsen Ost GmbH (Chairman)
ENSO Erdgas GmbH
SüdBest GmbH (Chairman)
VfB Stuttgart 1893 e. V.

Dr. Hans-Josef Zimmer
(Member of the Board of Management since 1 October 2007, list of offices held since then)
(1) EnBW Kernkraft GmbH (since 16 October 2007, chairman since 17 November 2007)
EnBW Kraftwerke AG (since 21 November 2007, chairman since 26 November 2007)
(2) Easy Toll Systems SA (until 19 November 2007)
Gesellschaft für Nuklear-Service mbH

Prof. Dr. Utz Claassen
(Member and Chairman of the Board of Management until 30 September 2007)
(1) EnBW Beteiligungen AG
(Chairman, until 25 October 2007)
Stadtwerke Düsseldorf AG
(Chairman, until 17 October 2007)
(2) Otto Bock Holding GmbH & Co. KG
(advisory board)

Prof. Dr.-Ing. Thomas Hartkopf
(Member of the Board of Management until 8 February 2007)
(1) EnBW Kernkraft GmbH
(Chairman, until 13 March 2007)
EnBW Kraftwerke AG
(Chairman, until 7 March 2007)
EnBW Transportnetze AG
(until 22 February 2007)
Energiedienst AG
(until 13 February 2007)
Grosskraftwerk Mannheim AG
(until 13 February 2007)
Schluchseewerk AG
(Chairman, until 13 February 2007)
U-plus Umweltservice AG
(Chairman, until 13 February 2007)
(2) EnAlpin AG
(President, until 13 February 2007)
EnBW Trading GmbH
(until 27 February 2007)
Energiedienst Holding AG
(until 13 February 2007)
Kernkraftwerk Obrigheim GmbH
(until 8 March 2007)
Vorarlberger Illwerke AG
(until 13 February 2007)

Other offices held by the members* of the Supervisory Board

Dr. Claus Dieter Hoffmann
(Chairman)
(1) Bauerfeind AG
Jowat AG (until 30 June 2007)
(2) De Boer Holding NV
ING Group NV

Dietrich Herd
(Deputy chairman)
(1) EnBW Kernkraft GmbH
EnBW Kraftwerke AG
(2) BKK VerbundPlus,
Körperschaft des öffentlichen Rechts

Prof. Joachim Bitterlich
(2) DEKRA e. V.
Veolia Propreté SA
Veolia Transport SA

Marc Boudier
(2) Aar et Tessin SA d'Electricité
Atel Holding AG, formerly Motor-Columbus AG
EDF Belgium SA (Chairman)
EDF International SA
EDF Peninsula Ibérica SLU (Chairman)
Edison spa
Transalpina di Energia SRL

Dr. Daniel Camus
(1) Morphosys AG
(2) Dalkia Holding SA
EDF Energy plc (Chairman)
EDF International SA (Chairman)
Edison spa
Transalpina di Energia SRL
Valeo SA

*(1) Membership in statutory supervisory boards.
(2) Membership in comparable domestic and foreign control bodies of business organisations.

As of 8 February 2008

Dirk Gaerte
(1) Hohenzollerische Landesbahn AG
(2) Flugplatz Mengen-Hohentengen GmbH (Chairman)
Hohenzollerische Landesbank Kreissparkasse Sigmaringen, Anstalt des öffentlichen Rechts (Chairman)
Kliniken Landkreis Sigmaringen GmbH (Chairman)
Regionales Technologie- und Innovationszentrum Pfullendorf GmbH
Verkehrsverband Neckar-Donau (Naldo) GmbH
Zweckverband Oberschwäbische Elektrizitätswerke
Zweckverband Thermische Abfallverwertung Donautal

Josef Götz
(1) EnBW Regional AG
(2) Zweckverband Bodensee-Wasserversorgung

Reiner Koch
(1) Stadtwerke Düsseldorf AG (since 19 July 2007)

Marianne Kugler-Wendt
(1) Bausparkasse Schwäbisch-Hall AG (since 5 September 2007)
EnBW Kernkraft GmbH
EnBW Kraftwerke AG
SLK-Kliniken Heilbronn GmbH
(2) Heilbronner Versorgungs GmbH
Kreissparkasse Heilbronn, Anstalt des öffentlichen Rechts (deputy member)
Stadtwerke Heilbronn GmbH

Wolfgang Lang
(1) EnBW Systeme Infrastruktur Support GmbH
(2) EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH
TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH
TEWERATIO GmbH

Gérard Roth
(2) Elektrownia Rybnik SA (since 19 March 2007)

Klaus Schörnich
(1) AWISTA Gesellschaft für Abfallwirtschaft und Stadtreinigung mbH (until 5 December 2007)
Stadtwerke Düsseldorf AG

Heinz Seiffert
(1) EnBW Regional AG (until 26 April 2007)
Krankenhaus GmbH Alb-Donau-Kreis (Chairman)
Sparkasse Ulm, Anstalt des öffentlichen Rechts (Chairman)
(2) ADK GmbH für Gesundheit und Soziales (Chairman, since 26 November 2007)
Donau-Iller-Nahverkehrs-GmbH (Chairman until 13 November 2007)
Fernwärme Ulm GmbH
Genossenschaft für Wohnungsbau Oberland eG
Kreisbau GmbH Alb-Donau (Chairman)
Pflegeheim GmbH Alb-Donau-Kreis (Chairman)
Zweckverband Oberschwäbische Elektrizitätswerke
Zweckverband Thermische Abfallverwertung Donautal (Chairman until 31 December 2007)

Gerhard Stratthaus
(1) Badische Staatsbrauerei Rothaus AG (Chairman)
(2) Landesbank Baden-Württemberg, Anstalt des öffentlichen Rechts
Landeskreditbank Baden-Württemberg – Förderbank, Anstalt des öffentlichen Rechts (Chairman)
Landesstiftung Baden-Württemberg gGmbH
Zentrum für Europäische Wirtschaftsforschung GmbH (Chairman)

Werner Vorderwülbecke
(1) EnBW Kraftwerke AG (since 31 August 2007)
EnBW Regional AG
EnBW Vertriebs- und Servicegesellschaft mbH
LBBW Immobilien GmbH

Christoph Walther
(1) ENSO Strom AG
(2) ENSO Energie Sachsen Ost GmbH

Dietmar Weber
(1) EnBW Vertriebs- und Servicegesellschaft mbH
(2) EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH

Kurt Widmaier

(2) Bodensee-Oberschwaben-Bahn GmbH & Co. KG
Bodensee-Oberschwaben Verkehrsverbundgesellschaft mbH (Chairman until 31 December 2007)
Kreissparkasse Ravensburg (Chairman)
Landesbank Baden-Württemberg, Anstalt des öffentlichen Rechts
Oberschwaben Klinik gGmbH (Chairman)
Ravensburger Entsorgungsanlagen GmbH (Chairman)
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EDF International SA (since 9 January 2007)
EDF Trading Limited (since 4 July 2007)
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Alfred Wohlfart

(1) EnBW Kraftwerke AG (until 29 July 2007)
EnBW Regional AG (until 19 September 2007)

*(1) Membership in other statutory supervisory boards.
(2) Membership in comparable domestic and foreign control bodies of business organisations.

As of 8 February 2008.

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As of 8 February 2008.

Glossary

Base
Base load product, i.e. constant purchase/supply throughout the period.

BAT (best available technology)-based benchmark system
Tool to establish emission allowances at plant level. Standard emission values are established for plant types or industries, for example according to BAT, as in the case of German NAP II, or according to average values, which are used as a benchmark for the allocation of emission allowances for the respective plants and thus for the companies.

Beta factor (ß)
A measure of risk that is included in the calculation of the cost of equity. The beta factor indicates the volatility of a share in relation to general market changes.
ß factor > 1 = share fluctuates more than the general market = greater risk.
ß factor < 1 = share fluctuates less than the general market = lower risk.

Borrowing costs
Interest and other costs incurred by a company when borrowing debt capital.

Capital employed
Capital employed in the company granting external investors a minimum rate of return. We classify all assets from the operating business as capital employed. Non-interest bearing capital is deducted from these assets.

Cash flow
Inflows and outflows of cash and cash equivalents.

Cash flow hedge
Used to hedge the risk of fluctuations in future cash flows which could have an effect on profit and loss.

CDM – clean development mechanism
The clean development mechanism, defined in Article 12 of the Kyoto Protocol, assists industrialised countries and developing countries in implementing joint climate protection projects in developing countries which do not have their own climate protection commitments from the Kyoto Protocol. The project (e.g. building a wind power plant) is financed by the industrialised country. During the commitment period, the industrialised country can then either emit as additional emissions the emissions avoided in the developing country as a result of the project, or obtain emission credits.

CDS – credit default swap
Credit derivative (-> derivatives) for trading loan/bond default risks.

CHP – combined heat and power
The waste heat of a power plant can be used as process heat or to heat buildings in the surrounding area. In this case, additional output of energy is obtained with the same amount of fuel. A power plant that generates both electricity and heat from a single source is called a CHP station.

Clearing
Centralised offsetting of reciprocal liabilities. In exchange trading, a clearing house offsets these reciprocal liabilities and calculates the margin payments.

CO_2
Chemical nomenclature for carbon dioxide.

Commercial paper programme
Financing platform via which unsecured bonds with maturities of 1 day to 364 days can be issued in a standardised form on the euro capital market.

Corporate governance
Principles and rules geared to the interests of the shareholders on organisation, conduct and transparency which, while preserving the decision-making ability and efficiency of the management, strive at achieving a balance of management and control at the top level of the company.

Credit rating
Creditworthiness of a company.

Derivatives
Financial instruments, such as financial options, futures and forwards, interest rate swaps and currency swaps, which create rights and obligations that have the effect of transferring between the parties to the instrument one or more of the financial risks inherent in an underlying primary financial instrument. Derivative instruments do not result in a transfer of the underlying primary financial instrument on inception of the contract and such a transfer does not necessarily take place on maturity of the contract.

Downstream
Describes business activities in connection with distribution, sales and marketing of natural gas.

EBIT – earnings before interest and taxes
The EBIT performance indicator is the net profit for the year before the financial result/interest and income taxes. Eliminating these balance sheet items allows for a more objective comparison of the operating results of different companies. The EBIT indicator is not only earnings before interest and taxes, but also the result of operations before the financial result. Earnings before taxes can thus still be affected considerably if, for instance, there is additional income from financing activities.

EBIT margin
EBIT return on sales. This is an operating ratio calculated by dividing EBIT by sales revenue. It is used to compare the EBIT earnings power of different companies.

EBITDA – earnings before interest, taxes, depreciation and amortisation
This performance indicator, which was developed in the USA and which is now used worldwide in business valuations, is also relevant for the analysis of financial statements. The result from ordinary activities (operating result) – which is not identical to net profit/loss for the year reported on the balance sheet – is adjusted here for certain factors. In simplified terms, EBITDA is determined as follows: Earnings from ordinary activities before tax + net interest payments + taxes + depreciation and amortisation. The EBITDA indicator can be used to determine to what extent a company generates net profit from its result from ordinary activities (operating result). This indicator primarily serves to improve comparability of listed companies.

EBITDA margin
EBITDA return on sales. This is an operating ratio calculated by dividing EBITDA by sales revenue. It serves to compare the EBITDA earnings power of different companies and provides information on the relation between depreciation and amortisation and the operating profit.

EBT – earnings before taxes
The EBT performance indicator is used to compare the earnings power of companies at an international level. Income taxes are not included in the calculation. Financing costs, by contrast, are included in this indicator, as is income from the disposal of assets, i.e. factors that are subject to national tax law. This means that the indicator is indirectly affected by taxation, which limits comparability on an international scale. The ratio of EBT to sales revenue is the pre-tax margin.

EEG – Erneuerbare-Energien-Gesetz (German Renewable Energies Act)
The aim of the law is to increase the share of renewable energies in the supply of electricity and to double their share in energy consumption in Germany by the year 2010. This is achieved by promoting the generation of electricity from hydropower, wind power, solar energy, geothermal energy, landfill gas, sewage gas, pit gas and biomass.

EEX – European Energy Exchange
Electronic energy exchange based in Leipzig where the energy sources of electricity, natural gas and coal as well as emission allowances are traded (spot and forward market products).

Emissions trading
Emissions trading is an abbreviated term for trade with emission allowances and constitutes an environmental policy instrument with the aim of climate protection. In the Kyoto Protocol, the industrialised countries agreed on worldwide reduction of greenhouse gas emissions (CO_2 in particular) by 5.2% compared to 1990; Europe has a declared target of reducing greenhouse gas emissions by around 8% (approx. 0.35 billion metric tons). This target reduction is distributed differently among the individual member states of the European Community. Germany bears the main burden of about 75% of the European target and has to reduce its greenhouse gas emissions by 21%. As it is a question of distributing the reduction of gases impacting the climate in the most efficient way – defined in quantitative terms – the allowance for the total emissions allocated to one country is split – similar to the splitting of business capital in shares – into what is referred to as emission allowances that permit emission of certain quantities of gases impacting the climate. They are issued to the companies based on the previous emissions pursuant to the National Allocation Plan. Companies requiring more allowances must purchase these from companies that require fewer allowances because they have already largely met their reduction commitments. Every market participant is free to purchase an emission allowance or, alternatively, use environmentally friendly technologies. The decision will be based on the market prices at which the allowances are traded.

EMTN (Euro Medium Term Note) programme
Standardised documentation platform for the issue of medium to long-term bonds on the euro capital market.

EnWG – Energiewirtschaftsgesetz (German Energy Industry Act)
The EnWG, which came into force in July 2005, introduced a regulatory regime for electricity and gas supply. The cornerstones of the act are the definitions of network operator duties, rules for network access and network charges, as well as monitoring by the Federal Network Agency or the state regulatory authorities.

Equity method
A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. For companies acquired prior to 31 March 2004 amortisation of goodwill is additionally taken into account. The equity method is used when a significant influence is exercised on the business policy of the associate, but the criteria to qualify as a subsidiary or a joint venture are not in place.

Equity ratio
The equity ratio is determined as a percentage derived from the ratio of equity to total assets of a company and provides information on its economic and financial stability. A higher equity ratio is generally considered positive in terms of safeguarding against insolvency. The higher the equity ratio, the higher the possibility that any losses incurred can be offset in principle.

EUA – EU Allowance
Smallest trading unit in EU emissions trading.

Fair value hedge
Term for hedging changes in fair value of a recognised asset or a recognised liability or an unrecognised firm commitment or a precisely defined part of such an asset, liability or firm commitment that is attributable to a certain risk and which could have an effect on the profit or loss of the period.

Fermenter
Fermentation container in a biogas plant, for example, in which biogas is extracted from biomass. Biogas can be processed to the quality of natural gas and be used to replace natural gas.

FFO – funds from operations
FFO before interest and tax is a key indicator of the operating performance. FFO is the cash flow from operating activities before changes in net working capital, income tax paid and net interest paid.

Franchise agreement
Agreement between a municipality and an energy supply company. It grants the energy supply company the right to lay and operate lines on public roads in order to supply end consumers in the district directly. In return, the municipality receives a franchise fee. Upon expiry of a franchise agreement, the municipalities have the right to buy the network and grant franchises to other energy suppliers.

Fuel cell
A fuel cell is an electrochemical converter based on the principle of inverse electrolysis which generates electrical current and heat. The products of the chemical reaction are water and, depending on the energy carrier used, also carbon dioxide.

GbR – Gesellschaft bürgerlichen Rechts
Civil law partnership.

GDP – gross domestic product
The total economic output of an economy within a certain period of time. Measurement of value of economic performance resulting from domestic production.

Geothermal energy
Power harnessed by means of heat from the interior of the earth. In Germany, temperatures at depths of several thousand metres reach more than 100 °C which can be used for the generation of electricity. To heat buildings, geothermal energy can be extracted using probes that only need to reach a depth of about 100 metres.

HGB – Handelsgesetzbuch
German Commercial Code.

ICE – Intercontinental Exchange
Electronic commodities futures exchange where, among other things, oil products, emission allowances, gas and electricity supplied to locations in the UK are traded.

IFRIC – International Financial Reporting Interpretations Committee
Formerly: Standing Interpretations Committee (SIC). Its task is to interpret and specify the standards promulgated by the International Accounting Standards Board (IASB). The London-based IASB, which is organised and financed under private law, has been in existence since 2001.

Incentive regulation
Governs, as of January 2009, how to determine the user charges for electricity and gas, and is intended to bring about more efficient network operations and to lower energy prices for end customers.

Investment properties
Real estate held as financial assets.

ISO – independent system operator
The network operations of a transmission network operator in contrast to the network owner (system operator vs. asset owner). In order to guarantee non-discriminatory network operations, the network should be independent of the other operations of the energy supply company.

Joint implementation
The mechanism of joint implementation, defined in Article 6 of the Kyoto Protocol, offers industrialised countries and companies in these countries the possibility of purchasing emission credits with projects in other industrialised countries and crediting these against their own commitments. The emission reductions achieved in this way are called emission reduction units and can be traded.

kWh – kilowatt-hour
Unit of measure for power. If the power remains constant, it is the product of power and time:
1 kW x 1 h = 1 kWh.

Legal unbundling
-> unbundling

Limit
To restrict the risk of price fluctuation when buying or selling shares, investors can set limits. When buying shares, a maximum price is set as the limit. If the market price exceeds this limit, the transaction is not carried out. When selling, the limit sets the lowest price at which the investor is still prepared to sell.

Margining
Method of measuring, calculating and handling securities that have to be deposited to cover the risks of non-fulfilment. In exchange trading, margin payments are the norm but can also be contractually agreed in bilateral trading.

Market risk premium
Difference in returns on a risk-free investment and on one subject to risk. This difference constitutes compensation for the investor for non-diversifiable market risks additionally entered into.

Midstream
Describes business activities in connection with trading, transmission and storage of natural gas.

MWh – megawatt-hour
Unit of measure for power. 1 MWh = 1 million watt hours = 1,000 kWh = 3.6 billion joules.

No-par shares
Shares without a par value which embody a certain share of the capital stock of a company.

Option
Right to buy (call) or sell (put) the underlying option asset (for example securities or foreign currency) at a predetermined price (strike price) at a certain point in time or within a certain period of time from/to the contracting party (writer of option).

Peak
Peak load product. In Germany, peak refers to purchase/supply Monday to Friday, 8 a.m. to 8 p.m..

Performance
Development of the value of a financial asset over a certain period of time.

Put option
The right to sell (put) a specified quantity of underlying asset (for example a security) at a certain price with in a specific period of time or on a specific date.

Rating
Independent rating agencies use ratings to appraise the ability of a company to settle its contractual obligations. Classification in a certain credit rating category helps investors to evaluate the creditworthiness of a company. A rating is not, however, a recommendation to buy or sell securities. Nor is it a guarantee as the rating is based on data provided by the company to the rating agency.

ROCE – return on capital employed
ROCE measures the return on capital employed. This business ratio sets the adjusted EBIT including investment result in relation with the average capital employed.

Spread
Risk premium on EnBW specific credit risk.

Subprime crisis
US real estate crisis since summer 2007.

Syndicated line of credit
Fixed line of credit granted by a syndicate of banks for a certain period.

TWh – terawatt-hour
Unit of measure for power. 1 TWh = 1,000 gigawatt-hours or 1 million megawatt-hours or 1 billion kilowatt-hours.

Two-contract model
Contact model that only provides for one feed-in agreement and one take-off agreement for network utilisation over several vertically integrated network levels.

Unbundling
The separation required by the Energy Industry Act of the network-related operations from the market-related operations of a vertically integrated supply company. This
includes in particular the duties of separate accounting, organisational segregation, confidentiality duties and, in future, also legal separations (legal unbundling).

VaR – value at risk
The market risk of the trading book is calculated using the value at risk indicator which determines the loss potential with a certain probability and holding period.

Vertical integration
Companies with activities both on the network side (transmission and distribution) and on the market side (generation, procurement and sales) are referred to as vertically integrated.

Volatility
Used in actuarial mathematics to measure the fluctuation of financial market parameters such as share prices and interest rates.

WACC – weighted average cost of capital
The rate of return required by the providers of equity and debt capital weighted against the target capital structure. This weighting accounts for the different expectations in relation to return due to the different risks of equity and debt capital.

Financial calendar | Contact

19 February 2008
Press briefing on annual results
Publication of the 2007 annual report

25 April 2008
Annual general meeting

9 May 2008
Publication of the quarterly financial report
January to March 2008

1 August 2008
Publication the six-monthly financial report
January to June 2008

13 November 2008
Publication of the nine-monthly financial report
January to September 2008

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Group publications
Upon request, we would be pleased to send you additional complimentary copies of this annual report and other group publications such as the innovation report and sustainability report. These reports are available in German and English; the annual report is also available in French. In case of doubt the German version shall prevail. Please place your orders with our Shareholder Hotline.

All reports and brochures of the group can be downloaded from the internet. The German and English language versions of the annual report can also be accessed as an interactive annual report online.

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