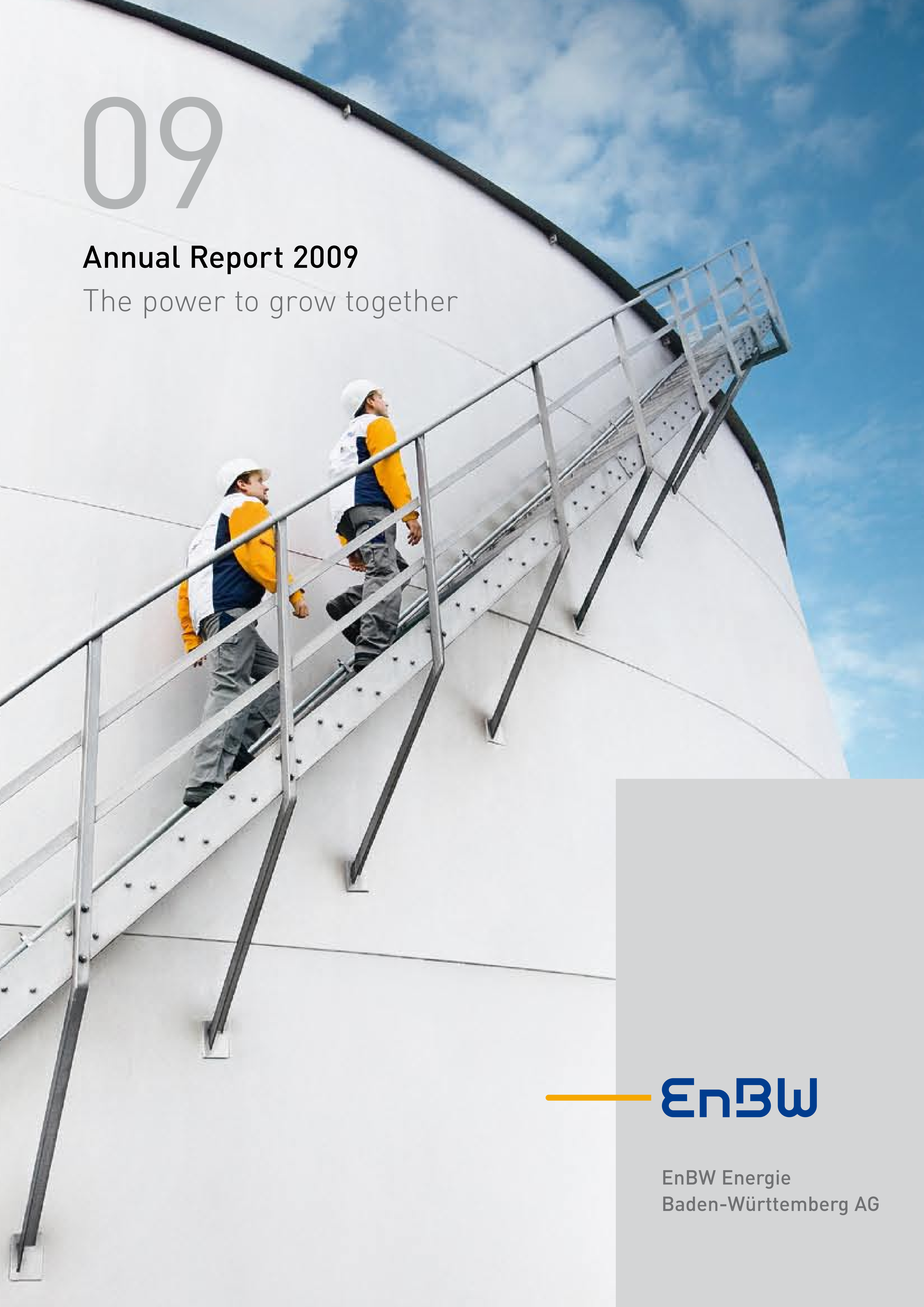
09

Annual Report 2009

The power to grow together



EnBW Energie
Baden-Württemberg AG

Brief portrait

With some six million customers and more than 21,000 employees, EnBW Energie Baden-Württemberg AG generated annual revenue in excess of € 15 billion in 2009.

The third-largest energy company in Germany, we focus on the electricity business – in the generation and trading segment and the grid and sales segment – and the gas as well as energy and environmental services business.

We are committed to Baden-Württemberg and Germany as locations and these are the focal points of our activities. We also operate in other European markets.

Our mission

We stand for progress and competition in the energy market to the benefit of our customers.

Our vision

Our deep roots in Baden-Württemberg and our exceptional performance combined with a well-balanced business portfolio make us one of the leading European energy groups.

At a glance

EnBW group

€ millions	2009	2008	Variance %
Revenue			
Electricity generation and trading	2,357.5	2,541.7	-7.2
Electricity grid and sales	10,031.3	10,194.7	-1.6
Gas	2,453.1	2,881.2	-14.9
Energy and environmental services	722.3	687.8	5.0
External revenue, total	**15,564.2**	**16,305.4**	**-4.5**
Adjusted EBITDA	2,615.3	2,595.6	0.8
EBITDA	2,748.2	2,540.1	8.2
Adjusted EBIT	1,793.9	1,793.9	0.0
EBIT	1,889.3	1,468.2	28.7
Adjusted group net profit[1, 2]	879.1	1,098.8	-20.0
Group net profit[1, 2]	768.2	879.3	-12.6
Earnings per share from adjusted group net profit[1, 2] (€)	3.60	4.50	-20.0
Earnings per share from group net profit[1, 2] (€)	3.15	3.60	-12.5
Cash flow from operating activities	2,443.4	1,523.9	60.3
Free cash flow[1]	1,292.1	404.5	–
Net financial liabilities[3]	5,763.1	2,918.5	97.5
Capital expenditure[1]	4,374.1	1,404.2	–
Return on capital employed (ROCE) (%)	15.1	17.1	-11.7
Weighted average cost of capital (WACC) before tax (%)	9.3	9.2	1.1
Average capital employed[1]	13,958.2	12,259.3	13.9
Value added[1]	809.6	962.7	-15.9

Energy sales of the EnBW group

billions of kWh	2009	2008	Variance %
Electricity	119.7	130.5	-8.3
Gas	65.8	69.8	-5.7

Employees of the EnBW group[4]

Number	2009	2008	Variance %
Employees (annual average)	20,914	20,357	2.7

[1] Prior-year figures restated.
[2] In relation to the profit shares attributable to the equity holders of EnBW AG.
[3] Without cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions. Adjusted for valuation effects from interest-induced hedging transactions.
[4] Number of employees without apprentices and without inactive employees.

The EnBW group

The EnBW group's[1] segments at a glance

ELECTRICITY generation and trading	GAS	ENERGY AND ENVIRONMENTAL SERVICES
Generation EnBW Kraftwerke AG EnBW Kernkraft GmbH EnBW Erneuerbare Energien GmbH	**MIDSTREAM**	**Companies with service functions** EnBW Energy Solutions GmbH EnBW Systeme Infrastruktur Support GmbH EnBW Kraftwerke AG Stadtwerke Düsseldorf AG EnBW Regional AG RBS wave GmbH
Trading/procurement EnBW Trading GmbH	**Import agreements and infrastructure** EnBW Gas Midstream GmbH	
ELECTRICITY grid and sales	**Storage** EnBW Gas Midstream GmbH GasVersorgung Süddeutschland GmbH EnBW Gas GmbH	
Transmission and distribution[2] EnBW Transportnetze AG EnBW Regional AG	**Trading/portfolio management** EnBW Gas Midstream GmbH EnBW Trading GmbH GasVersorgung Süddeutschland GmbH EnBW Gas GmbH	
Sales EnBW Vertriebs- und Servicegesellschaft mbH Yello Strom GmbH Watt Deutschland GmbH	**DOWNSTREAM**	
	Transmission and distribution[2] GVS Netz GmbH EnBW Gasnetz GmbH	
	Sales GasVersorgung Süddeutschland GmbH EnBW Gas GmbH EnBW Vertriebs- und Servicegesellschaft mbH Yello Strom GmbH[3]	

[1] The table shows the main companies in the EnBW group.
[2] The companies operating the grids are in compliance with the unbundling provisions of the German Energy Industry Act.
[3] Gas sales to households project.

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. This annual report can also be downloaded from the internet in German, English or French. In case of doubt, the German version shall prevail.

Contents

"In the 2009 reporting period, EnBW successfully implemented a whole range of strategic measures. Expanding our investment programme by another € 4,374.1 million, we have continued our investment in EnBW's future."

Hans-Peter Villis, Chief Executive Officer

Letter to our shareholders

Dear shareholders,
investors and friends of EnBW,

The year 2009 was dominated by the global economic and financial crisis. The developments of the global economy affected the German economy and the energy industry. Accordingly, the economic crisis also impacted on EnBW's business figures for 2009: Compared to the prior year, unit sales in the electricity and gas business declined noticeably by 8.3 and 5.7 per cent respectively. This was mainly attributable to the scale-back in production at some of our industrial customers in response to the economic developments. As a result of the decline in unit sales, we also saw a decrease in revenue of 4.5 per cent to € 15,564.2 million in the fiscal year 2009.

At the level of earnings, however, EnBW was able to offset this decrease in unit sales and revenue. Adjusted earnings before interest and taxes (adjusted EBIT) came to € 1,793.9 million, thus matching the prior-year level. Owing to the huge improvement in our generation margin, we were able to compensate for the negative developments and, overall, generate a satisfactory profit for the year. This is proof of EnBW's operating power.

Adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG of € 879.1 million was 20.0 per cent lower than in the prior year. The reasons for this decrease include higher interest expenses relating to the increase in financial liabilities and lower income from the sale of securities and their measurement. In the fiscal year 2009, the EnBW group succeeded in returning a respectable profit in a difficult environment, but was not able to seamlessly continue the excellent development seen in the prior year.

In light of this situation, the Board of Management will propose, in consultation with the Supervisory Board, to the annual general meeting on 29 April 2010 that a dividend of € 1.53 be distributed per entitled share, after € 2.01 in the prior year.

EnBW is currently in a growth phase that will span several years. We invested in EnBW's future as scheduled in fiscal 2009. At € 4,374.1 million, EnBW's total investments reached a record high, € 2,969.9 million higher than in the prior year. Of that total, € 3,064.7 million is attributable to financial investments. Material items included the acquisition of a 26 per cent shareholding in EWE Aktiengesellschaft, the purchases of shares in Lippendorf and Bexbach power stations, the joint venture with Borusan Holding, including the construction of a wind farm in Turkey, as well as the purchase of onshore wind farms in Germany. These investments reflect the way we see ourselves: Supported by its deep roots in Baden-Württemberg, EnBW intends to use its well-balanced business portfolio to become one of the leading European energy groups.

An amount of € 1,309.4 million of total investment related to capital expenditure on intangible assets and property, plant and equipment. € 1,006.4 million thereof was spent on the electricity segment. Major projects in this field include the construction of the RDK 8 hard coal power station in Karlsruhe, construction of the new hydro-electric power station in Rheinfelden, offshore wind farms as well as restructuring measures and capacity increases of our extra-high-voltage grids. Another focus of our investing activity is the construction of a gas storage facility in Etzel. In the energy and environmental services segment, capital expenditures focused on the construction of a substitute fuel power plant in Eisenhüttenstadt.

The generation division is a key element of our strategic orientation. In the 2009 reporting period, we expanded our generation capacities, including long-term electricity procurement rights, to 15,771 megawatts. EnBW increased its power station capacity once more at the start of the year, which means that within just a few months we were able to expand our power station capacity in Germany by some 2,000 megawatts. Our growth and investment programme, which, taking into account divestitures, is to have a net volume of some € 5.1 billion for the years 2010 to 2012, includes state-of-the-art coal power stations as well as facilities to exploit wind and hydro-electric power.

A well-balanced business portfolio reduces risks and creates opportunities. Therefore, we want to strengthen our gas business by expanding our midstream activities. In this context, we are working towards cooperation with Verbundnetz Gas AG, while also making our own investments. The acquisition of a shareholding in EWE Aktiengesellschaft will make it possible to join forces in reviewing opportunities, particularly in the gas business. As opposed to some of our competitors, for us our transmission grids are an integral part of our business. We will continue to invest in the maintenance, modernisation and expansion of our grids.

EnBW's home market is in Baden-Württemberg. Its core market is Germany, but it also operates in selected markets abroad. The acquisition of shares in EWE and purchases of electricity generation capacities in northern and eastern Germany have reinforced EnBW's nationwide presence. With regard to our international activities, we are concentrating on selected countries in central and eastern Europe as well as Turkey, where our joint venture with Borusan Holding commenced in 2009.

Energy efficiency is a key topic for EnBW. We have been supporting our customers with innovative solutions to implement energy-saving measures. EnBW is the first energy provider in Germany to offer an intelligent electricity meter in Germany. It is a general aim of EnBW's to promote its energy consulting activities. Our goal is to become the leader in our customer segments with regard to energy consulting and services.

The year 2010 will see major energy policy decisions, not least in view of the current debate on the planned extension of the working life of nuclear power plants. The German federal government has declared its intention of extending the working life of nuclear power plants. This is important and the right way to go for the energy industry and climate policy because nuclear power is part of a well-balanced and broad energy mix, which in turn is the basis for the safe, economically feasible and climate-friendly generation of electricity. The working life of nuclear power plants cannot, however, be extended without changing the law and, like any other operator, we are therefore dependent on the federal government's policy decisions. We are currently in talks on this topic with a number of politicians to present our arguments. Otherwise, we will naturally also do everything in our power to make it possible for our GKN 1 nuclear power plant to continue operations.

In the 2009 reporting period, EnBW successfully implemented a whole range of strategic measures. Our committed employees, a constructive atmosphere on our corporate boards and the trust placed in us by shareholders, investors and friends of our company and, of course, our customers are the basis for our success. I wish to say a thank-you to all of them and look forward to continuing our work together.

Yours sincerely,

Hans-Peter Villis

Hans-Peter Villis
Chief Executive Officer

Karlsruhe, March 2010

Board of Management

Dr. Rudolf Schulten
born 1955 in Göttingen
Member of the Board of Management
Chief Financial Officer
since 1 January 2009
Appointed until 31 December 2013
Mühlhausen

Christian Buchel
born 1963 in Strasbourg
Member of the Board of Management
Chief Operating Officer
since 1 February 2009
Appointed until 31 January 2012
Strasbourg

Hans-Peter Villis
born 1958 in Castrop-Rauxel
Chief Executive Officer
since 1 October 2007
Appointed until 30 September 2012
Castrop-Rauxel/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)

Dr. Bernhard Beck, LL.M.

born 1954 in Tuttlingen
Member of the Board of Management
Chief Personnel Officer
since 1 October 2002
Appointed until 30 September 2012
Leonberg

"We share common values and visions with EnBW. And our abilities complement each other in the best possible way."

Agah Uğur, CEO of Borusan Holding, Istanbul

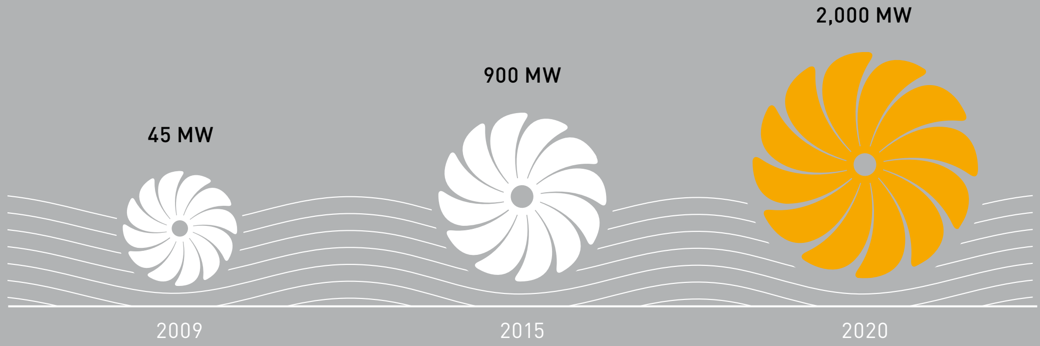
Bandirma wind farm, eastern Turkey

Climate-friendly generation of electricity

The first wind turbines with an output of 45 MW are already in operation at Bandirma wind farm. The plans are to successively increase installed output to 60 MW over the coming months. With a forecast average annual electricity production of around 182,000 MWh, the wind farm will make a significant contribution to climate-friendly electricity generation.

2,000 MW

of renewable energies by 2020



The Borusan group is one of the oldest and largest conglomerates in Turkey, comprising companies from a wide range of sectors such as the steel industry, distribution, logistics, telecommunications and the energy industry. In light of the rapidly growing demand for energy in Turkey, Borusan intends to invest heavily in the energy sector. The focus is on renewable energies. In the course of privatisation of the Turkish energy industry, Turkish energy suppliers are increasingly turning to hydro-electric and wind power. Borusan's energy holding company already has a portfolio of projects in the area of renewable energies. Borusan is determined to become one of the leading energy generators in Turkey.

In April 2009, EnBW and Borusan formed a joint venture with the aim of jointly developing and building power stations in Turkey. Over the next few years, the two groups intend to create 2,000 MW of generating capacity, primarily in the area of renewable energy.

This alliance with Borusan as an industrial partner is very promising. EnBW wishes to expand its presence in Turkey and open up further areas of growth in this strategically important market. The aim in this respect is clear – profitable growth for EnBW and its partners.

The power to grow together

We intend to use our well-balanced business portfolio to become one of the leading European energy groups. Our actions are always guided by fairness and trust, to the benefit of our customers and business partners alike.

Values, goals, strategy

EnBW stands for progress and competition on the energy market. Supported by its deep roots in Baden-Württemberg, EnBW intends to use its well-balanced business portfolio to become one of the leading European energy groups in the future. Together with our customers, employees and partners, we are pursuing the goal of sustainable and profitable growth. To this end, we are implementing an extensive investment programme in a well-balanced business portfolio in the fields of electricity, gas, heating and related services.

The power to grow together

A partnership with and on behalf of private households, municipalities, business, medium-sized and large-scale industrial enterprises also means for us that we have to offer products and services that generate added value. Customer-focused energy consultation and services relating to the use of energy are essential in this context. This is what gives us the power to grow together.

- Energy efficiency and energy savings to reduce CO_2 emissions are the focus of product development in the retail customer segment. The product portfolio for the Smart Home concept will cover energy consulting services through to technical solutions for energy supplies, including electromobility products. Our EnBW Intelligenter Stromzähler® (intelligent electricity meter) is the basis for the development of intelligent energy management systems to optimise the energy flow.
- The year 2009 saw the formation of further EnBW energy efficiency networks involving industrial customers. In the meantime, there are twelve of these networks throughout Germany with 150 companies participating. We provide support to these networks with a view to optimising energy-related processes and realising potential savings. The companies participating in the Ravensburg network succeeded in reducing their energy consumption by an average of just over 8% over a period of three years. Companies in the central German efficiency network have likewise achieved average energy savings of 8%. Two further networks will start up in the Stuttgart and Berlin-Brandenburg regions in the first quarter of 2010.
- We provide support to municipalities with electricity, gas and heating products, water supplies and numerous other services. Together, we implement energy and infrastructure solutions, analyse consumption data from public entities and develop concepts to increase energy efficiency. These include, as an example, the renewal of schools or public buildings from an energy perspective by providing contracting services relating to energy saving. We further provide support to municipalities in the formation of community energy cooperatives to implement renewable energy projects.
- We succeeded in providing convincing customer service once again in 2009, scoring very well in a consumer test by the ServiceRating organisation.

One of the main strengths of our customer solutions services is our expertise in the construction and operation of generation facilities and grids. Heavy spending on the maintenance of facilities and investments into expanding the grid ensure reliable energy supplies.

FURTHER INFORMATION
Management Report/
Strategy › p. 45f.

Reaching objectives together

We intend to use our well-balanced business portfolio to become one of the leading European energy groups in the future. With a view to improving the value of the company we are pursuing the goal of profitable and sustainable growth. In the electricity and gas segments, we intend to optimise the entire value added chain. Our primary field of activity is the liberalised market (wholesale and retail customer markets), but we also operate in regulated markets such as grids or renewable energies pursuant to the German Renewable Energies Act (EEG). With regard to generation, we firmly believe in a broad and balanced energy mix. In addition to reliable energy supplies, EnBW offers its customers innovative products and services.

- Supported by our strong roots in Baden-Württemberg, we intend to reinforce and expand our position among the ten largest energy groups in Europe.
- EnBW is more than just a run-of-the-mill energy supplier. Our goal is to become the leader in our customer segments with regard to energy consulting and services.
- We are making our contribution to reaching Germany's climate protection targets. We intend to increase the share of renewable energies in our own generation portfolio to 20% by 2020.
- We are optimising our structure and processes on an ongoing basis. Our strategic partnership with EDF allows us to implement projects and exploit synergies. We also see potential synergies from our alliance with EWE.
- We intend to generate a positive value added on a continual basis over the coming years and ensure that adjusted EBIT remains at a high level. The net investment and growth programme for the years 2010 to 2012 is budgeted at some € 5.1 billion. We will retain our A rating, which expresses the financial stability of the company. For our shareholders we aim to achieve a distribution rate of 40% to 60% of adjusted group net profit.

Brand philosophy

Our mission

We stand for progress and competition in the energy market to the benefit of our customers.

Our vision

Our deep roots in Baden-Württemberg and our exceptional performance combined with a well-balanced business portfolio make us one of the leading European energy groups.

In the EnBW group we firmly believe in

- The advantages of a competitive market to the benefit of our customers.
- The advantages of full responsibility for the entire value added chain for electricity and gas.
- The necessity of a broad energy generation mix.
- The business opportunities of further integration of the European energy market.

Our strategic areas

Developing generation capacity	Expanding gas business	Core market Germany, selective growth abroad	Establishing new fields of business	Exploiting process improvements and synergies

Corporate philosophy, corporate governance principles

Consistent pursuit of strategy

Developing generation capacity: The basis of EnBW's business portfolio is the generation of electricity. Further development of generation capacities is one of the cornerstones of the investment programme, which has gradually been expanded over recent years. In the course of 2009, we expanded our generation capacities, including long-term electricity procurement rights, to 15,771 MW, an increase of 771 MW. A balanced generation mix takes account of supply reliability and climate protection targets. The replacement of old facilities with modern coal-fired power stations in combination with power and heat generation will play an important role in this context. RDK 8, with an installed output of some 900 MW, is scheduled to be commissioned in 2011. This is one of the most modern hard coal power stations in Europe, with its electrical operating efficiency in excess of 46%. Another coal-fired power station (GKM 9), in which we hold a share, is under construction in Mannheim; in addition coal- and/or gas-fired facilities are on the drawing board for Düsseldorf, Karlsruhe and Lubmin. In 2009, EnBW further acquired shares in Lippendorf Unit S, Rostock and Bexbach power stations as well as electricity procurement rights from Buschhaus power station. Facilities designed to exploit wind and hydro-electric power are also a component in the development of our generation capacities. In Rheinfelden and in Iffezheim we are forging ahead with hydro-electric power generation. In the next few years, we intend to build turbines with a total output of 1,200 MW in four offshore wind farms in the North Sea and the Baltic Sea. Our long-term plans for Turkey involve a joint venture to put facilities into operation with a total output of 2,000 MW, primarily in the area of renewable energies. Furthermore, we continue to expand our activities in the fields of geothermal, photovoltaic and biomass power.

FURTHER INFORMATION
Management Report/
Generation portfolio of the
EnBW group › p. 36

Efforts to reinforce our position on the energy market will not be limited to the generation side. With regard to our electricity, gas, heating and related services activities, we are increasing our efforts to achieve a well-balanced business portfolio.

Expanding the gas business: Extending beyond our current gas sales position, we plan to strengthen our gas business by expanding our midstream activities. To this end, we are working to enhance our portfolio of procurement agreements, transmission capacities and storage facilities. In this context, we are also working towards cooperation with Verbundnetz Gas Aktiengesellschaft. Our storage project in Etzel has reached an important milestone now that construction work has begun. We will employ our process expertise in risk management and deployment planning as well as our knowledge of the trading market to make optimum use of our assets. The acquisition of shares in EWE Aktiengesellschaft will also make it possible to join forces in reviewing opportunities, particularly in the gas business. In our drive to develop and optimise a European portfolio, we are making consistent use of the increasing opportunities provided by cross-border transmission and liquid gas markets.

Core market Germany, selective growth abroad: In 2009, we continued to expand our activities in Germany with the acquisition of shares in EWE Aktiengesellschaft. In order to succeed in the competition for customers, EnBW is positioning itself as an energy services provider with excellent customer service and numerous innovative products and consulting services relating to the topic of energy efficiency, creating added value for customers.

As a vertically integrated energy supplier, we are likewise making extensive investments into modernising and renewing our grids. The downsizing of the 220 kV electricity grid in favour of extending the 380 kV grid is an important contribution to the sustainability and supply reliability of our transmission networks in Baden-Württemberg. Investment in the grids came to a total of € 346.7 million in 2009.

With regard to our international activities, we are concentrating on selected countries in central and eastern Europe as well as Turkey, where our joint venture with Borusan Holding commenced in 2009. For the future, EnBW is giving particular attention to markets characterised by their attractiveness (in terms of market size and growth, liberalisation, profitability) and accessibility to EnBW. In the potential target markets our focus is initially on building up local partnerships. Alongside the possibilities of growing organically, we likewise review opportunities arising from the acquisition of shareholdings – especially in the context of entering new markets. The pillars of the equity investment strategy primarily involve assuming management responsibility by securing a majority shareholding. Equity investments must complement EnBW's core business and ideally generate a positive contribution to earnings from the very beginning.

Establishing new fields of business: The development of new fields of business is a further component in the practical implementation of our strategy for growth. With the sales subsidiary Yello, EnBW was the first company in Germany to introduce an intelligent electricity meter. In the areas of smart homes and electromobility, we are participating in sustainable solutions for the efficient use of energy and, together with our partners, we run numerous initiatives. We intend to intensify our activities in the area of heating. We have already started building up operations in the market segments of "customised solutions" and "standard products". In addition, we plan to further expand our trading activities on behalf of third parties.

The strategic growth and investment programme involves a great deal of effort on the part of EnBW, but there is no alternative. Alongside financing from its own cash flow, the company will continue to make use of the capital market to provide financing. Maintaining the financial strength of the company and its position on the capital market is taken into consideration in the structure of the investment programme. The investment programme is accompanied by divestitures. All of EnBW's equity investments are therefore under review with regard to their ability to support the core business. EnBW will continue to consistently pursue its aim of maintaining its single A rating.

Growing together with EDF

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Joint activities of EnBW and EDF › p. 38, 82, 85, 101, 114, 118

Exploiting process improvements and synergies: In 2009 we continued to exploit potential for growth in joint projects together with our strategic partner and major shareholder, EDF. The Etzel storage project involving joint construction and later operation of the above-ground facility is an outstanding example of such cooperation. Total investment, which is being shouldered jointly by the two companies, comes to a mid-range nine-digit figure. Another example of the successful cooperation between the two companies is the extension of the hydro-electric power station in Iffezheim, involving an investment volume of € 100 million. It was in cooperation with EDF that EnBW also succeeded in exchanging procurement rights from EDF's French nuclear power plants for procurement rights from E.ON's German nuclear power plants relating to 800 MW, and purchasing from E.ON more than 900 MW of conventional generation capacities. The success of the nine projects along EnBW's entire valued added chain launched in 2008 to exploit synergies within the EDF group continued. In the personnel area, we employ joint basic and advanced training measures, specifically for engineers and technicians, to prepare for the challenges of the future, at the same time opening up international careers to our employees and the possibility of building up an international network. The past year additionally saw reinforcement of the cooperation with EDF research and the development of numerous new projects with the European Institute for Energy Research (EIfER).

Growing together with our employees

It is only with competent and motivated employees in addition to efficient processes that EnBW is able to provide its customers and business partners with outstanding services. Cooperation within EnBW is shaped by a corporate culture characterised by acting as partners and members of the same team. Increasing the attractiveness of EnBW as an employer – both inside and outside the company – is the guiding principle in the implementation of our HR policy.

- EnBW aims to achieve a high degree of diversity among the group's employees. One of the focal points is a balanced workforce with regard to age and gender. For us, diversity means attaching importance to the various spheres and phases of our employees' lives, seeing and promoting each individual as an asset to the company. Correspondingly, EnBW is a great advocate of achieving compatibility of work and private life. The different approaches, perspectives and ideas provided by our employees open up ways of achieving successful and sustainable solutions to the benefit of our customers and partners.
- We aim to significantly increase the share of women occupying specialist and management posts. The main items in our catalogue of measures include the women's network, which stages various events, and support for female MINT students (mathematics, information technology, natural science and technology).

- EnBW takes care of its employees with corporate health management and a company pension scheme throughout the group. We promote professional progress with extensive career management and advanced training measures.
- "It's better to join forces" is the motto of "!mpuls", the group programme launched at the end of 2008. Just like the WIN and continuous improvement process programmes, !mpuls aims at getting employees and executives alike to actively participate in constantly improving the efficiency of EnBW, sustainably cutting costs and supporting the group's strategy for growth from within. In the course of the fiscal year, our employees made a total of 5,550 suggestions on how to improve working procedures. Of these suggestions, 4,276 related to ways of improving their own working area, while the other suggestions related to general processes within the group.

A survey of all employees at 22 EnBW companies was carried out for the first time at the end of 2008. More than 14,000 employees were asked about how closely they identify with the group and their companies and what factors contributed to this. A participation rate of 72% means that more than 10,000 employees completed the survey. In comparison to German industrial companies, EnBW employees demonstrate an above-average level of identification with their company. Measures in response to the results of the survey began at all levels of the company in 2009. The survey will be held on a regular basis in future.

The results of the study "Germany's Top Employers 2009" are further evidence of the success of our initiatives. Once again, we succeeded in obtaining good to very good grades in all categories. We achieved improvements on the prior year in the categories job security and remuneration.

Committed to environment and society

EnBW assumes responsibility for climate and environmental protection. Numerous innovations and investments make it possible for us to provide reliable, efficient and climate-friendly energy supplies.

FURTHER INFORMATION
www.enbw.com
› The group/Sustainability Report
› Commitment

- EnBW is the first and still the only German energy group to have a certified environmental management system. The ISO 14001 certification has been extended on an ongoing basis over the last few years. By December 2009, 23 companies had been certified. The integration of all EnBW companies with environment-related facilities and activities into the group-wide environmental management system will be completed by the end of 2010.
- In 2009, as much as 68% of our own electricity was generated CO_2 free. At 241 g/kWh, EnBW's specific CO_2 emissions are far below the German average of 509 g/kWh. We champion a broad energy mix to make good use of a range of fuels and will continue to expand renewable energies to make it the third pillar of our generation portfolio by 2020.
- The EnBW climate congress, held for the fourth time in 2009, has enabled EnBW to take on a leading role in the discussion of energy policy in relation to climate change. We further participated in the formation of important climate protection initiatives (the "2° German CEOs for Climate Protection" initiative, the "Business for Climate Protection" initiative of the Federation of German Industries (BDI) and the "3C – Combat Climate Change" initiative) and are still making an active contribution to each of them.
- In October EnBW launched a wide-ranging publicity campaign calling for energy to be used more efficiently. Our ambition is to join up with our customers to make Baden-Württemberg a model region in terms of energy savings. This initiative is intended to provide support throughout the group for all energy efficiency services and products, thus positioning the EnBW brand as an energy manager for our customers.

It is only possible to shape the future if we act together. In line with the company's policy, we support sport, education, art, culture and voluntary work. Our sponsoring activities in Baden-Württemberg and beyond are an expression of our identification with the regions in which we do business.

- We sponsor handball, basketball and volleyball clubs in Baden-Württemberg. We put particular emphasis on promoting new young talent. As a sponsor of the EnBW junior premier league, we give impetus for the optimum development of the stars of tomorrow. We have been committed to mass sports for a number of years, which is reflected in particular in our cooperation with the Badischer Turnerbund and Schwäbischer Turnerbund gymnastics associations. We are furthermore the main sponsor of the two football clubs VfB Stuttgart and Karlsruher SC. The "Tour de Ländle" is an important commitment to Baden-Württemberg in which we participate.
- As an energy company, we find it important to arouse children's interest in natural science and technology at an early age. This is why we promote extracurricular places of learning such as science centres, develop our own energy-related exhibits or – especially for nursery schools – a box of experiments relating to energy.
- We maintain close contacts to the ZKM Centre for Art and Media in Karlsruhe as well as Stuttgart's Kunstmuseum gallery. Furthermore, it is a matter of tradition for us to sponsor the Stuttgart ballet and Festspielhaus Baden-Baden. In Berlin, we sponsor the YoungEuroClassic international youth orchestra festival, cooperate with the Deutsches Theater and, in 2010, we will be one of the sponsors of the major Olafur Eliasson exhibition in the Martin Gropius Building.
- With our energy research foundation we support research, demonstration and development projects on topics such as renewable energies and efficient energy use. Since its foundation in 1989, it has paid out in excess of € 30 million in research funding, especially for projects in Baden-Württemberg.
- EnBW would like to contribute to a better understanding of the interaction between the energy industry and climate protection as well as to safeguard Baden-Württemberg as a research location. This is why the Baden-Württemberg energy & climate protection foundation was founded in 2007.
- We have awarded the special prize "EnBW Ehrenamt Impuls" six times already as part of the "Echt gut! Ehrenamt in Baden-Württemberg" campaign to support voluntary work in the region. This is a sign of our appreciation of all those volunteers who, by acting as pillars of society, make a great contribution to shaping the human aspect of our community.
- In 2010, EnBW will be a sponsor of the scientific year "The Future of Energy" organised by the Federal Ministry of Education and Research. The focus will be on new approaches to energy research as well as researchers' interdisciplinary quest for environmentally friendly and efficient use of energy. In this context, we will participate in various activities throughout the group.

EnBW on the capital market

In 2009, EnBW successfully issued two bonds with a total volume of € 1.35 billion. A further rating agency, Fitch Ratings, began rating the company on an ongoing basis in May 2009. In December 2009, both Standard & Poor's and Moody's confirmed their A ratings for EnBW. The 2009 closing price of the EnBW share saw an increase of 6.1% compared to 2008. In consultation with the Supervisory Board, the Board of Management will propose to the 2010 annual general meeting that a dividend of € 1.53 per share be distributed.

Established issuer on the debt capital market

Alongside the company's internal financing power, the debt capital market is the other main source of the financing required for the current investment and growth programme. A cash flow from operating activities of € 2,443.4 million in 2009 and various short to long-term debt financing instruments (money, capital and bank markets) enable EnBW to be flexible in how it raises capital, to structure its capital efficiently and to optimise the cost of capital.

FURTHER INFORMATION
Management Report/
Financial position › p. 63ff.

EnBW's debt finance currently breaks down into the following elements; most of them are quoted in euros.

FURTHER INFORMATION
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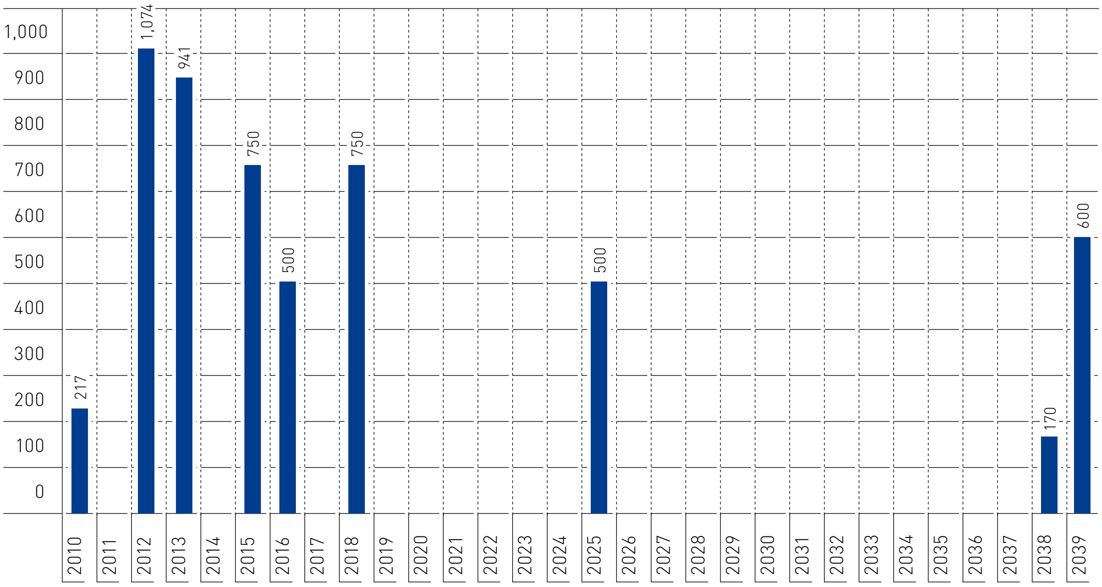
- Euro Medium Term Note (EMTN) programme (€ 7.0 billion; some € 5.2 billion drawn as of 31 December 2009)
- Syndicated line of credit (€ 2.5 billion; undrawn as of 31 December 2009)
- Bilateral short-term lines of credit (€ 342 million; undrawn as of 31 December 2009)
- Commercial paper (CP) programme (€ 2.0 billion; undrawn as of 31 December 2009)
- Measures to strengthen equity and issue special products (e.g. bond denominated in Swiss francs from 2008 with a volume of CHF 300 million)

EnBW was active on the capital markets as an issuer once again in 2009. At the beginning of July it successfully placed two bonds with a total volume of € 1.35 billion with terms of six years (€ 750 million) and 30 years (€ 600 million). The bonds were clearly oversubscribed – a sign of great interest on the part of investors. They were issued with spreads of 105 and 215 base points above the midswap rate. EnBW's sound financial position is confirmed by the ratings issued by the three rating agencies Fitch (currently: A), Moody's (currently: A2) and Standard & Poor's (currently: A-). Fitch began rating EnBW on an ongoing basis in May 2009. Since the agencies began rating the company, EnBW has never failed to achieve its goal of an A rating. An A category rating remains EnBW's target. The dynamic leverage ratio is used as an indicator for debt management. This figure is calculated from the ratio of net liabilities to adjusted EBITDA. As of 31 December 2009, the dynamic leverage ratio came to 3.51.

The debt capital market is more important than the equity capital market in the financing of EnBW. This is also reflected in the company's investor relations work. EnBW has issued various euro bonds on the international capital markets with a total current volume of around € 5.2 billion. In addition, there are bonds denominated in Swiss francs (CHF 500 million). The maturity profile of the bonds has a balanced structure, allowing financing to remain flexible.

Maturity profile of the EnBW bonds

in € millions

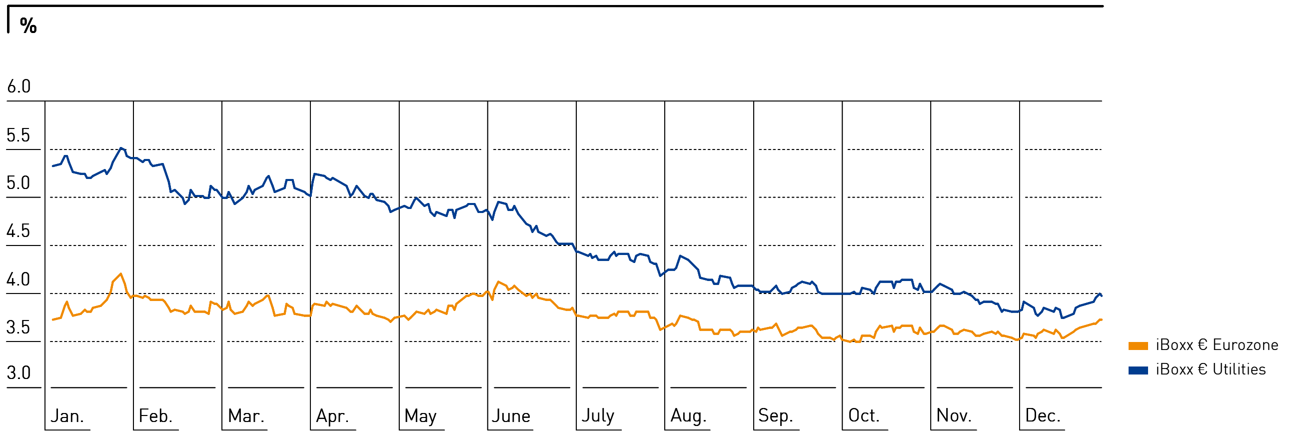


Capital markets in 2009

In the first quarter of 2009 the important international share indices continued to be influenced by the global financial and economic crisis. In the subsequent period, the share markets saw tangible upward movements, albeit with some major fluctuations. The DAX, the leading share index in Germany followed suit. By March it had fallen by 23% in comparison to the levels seen at the beginning of the year. By the end of December 2009, it had reached a level of just under 6,000 points, which, from a twelve-month perspective, means a rise of 24% and, in comparison to the low of 3,666 points on 6 March 2009, one of 64%.

The prices of corporate bonds have widely recovered following their collapse in the first three months of 2009. Thanks to the low prevailing interest rate, bonds with comparatively high coupons issued by companies with good credit ratings are clearly above par. In the course of 2009, not only companies but also governments made use of the bond markets, with a large issue. Before the end of 2009, the volume of new issues of investment grade corporate bonds had broken the previous record of € 200 billion set in 2001. The favourable conditions for issuers that continued to improve in the course of the year also made a contribution. Similarly, investors increasingly bought emerging market bonds and companies in the junk bond segment. The financial crisis had previously brought this market to a standstill. The drop in returns reflected in the iBoxx € Eurozone, which tracks the returns of government bonds of a number of European countries, and iBoxx € Utilities Index, which covers the bonds of European utility companies, came to a halt in the last quarter of 2009. The spread between the returns of the two indices narrowed in the fourth quarter, amounting to approximately 26 base points at the end of the year.

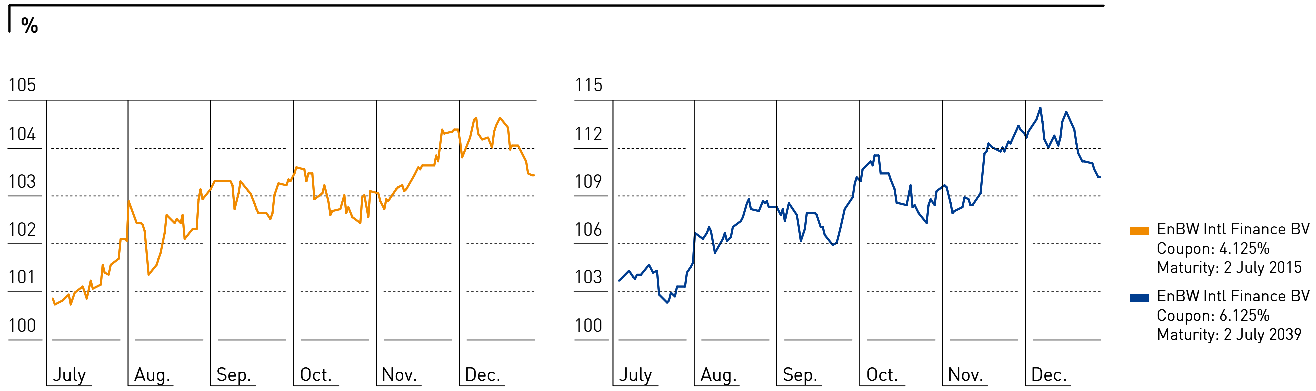
Yield on the bond market



Development of EnBW bonds in 2009

The prices of EnBW's bonds saw a significant increase in the course of 2009. This means that the credit spread has narrowed again in comparison to 2008. In particular, the prices of medium-term bonds with high coupons were clearly above par as of year-end 2009. The graph below illustrates the development of the bonds issued in July 2009:

Performance of the EnBW bonds issued in 2009



The EnBW share

EnBW shares have been publicly traded since October 1997. They are listed on the General Standard market of the Frankfurt stock exchange and on the regulated market of the Stuttgart stock exchange. EnBW's shareholder structure has not undergone any major changes since 2005. The two major shareholders, OEW and EDF each hold 45.01% of the voting rights. The other shareholders in Baden-Württemberg – municipal associations and municipalities in the supply area – hold a total of more than 5%. EnBW continues to hold treasury shares of 2.3% of the share capital. The remaining free float thus totals some 1.84%.

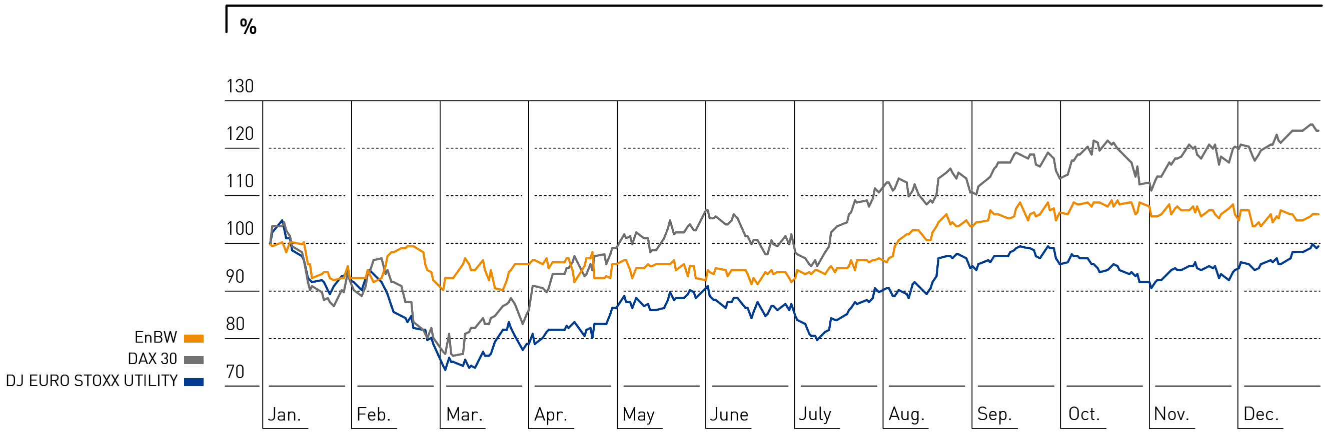
Shareholder structure as of 31 December 2009[1]

E.D.F INTERNATIONAL SA	45.01%
OEW Energie-Beteiligungs GmbH	45.01%
Badische Energieaktionärs-Vereinigung	2.55%
EnBW Energie Baden-Württemberg AG	2.30%
Gemeindeelektrizitätsverband Schwarzwald-Donau	1.28%
Neckar-Elektrizitätsverband	0.69%
Landeselektrizitätsverband Württemberg	0.54%
Other municipal shareholders	0.78%
Free float	1.84%

[1] Figures rounded to two decimal places.

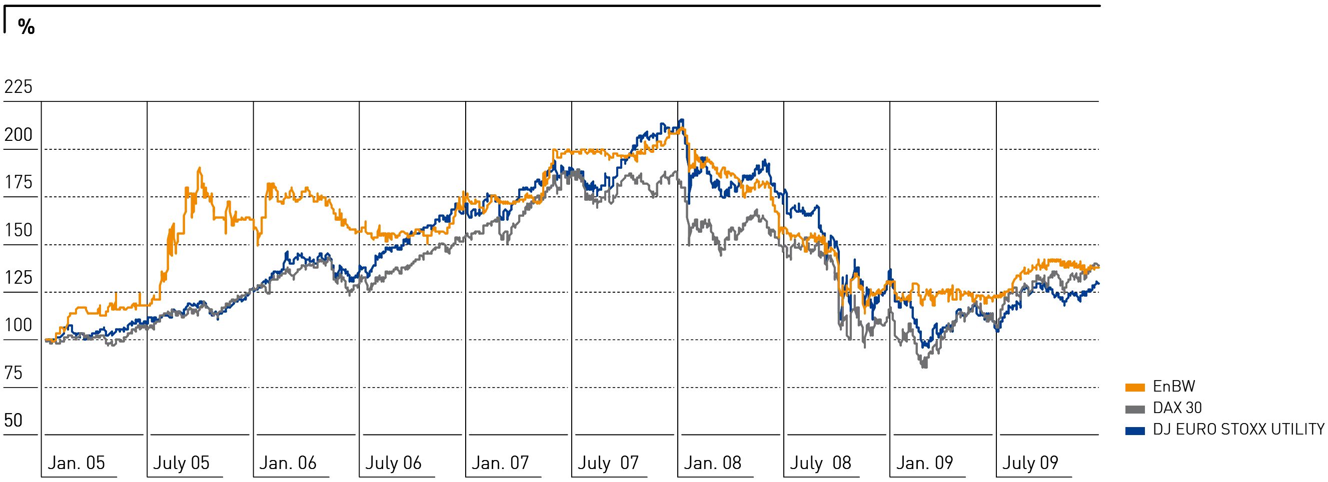
Development of the EnBW share in 2009: At the beginning of 2009, EnBW's shares were priced at just under € 38. EnBW was not able to escape the market's general downward movement in the first quarter of 2009. In March, the share price reached a low of € 34, which means that the drop was less marked than that of the DAX. In September 2009, the price rallied to a level over € 40 and generally hovered close to this mark until the end of the year. The price on the last trading day of 2009 was fixed at € 40, up 6.1% in comparison to the beginning of the year. Market capitalisation thus totalled some € 9.8 billion (prior year: € 9.2 billion). The annual high, with regard to the closing rate, of € 41.10 was reached on 20 October 2009.

Performance of the EnBW share in 2009



While the price of the EnBW share did not increase quite as fast, it did not suffer the same setbacks over the year as the DAX, as already mentioned above. The EnBW share performed better than the DJ EURO STOXX UTILITY index, which reflects the share price of European utilities. The index remained negative for virtually all of 2009 and closed the year at virtually the same level as at the beginning of the year. From a five-year perspective, the EnBW share saw an increase of some 38%. This means that it has tracked the development of the DAX. In contrast, the DJ EURO STOXX UTILITY saw growth of only just over 30% over the same period.

Performance of the EnBW share in the past five years



Building trust through open and transparent communication

Investors' faith in EnBW's stable cash flow and its potential to generate added value are the prerequisites for access to the capital market. One of the main objectives of the financial communication by EnBW's Board of Management and Investor Relations is safeguarding the trust of investors, analysts and rating agencies in EnBW at all times and irrespective of the situation on the capital market and the company's current financing needs. The open and ongoing dialogue is a key confidence-building measure in the field of investor relations. Detailed information is provided promptly on the group's strategy. Operational developments are detailed in the regular publications of the quarterly and annual financial reports. Strategic and operational decision-making within the EnBW group is based on value added and the impact on EnBW's risk profile. EnBW has published its value added performance indicators as part of its annual report since 2005.

The confidence placed in EnBW by capital market players is also the result of the value generated by the company from which our investors benefit. When determining the dividend, we base our decision on the performance of the company, the scope of the investment programme, the volume of net financial liabilities and the dynamic leverage ratio. With a view to the continuing high level of investment and the associated rise in the dynamic leverage ratio in 2009, the Board of Management will, in consultation with the Supervisory Board, propose to the 2010 annual general meeting that a dividend of € 1.53 per share be distributed, following the € 2.01 distributed in the prior year. The total amount distributed would come to € 373.7 million (prior year: € 491.0 million). The distribution rate would be 42.5%, i.e. at the lower threshold of our target corridor of 40% to 60% of adjusted group net profit.

Service-focused investor relations

FURTHER INFORMATION
www.enbw.com
› Investors

EnBW sees investor relations as a service. It pursues the aim of meeting the information requirements of investors, analysts, rating agencies and banks without delay. Active communication facilitates an ongoing dialogue with the target groups enabling us to emphasise EnBW's potential to generate value added. Due to the small free float, our investor relations activities concentrate most of all on the debt capital market (fixed income), i.e. on bond investors and credit analysts on the buy and sell side. EnBW's good standing with fixed income investors, above all, ensures the necessary access to the capital market.

We maintain an ongoing dialogue with capital market players. At the beginning of 2009, EnBW took part in an investor conference in New York. In March, we staged a road show throughout Europe, visiting ten cities, including Paris, London, Frankfurt and Zurich. We held personal talks with some 30 fixed income investors and provided information to a further 80 investors in presentations to groups. In numerous talks on corporate development held in the course of the year we focused on the expansion of generation capacities through the purchase of power station capacities, the acquisition of shares in EWE Aktiengesellschaft and the related conditions imposed, the exchange of electricity procurement rights with E.ON and energy policy issues. With Société Générale, another major bank commenced research coverage of the EnBW share. The assessment began with a rating of "hold" and a price target of € 38. At the time of publication, this was a little above the prevailing market price of € 36. The upper end of the range of the price forecasts quoted in the study stands at € 55 per share.

FURTHER INFORMATION
Financial calendar on the inside cover

We will continue to support the strategic development of EnBW on the capital market in 2010 through active communication. As EnBW is increasingly gaining importance in the landscape of European energy companies and as an issuer on the capital market, we are planning to expand our investor relations work in stages. At the start of 2010, EnBW presented itself at investor conferences in New York and in Paris.

EnBW share in figures[1]		2009	2008	2007	2006	2005
Annual high	€	41.10	61.00	60.84	52.66	55.88
Annual low	€	34.00	33.02	48.01	43.80	29.11
Closing price	€	40.00	37.70	60.16	50.55	45.80
Number of shares outstanding as of 31 December[2]	million shares	244.257	244.257	244.257	244.257	243.957
Market capitalisation as of 31 December[3]	€ billions	9.8	9.2	14.7	12.3	11.2
Stock exchange trade (total)	Number of shares	676,205	835,367	1,112,602	566,187	902,000
Stock exchange trade (daily average)	Number of shares	2,662	3,289	4,769	2,220	3,537
Earnings per share from group net profit[4]	€	3.15	3.60	5.58	4.10	2.21
Operating cash flow per share	€	10.00	6.24	6.38	6.01	5.52
Distribution	€ millions	373.7[5, 6]	491.0	368.8	278.5	214.9
Dividends per share	€	1.53[6]	2.01	1.51	1.14	0.88
Number of shares outstanding (weighted average)	million shares	244.257	244.257	244.257	244.232	240.961

1 The price information for the period from 2005 to 2006 relates to floor trading on the Frankfurt stock exchange. The price information from 2007 relates to the XETRA prices.
2 Total number of shares: 250.006 million.
3 Number of shares outstanding at the end of the fiscal year multiplied by the closing price.
4 In relation to the profit shares attributable to the equity holders of EnBW AG. The 2008 figures have been restated.
5 Distribution in terms of the shares entitled to dividends as of 31 December 2009.
6 Dividend proposal for the fiscal year 2009, subject to the approval of the annual general meeting on 29 April 2010.

Stock exchange information	
ISIN/security ident. no.	DE0005220008/522000
Stock exchange abbreviation	Bloomberg EBK GY/ReutersEBK/EBKG.DE
Stock markets	Regulated market: Frankfurt and Stuttgart; over-the-counter trading: Berlin, Munich
Transparency level	General Standard
Indices	General All Share, DAXsector All Utilities, CDAX
Number of shares	250,006,200
Class of share	Ordinary no-par value bearer shares

"Our community cooperative for energy encourages the population to take initiative and, together with EnBW, makes a sustainable contribution to climate protection."

Daniela Bühler, member of Aichstetten community energy cooperative


ARCTERYX

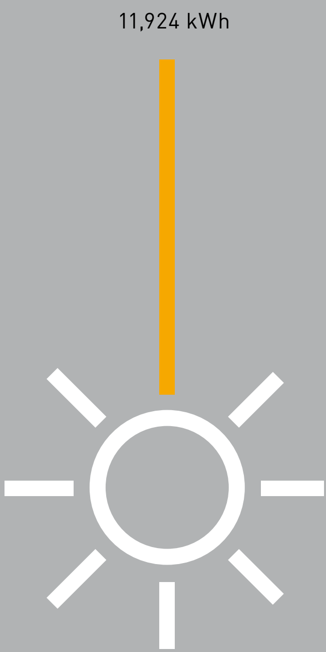
Solar panels on the roof of Aichstetten sports hall and community centre

Shaping the future together

The community energy cooperatives in Baden-Württemberg are a model for the future. Private individuals, municipalities, businesses and institutions are putting energy projects into practice at a local and regional level. The focus is on renewable energies. EnBW partners these projects.

11,924 kWh

of solar electricity was generated and 7,105 kg of CO_2 emissions saved by Aichstetten community energy cooperative's photovoltaic system since it went into operation



EnBW promotes local community initiatives and the concept of community energy, supporting community energy cooperatives with its expertise, especially in the start-up phase with regard to technical or maintenance issues or with regard to contracts. Community energy cooperatives offer private individuals an opportunity to purchase shares in order to invest in real projects and to participate in deciding which energy and climate protection projects should be implemented in their village, town or region. Placing solar panels on a public building or building a wind turbine, erecting a combined heat and power plant or a biogas plant or even harnessing unexploited hydro-electric power are just a few examples.

The members of a community energy cooperative are united by their interest in the topic of energy and the desire to shape energy policy and assume responsibility. The members elect the committee and supervisory board from their numbers; their work is voluntary. Each member has one vote, irrespective of the number of shares held. There are currently 16 community energy cooperatives in Baden-Württemberg. Others are in the process of formation.

FOR FURTHER INFORMATION:
www.buerger-energie.de

Combined management report of the EnBW group and EnBW AG

Summary

The business development of the EnBW group in 2009 was negatively impacted by the overall economic environment. We nevertheless managed to maintain our market position as third-largest energy group in Germany. With an investment volume of € 4.4 billion, we steadily pressed ahead with implementation of our corporate strategy. The financial position and net assets of the EnBW group remain sound despite these great efforts.

NOTE
The information given in the margin is not part of the management report

The negative general economic climate dampens business development

In the fiscal year 2009, the EnBW group was not able to seamlessly continue the excellent development seen in the prior year. Despite the poor economic climate, the group nevertheless succeeded in generating an adjusted EBIT of € 1,793.9 million, matching the prior-year level. While the development in the electricity generation and trading segment exceeded expectations with regard to adjusted EBIT, the results seen in the electricity grid and sales and gas segments were clearly impacted by the drop in demand from B2B customers. The group net profit in terms of the profit shares attributable to the equity holders of EnBW AG came to € 768.2 million in the fiscal year 2009 and was therefore 12.6% below the prior-year figure. The adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG of € 879.1 million was significantly lower than in the prior year. This resulted from a clear increase in the deficit in the adjusted financial result. The increase in financial liabilities led to higher interest expenses in the group; in addition, a drop in income from the sale and valuation of securities made itself felt. In contrast, non-operating group net profit in terms of the profit shares attributable to the equity holders of EnBW AG improved to € -110.9 million. In the prior year, this deficit came to € -219.5 million, due to high impairment losses. In the context of the increase in capital employed due to the investment and growth programme and the dampened business development, value added in 2009 of € 809.6 million was equivalent to a fall of € 153.1 million in comparison to the fiscal year 2008. As part of the implementation of our corporate strategy, we increased the headcount in the EnBW group once again in 2009. Headcount totalled more than 21,000 as of 31 December 2009 following the 20,500 or so employed at the end of 2008.

Decline in demand poses challenge for sales

In 2009, the electricity sales of the EnBW group declined by 8.3% on the prior year to 119.7 billion kWh. Demand from B2B customers in particular has decreased as a consequence of the overall drop in production. At 65.8 billion kWh, gas sales were 5.7% down on the prior year. This was due to the higher temperatures and the decline in demand as the economic crisis progressed despite the positive effects of a cold winter seen in the first quarter of 2009. External revenue after deducting electricity and natural gas tax came to € 15,564.2 million in the fiscal year 2009, a drop of 4.5% on 2008. Despite fierce competition, the EnBW group succeeded in maintaining its market position, and the number of customers remains in the vicinity of six million. EnBW is more than just a run-of-the-mill energy supplier. Our goal is to become the leader in our customer segments with regard to energy consulting and services.

Consistent pursuit of strategy, expansion of investment volume

Electricity generation and trading was the only segment that increased its adjusted EBIT in the fiscal year 2009. Consequently, one essential component of our corporate strategy is the expansion of our generation capacities. In the course of 2009, we expanded our generation capacities to 15,771 MW, an increase of 771 MW on the end of 2008. Projects relating to future generation capacities particularly worthy of mention are the RDK 8, one of the most modern hard coal power stations in Europe, being built in Karlsruhe Rheinhafen port, four offshore wind farm projects with a total output in excess of 1,200 MW and facilities designed to exploit wind and hydroelectric power in Turkey. In 2009, activities in the gas midstream area focused on the progress of construction work on the gas storage facilities in Etzel, the option to acquire shares in Verbundnetz Gas AG and a review of the feasibility of LNG terminals in Rotterdam and at other locations in Europe. In Germany, EnBW's core market, we have completed the acquisition of a 26% shareholding in EWE Aktiengesellschaft. The goal is to set up joint operations in order to bundle the strengths of both companies. At € 4.4 billon, total investment reached a level never seen before in the history of EnBW as a company. The investment programme is accompanied by divestitures. We are scrutinising non-strategic minority interests in particular as to whether they need to stay within the group. With a view to meeting conditions imposed by the Federal Anti-Trust Office in connection with the acquisition of shares in EWE, we are currently finalising negotiations on the sale of our shares in GESO Beteiligungs- und Beratungs-AG and its subsidiaries.

Proposed dividend of € 1.53 per share

The generally stagnating operating result of the EnBW group and the deterioration of the financial result caused adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG to drop by 20.0% in the fiscal year 2009. Following the 33% increase in the dividend to € 2.01 seen in the prior year, the Board of Management will, in consultation with the Supervisory Board, propose to the annual general meeting on 29 April 2010 that a dividend of € 1.53 per share be distributed from the retained earnings of EnBW AG. This would mean a reduction of 23.9%. The amount distributed would total € 373.7 million, after € 491.0 million in the prior year.

Financial position and net assets remain sound

In fiscal year 2009, cash flow from operating activities increased by 60.3% to € 2,443.4 million primarily due to a positive change in the security deposits for forward contracts for electricity, coal and emission allowances. Cash flow from investing activities amounted to € -4,629.6 million in the reporting period, after € -366.4 million in the prior year. Cash flow from financing activities came to € 678.6 million. In the prior year, cash inflows of € 598.6 million were reported.

On the assets side of the balance sheet, the increase in investment volume is reflected in particular in the increase in non-current assets and the drop in cash and cash equivalents. As part of the planned divestitures, GESO Beteiligungs- und Beratungs-AG and its subsidiaries as well as of the group of Pražská teplárenská Holding a.s. were reclassified as assets held for sale. All in all, the total net assets of the group came to € 34,698.3 million, a rise of 5.9% on 31 December 2008. As of the end of 2009, the equity ratio stood at 18.5% in comparison to 17.1% at the end of 2008. An increase in non-current financial liabilities as part of the financing of the investment programme led to a rise in net financial liabilities to € 5,763.1 million.

Investment for growth continues

For 2010, we anticipate an adjusted EBIT somewhere around the level of 2009. This is due to the current decision to reduce the working lives of nuclear power plants and the uncertain political, economic and regulatory environment. We nevertheless expect earnings to return to growth as of 2011. Our strategy for growth provides for total investments of € 7.9 billion over the period from 2010 to 2012. Taking divestitures into account, net investment will come to some € 5.1 billion. It should be possible to finance this completely from current cash flow. Our goal is to reduce net debt. The corporate strategy continues to be based on a sound financial situation at EnBW – maintaining the A rating is imperative.

Group structure and business activity

EnBW is a vertically integrated energy company with a well-balanced business portfolio. We operate in the fields of electricity, gas, heating as well as energy and environmental services, which also include water supplies, and set ourselves apart with energy efficiency products and consulting services. This enables us to maintain our market position in Germany despite the fierce competition.

Structure and essential business processes

EnBW group

The EnBW group is a vertically integrated energy company with a headcount of more than 21,000 employees. The group's operations in the field of electricity break down into the two segments of electricity generation and trading and electricity grid and sales. In addition, EnBW operates in the segments of gas and energy and environmental services. The electricity generation and trading segment is vital to the earnings situation of the group. EnBW supplies and advises some six million customers and achieved energy sales totalling 185.5 billion kWh in 2009. This makes it the third largest energy supplier in Germany. Supported by its strong roots in Baden-Württemberg, the company generated around 92% of its revenue in Germany; the portion generated abroad thus amounts to around 8%. A strategic alliance has been formed with EWE Aktiengesellschaft, the fifth largest energy company in Germany. EnBW acquired a 26% shareholding in the company in the course of the fiscal year 2009. Through various equity investments, EnBW has operations in some carefully chosen European countries, primarily in the field of electricity. These include Switzerland and Austria as well as the eastern European countries of the Czech Republic, Poland and Hungary. With the objective of expanding its generation capacities, the EnBW group entered the Turkish market in 2009 by forming a joint venture with a Turkish industrial conglomerate. Cooperation with Electricité de France (EDF) includes tackling joint projects within the EDF group and realising synergies.

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Financial statements/
Segment reporting › p. 206

The EnBW group is headquartered in Karlsruhe. The company's main physical assets include a large number of power stations and generation facilities, electricity and gas grids, distribution plants and gas storage facilities. The company's regional centres as well as the sales offices and processing centres are spread over the whole of Baden-Württemberg. There are further sales offices throughout Germany. EnBW has equity investments in Dresden, Düsseldorf and Oldenburg as well as Switzerland, Austria, Hungary, the Czech Republic and Poland. The main equity investments of EnBW AG and their locations are presented in the financial statements. The conditions imposed by the anti-trust authorities in connection with the acquisition of the shareholding in EWE Aktiengesellschaft mean that EnBW AG has decided to dispose of its shares in GESO Beteiligungs- und Beratungs-AG. EnBW intends to bring negotiations on the sale of the GESO shares to a conclusion over the coming few months. The equity investments held by GESO include, for example, ENSO Energie Sachsen Ost AG.

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In the area of **electricity** the company covers all stages in the value added chain. As a result of the first-time adoption of IFRS 8, the electricity segment has been broken down into **electricity generation and trading** and **electricity grid and sales**.

ELECTRICITY generation and trading		ELECTRICITY grid and sales	
Generation	**Trading/procurement**	**Transmission and distribution**[1]	**Sales**
EnBW Kraftwerke AG EnBW Kernkraft GmbH EnBW Erneuerbare Energien GmbH	EnBW Trading GmbH	EnBW Transportnetze AG EnBW Regional AG	EnBW Vertriebs- und Servicegesellschaft mbH Yello Strom GmbH Watt Deutschland GmbH

[1] The companies operating the grids are in compliance with the unbundling provisions of the German Energy Industry Act.

The majority of power stations in EnBW's portfolio employed in **generating** electricity and district heating are managed by **EnBW Kraftwerke AG**. The goal is an efficient and environmentally compatible generation portfolio powered by a wide range of fuels. **EnBW Kernkraft GmbH** not only operates the group's nuclear power plants but is also responsible for any dismantling work as is the case with Obrigheim nuclear power plant. The two companies bundle their expertise in the fields of planning, construction, operation, maintenance and optimisation of EnBW's large-scale power stations and plants. **EnBW Erneuerbare Energien GmbH** focuses on expanding further generation capacities, especially in the area of wind power.

EnBW's portfolio of power stations, which has combined generation capacities of 15,771 MW at the end of 2009 (2008: 15,000 MW), is composed of nuclear power plants, coal, oil, gas and pumped storage power stations as well as facilities designed to generate electricity from renewable energies. These include run-of the-river power stations, storage power stations using the natural flow of water, photovoltaic plants, wind turbines and biomass plants. EnBW has a well-balanced generation portfolio, also from a load perspective. The EnBW group's generation portfolio breaks down as follows:

Breakdown of the generation portfolio of the EnBW group[1] electrical output in MW	31/12/2009	31/12/2008
Nuclear power plants (incl. EDF contracts)	4,846	4,846
Conventional power stations	7,240	6,585
Run-of-the-river and storage power stations	3,510	3,472
Other renewable energies	175	97
Total	**15,771**	**15,000**

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

EnBW extended its generation portfolio in the fiscal year by 771 MW in comparison to the prior year. This growth is principally due to the increase in the shares in the Lippendorf and Bexbach power stations. Further capacity increases are planned for 2010.

In 2009, the portion of electricity generated in its own facilities in the usable electricity supplied by the EnBW group amounted to 91% after 79% in the prior year. The change results from the expansion of the power station portfolio and falling unit sales in the B2B segment.

The portion of CO_2-free electricity from our own generation facilities came to 68% in 2009. The CO_2 emissions of EnBW's portfolio of power stations thus came to 241 g CO_2e/kWh, a figure far below the German average of 509 g CO_2e/kWh.

Generation in the EnBW group[1] according to primary energy sources as a %[2]	2009	2008
Fossil energy	27.6	28.2
Nuclear power	57.2	56.8
Renewable energies[3]	10.6	10.8
Other	4.6	4.2

1 Own generation includes long-term procurement agreements and generation from partly owned power stations.
2 In anticipation of the change in the method of transfer of renewable energies under the EEG as of 2010 (financial instead of physical transfer), as of fiscal 2009 the quotas are reported on the basis of the electricity generated in the EnBW group's own facilities without taking into account any supplies of EEG electricity (prior-year values were restated).
3 By analogy to the disclosure pursuant to Sec. 42 German Energy Industry Act (EnWG).

EnBW Trading GmbH (ETG) plays an essential role in the area of **trading and procurement**, the next stage in the value added chain. Within the group, ETG is responsible for trading with physical and financial products relating to electricity, gas, coal, oil and CO_2 allowances on the wholesale markets. Among other things, it operates on the EEX in Leipzig, Powernext in Paris and the International Commodity Exchange and the European Climate Exchange in London. In addition to trading on the organised stock exchanges, ETG is also active in over-the-counter trading with 170 domestic and international partners. Trading activities include concluding spot and forward contracts to buy the primary energy sources necessary for electricity generation as well as the sale of the electricity generated and the purchasing of additional electricity quantities on the wholesale market. This means that the company is responsible for fuel procurement and logistics, emission allowance management as well as the deployment planning and management of EnBW's generation portfolio. ETG is likewise responsible for covering the energy needs of EnBW's sales companies. This holistic approach enables ETG to make an essential contribution to risk management in the EnBW group, specifically with regard to price and quantity risks. In addition to supporting the operating business, ETG also trades on its own account, subject to strict regulations and limits.

With regard to the grids in the **electricity grid and sales** segment, **EnBW Transportnetze AG (TNG)** is responsible for transmission and **EnBW Regional AG (REG)** for distribution of the electricity via its own grids in Baden-Württemberg. EnBW is one of the four transmission system operators in Germany. The operators ensure the safe operation and maintenance of the grids. They have to maintain a balance between generation and consumption to ensure reliable supplies. The network users pay the operators a network user charge set by the Federal Network Agency with reference to an individual cap on revenue. EnBW's transmission and distribution grids have a total length of around 166,000 km. The individual types of grid are as follows:

Network grid lengths of the EnBW group in km	2009	2008
Transmission grid[1]		
Extra-high voltage 380 kV	1,999	1,994
Extra-high voltage 220 kV	1,829	2,055
Distribution grid[2]		
High voltage 110 kV	9,813	9,801
Medium voltage 30/20/10 kV	48,560	49,324
Low voltage 0.4 kV	103,728	104,406

1 Companies included: EnBW Transportnetze AG and Energiedienst Holding AG.
2 Companies included: EnBW Regional AG, Energiedienst Holding AG, EnBW Ostwürttemberg DonauRies AG, ZEAG Energie AG, Stadtwerke Düsseldorf AG, ENSO Netz GmbH and Pražská energetika a.s. The slight decrease in the length of the distribution grid is attributable to the fact that franchise agreements were not renewed with all municipalities.

TNG is responsible for the operation of the extra-high-voltage grid (380 kV and 220 kV) for the transmission of electricity over longer distances. Numerous points of connection make it possible to integrate the extra-high-voltage grid in the national and international network system and to connect it to large-scale power stations. At the other end, transformers link the grid to the regional distribution networks. TNG's tasks include management of the energy flow within the grid as well as the expansion and maintenance of the grids. Customers and partners of this company include more than 200 electricity dealers and power station and distribution network operators.

REG is the largest distribution network operator in Baden-Württemberg. Municipal utilities and industrial plants are supplied using 110 kV power lines, whereas 30, 20 and 10 kV lines in the regional distribution grid are intended for medium-size customers. The 0.4 kV grid and the related substations are used by households, agriculture and commercial businesses. The company's tasks include setting the standards for grid access and use in addition to calculating network user charges and ensuring supply reliability. It is further tasked with selling energy and network services to municipalities and public utilities in Baden-Württemberg as well as managing EnBW's franchise agreements.

EnBW Vertriebs- und Servicegesellschaft GmbH (VSG) is the central sales company within the EnBW group. Its task is to sell energy – meaning electricity, gas and district heating – and water and energy-related services to various customer groups: industrial, commercial and retail customers as well as municipalities. It functions as a service provider for EnBW Gas GmbH and supports in particular the sales activities aimed at retail and industrial customers as well as redistributors.

Watt Deutschland GmbH specialises in domestic electricity sales to the customer groups of SMEs and chains and additionally provides energy and system services.

Yello Strom GmbH operates throughout Germany in the distribution of electricity and other products (Yello Sparzähler online/intelligenter Stromzähler, two intelligent metering products to save electricity) to retail and business customers.

In the **gas segment**, the EnBW group operates in the midstream and downstream stages of the value added chain. The midstream business includes import agreements, infrastructure, gas storage and trading and portfolio management. Downstream covers gas transmission, distribution and sales.

GAS

Import agreements and infrastructure	Storage	Trading/portfolio management	Transmission and distribution[1]	Sales
EnBW Gas Midstream GmbH	EnBW Gas Midstream GmbH GasVersorgung Süddeutschland GmbH EnBW Gas GmbH	EnBW Gas Midstream GmbH EnBW Trading GmbH GasVersorgung Süddeutschland GmbH EnBW Gas GmbH	GVS Netz GmbH EnBW Gasnetz GmbH	GasVersorgung Süddeutschland GmbH EnBW Gas GmbH EnBW Vertriebs- und Servicegesell-schaft mbH Yello Strom GmbH[2]
Midstream			Downstream	

[1] The companies operating the grids are in compliance with the unbundling provisions of the German Energy Industry Act.
[2] Gas sales to households project.

EnBW Gas Midstream GmbH employs import agreements and investments in the necessary infrastructure to safeguard the EnBW group's access to gas in the medium to long term. In light of this, investments in LNG import terminals in north-western Europe, for example in Rotterdam, and the underground storage of gas are under review. The gas storage project in Etzel continues to make progress. EnBW had secured long-term rights to use salt caverns in the Etzel region in 2007. In order to exploit synergies, EnBW and EDF, which also controls storage caverns in the Etzel region, have formed a 50:50 joint venture. The joint venture is tasked with the construction and commercial operation of the above-ground facility from 2011 onwards. Construction work on the facility is on schedule. The storage facilities will be connected to the high-pressure grid via the 56 km pipeline in which EnBW and EDF both have a stake. It is scheduled to be completed by the end of 2010.

The core responsibilities of **GasVersorgung Süddeutschland GmbH (GVS)** include the purchasing, sale, storage and transmission of gas. This sales company supplies natural gas to municipal utilities, regional gas suppliers, industrial customers and power stations both in Germany and abroad. Its range of services is rounded off by consulting and support, gas industry, technology and telecommunications services. The shareholders of GVS are EnBW and the Italian energy group Eni. At the end of 2009, GVS' high-pressure grid had a total length of some 1,900 km in Baden-Württemberg. The network operator function is performed by a wholly owned subsidiary of GVS, **GVS Netz GmbH**. Until September 2009, GVS Netz offered its customers a full range of gas transmission services in its own market territory in collaboration with Eni Gas Transport Deutschland. On 1 October 2009, this market territory became part of the extended market territory NetConnect Germany.

EnBW Gas GmbH focuses on gas supplies to end customers in Baden-Württemberg and operates its own storage facilities. The network operator function is performed by a wholly owned subsidiary, **EnBW Gasnetz GmbH**. The high, medium and low pressure grids have a total length of some 4,500 km.

The supply territories of the downstream gas distribution companies within the EnBW group in Baden-Württemberg include the Stuttgart region, the Black Forest, the Swabian Alb, Lake Constance, North Baden and East Württemberg, among others. Through its equity investments in Stadtwerke Düsseldorf and ENSO Energie Sachsen Ost AG, the EnBW group also has gas distribution activities in the Düsseldorf region and Saxony. **Yello Strom GmbH** is running a pilot project to sell natural gas to retail customers in Essen and Nuremberg.

With regard to the **energy and environmental services segment,** the EnBW group provides grid and energy-related services (essentially contracting solutions), thermal and non-thermal waste disposal as well as water supply services.

ENERGY AND ENVIRONMENTAL SERVICES

Companies with service functions
EnBW Energy Solutions GmbH
EnBW Systeme Infrastruktur Support GmbH
EnBW Kraftwerke AG
Stadtwerke Düsseldorf AG
EnBW Regional AG
RBS wave GmbH

Contracting services are rendered by **EnBW Energy Solutions GmbH** and cover all the stages in the value added chain. The services range from the initial needs analysis via planning, financing and realisation through to the operation, servicing and maintenance of the plants at customers. These are, for example, energy plants, (combined power and) heating plants and the media infrastructure for supplying various usable energies such as heat, steam, cooling and compressed air.

EnBW Systeme Infrastruktur Support GmbH provides extensive consulting and other services within the EnBW group.

The EnBW group's activities in the field of waste disposal are operated by **EnBW Kraftwerke AG** and **Stadtwerke Düsseldorf AG** and their subsidiaries. In total, EnBW has 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. The energy and environmental services segment also includes water supplies in Baden-Württemberg as well as certain areas of Hesse and Bavaria. Services relate to the extraction, treatment, storage and distribution of water. The business is operated by **EnBW Regional AG** and **RBS wave GmbH**. The network-related and other services in this segment cover, for example, maintenance work, renovation work as well as the construction of new operating resources of all kinds and at all voltage and pressure levels. Street lighting services include all those necessary to ensure proper illumination of the public sphere. The company also provides complete solutions for the construction and operation of photovoltaic plants at a municipal level. The range of products further extends to voice telephony, media and security technology and radio transmission services.

EnBW AG

As holding company, EnBW Energie Baden-Württemberg AG (EnBW AG) exercises the management function in the EnBW group. It is responsible for the strategic management and control of the group at all key stages of the value added chain in the segments. This holding company likewise brings together the functions of group-wide finance and liquidity management, HR management, external communications and group development. EnBW AG has concluded domination and profit and loss transfer agreements with all major subsidiaries.

FURTHER INFORMATION
EnBW on the capital market/Shareholder structure › p. 24

EnBW AG is a publicly listed stock corporation. The company is listed on the regulated market (General Standard) of Deutsche Börse. EnBW's shareholder composition did not undergo any changes on the prior year. The two major shareholders, E.D.F. INTERNATIONAL SA and OEW Energie-Beteiligungs GmbH, each hold 45.01% of the EnBW shares. These shareholdings have remained the same since the last adjustment on 8 April 2005.

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

Management and control

Board of Management

As of 31 December 2009, the Board of Management of EnBW AG consists of five members who are jointly responsible for the management of the group. The Board of Management is responsible for increasing the value of the company in a sustainable way. Besides the responsibilities of the CEO, the tasks of the Board of Management are structured into the portfolios operations, personnel, law and IT, finance and technology.

The CEO's tasks primarily pertain to strategic, investor relations, social, political and group-wide issues as well as any issues with a public-relations aspect. The CEO is responsible for the management and development of the group, the brands and distribution, top management issues, the development of the gas segment, internal auditing, corporate communications and representing the group's interests with regard to business, technology and energy policies. Group development extends to the areas of group strategy and mergers and acquisitions in addition to the management of domestic and foreign equity investments. The area of brands and distribution has been additionally assigned to the operations portfolio in order to optimise the value added chain. Media, sponsorship, group press activities and internal communications belong to corporate communications. The group's interests relating to business, technology and energy policy are promoted by representative offices in Brussels, Berlin and Stuttgart and through the coordination of association activities.

The group-wide financing activities and the corresponding central functions are managed and coordinated by the finance portfolio. The CFO is responsible for group controlling, group finances and investor relations, accounting and taxes as well as group risk management, which includes group crisis management. In addition to the focal points of group planning and reporting, and controlling of the segments, companies and equity investments, group controlling is tasked with group-wide monitoring and implementation of the internal control system (ICS).

The COO is responsible for the management and optimisation of the upstream and downstream activities in the sales, trading and grids segments. Energy-industry issues in the areas of portfolio management and market environment and the management of regulatory issues are similarly the responsibility of the operations portfolio. Furthermore, the COO is responsible for marketing activities. Contracting and the associated energy-related service activities have likewise been assigned to the operations portfolio.

The personnel, law and IT portfolio is in charge of the respective central functions relating to these areas as well the pertinent strategic issues. The Chief Personnel Officer is likewise responsible for dealing with the topics of compliance, materials management, industrial health and safety, data protection, property and knowledge management. He is also responsible for labour relations.

The Chief Technical Officer assumes responsibility for the generation of energy from conventional, nuclear and renewable sources as well as the development and extension of the necessary facilities. The CTO manages the corresponding companies. The technology portfolio further manages and coordinates the disposal segment, technical issues relating to the grids, the group's environmental protection, project development in the field of power station construction as well as the areas of research and innovation and international climate protection projects.

As it is anticipated that the health-related absence of CFO, Dr. Rudolf Schulten, will continue for some time, the functions and group companies assigned to the finance portfolio have been under the temporary management of the remaining four members of the Board of Management since 22 December 2009.

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). Three employee representatives are nominated by the ver.di trade union.

FURTHER INFORMATION
Corporate Governance/
Supervisory Board
› p. 242f.

The Supervisory Board monitors and advises the Board of Management on the management of the company. At regular intervals, it analyses the business development and planning as well as the corporate strategy together with the Board of Management. The Supervisory Board is always involved in all decisions of fundamental importance for the company. Transactions and measures subject to the approval of the Supervisory Board are listed in its rules of procedure. The Supervisory Board is above all responsible for appointing and dismissing members of the Board of Management and ratifying the financial statements. To be able to assume its function in the best possible way, the Supervisory Board has a personnel committee, a finance and investment committee, an audit committee, a nomination committee and a mediation committee in accordance with Sec. 27 (3) MitbestG. The section "Corporate governance" details the composition of the Supervisory Board and its committees.

Further details can be found in the declaration of compliance and corporate governance report which is available in the Investors section of our homepage (www.enbw.com).

FURTHER INFORMATION
Corporate Governance
› p. 231ff.

Products, market and competition

The market and structure of competition

Energy suppliers in Europe can be divided roughly into three groups. The first group covers companies such as EDF, Enel, E.ON or RWE, where operations are extremely diversified in a number of markets throughout Europe or even worldwide. EnBW can be allocated to a second group of companies that aim to achieve growth in selected European markets by building on a strong position in their home markets. Such companies are, for example, CEZ, DONG, EVN, Vattenfall and Verbund. In addition, there are a number of regional and local companies in some European countries that have a strong position on their limited markets (for example, Alpiq in Switzerland, Hera in Italy, and MVV and Thüga in Germany).

Competitive position of EnBW

Electricity generation: In the area of electricity generation EnBW is one of the ten largest companies in Europe. In terms of the installed generation capacity as of the end of the fiscal year 2008, it was in eighth place. EDF has by far the largest generation capacities in France. With regard to Germany, EnBW is number three in electricity generation, after E.ON and RWE. Since 2009, EnBW has been involved in a joint venture to expand generation capacities in Turkey, primarily in the area of renewable energies.

Regulatory area of the grids: EnBW is one of the four transmission system operators in Germany and operates various grids in Baden-Württemberg. EnBW's electricity distribution network has a total length of 162,101 km; the combined length of all of EnBW's high, medium and low pressure gas grids comes to 17,984 km.

Electricity sales: In terms of the number of customers and unit sales, the EnBW group is the third largest electricity supplier in Germany. In its home market of Baden-Württemberg, EnBW is the market leader in the B2B and B2C customer groups. The national sales brand Yello supplies electricity to retail and business customers throughout Germany. The Watt brand stands for the nationwide provision of energy and systems services to SMEs and chains.

Gas: The extension of the value added chain in the gas segment is intended to make a contribution to reinforcing the group's market position. Traditionally, EnBW has gas operations in its home market of Baden-Württemberg, but has customers throughout Germany as well. GVS supplies natural gas to more than two thirds of the towns and municipalities in Baden-Württemberg. ENSO is well established on the market in the region of eastern Saxony. Stadtwerke Düsseldorf AG, in which EnBW holds shares, has a large share of the market in that region.

Energy and environmental services: In terms of revenue, EnBW is one of the largest companies operating in the area of energy and environmental services in Germany and is one of the leading providers of contracting services. In this respect, ESG is one of the leaders in the German industrial contracting market. In Baden-Württemberg the EnBW group is one of the market leaders in the field of thermal waste disposal. Stadtwerke Düsseldorf AG is similarly the market leader in the field of waste disposal in the Düsseldorf region. In the field of water supplies, EnBW achieved an 11% market share in Baden-Württemberg in 2009, making it the largest single water supplier in the state.

Products and competition

EnBW pursues a multi-brand strategy with regard to the sale of its products and services. In Baden-Württemberg, electricity, gas, energy and environmental services, district and local heating and water are supplied under the EnBW brand. The NaturEnergie brand targets ecologically minded customers. With the Yello brand, EnBW is present throughout Germany with regard to the market for sales to retail consumers and business customers. SMEs, chains and business customers are supplied with energy under the Watt brand. Industrial customers and redistributors are supplied throughout Germany under the EnBW brand. The individual brand strategies are closely coordinated with one another. Customer-orientation is EnBW's top priority.

Electricity

The fierce competition on the German electricity market continued in all customer groups in 2009. The competition for retail customers in particular is characterised by a large number of regional and supra-regional providers. Willingness on the part of customers to switch providers is on the increase. According to the German Energy and Water Association (BDEW), as many as 60% of all retail customers have switched their electricity provider or changed to a different electricity tariff since 1998. In this context, the portion of customers who have switched to a new provider once or more than once increased throughout Germany from 18.9% to 20.5% in the period from December 2008 to September 2009. The competition for retail customers is often marked by very aggressive pricing in order to capture market share. In Baden-Württemberg, EnBW succeeded in defending its good market position despite the more intense competition. The company positions itself with high standards of customer service and attractive customer loyalty schemes. A special green electricity product was received very positively in Baden-Württemberg. In autumn 2009, a large number of customers were offered a rate involving an energy-savings bonus and a price guarantee. EnBW's customer service has received awards from independent organisations on several occasions. Once again in 2009, our customer service received a very good score in a consumer test by the ServiceRating organisation. In contrast to many competitors, EnBW has actively taken up the topic of energy efficiency and provides support to its customers in the form of innovative products, such as the EnBW Intelligenter Stromzähler® (intelligent electricity meter), which has been on offer from EnBW since autumn 2008; EnBW is the first energy supplier, and so far the only one in the state, to provide a product of this kind. In 2009, we additionally launched an energy-savings campaign in Baden-Württemberg under the name of "Weniger Verbrauch geht auch". Following the launch in December 2008, Yello was the first electricity company to provide an intelligent meter throughout Germany and even in 2009 remained the only nationwide provider of an intelligent electricity meter for retail customers. Yello similarly succeeded in maintaining its market position despite intense competition, thanks to its high level of prompted brand awareness reaching 97%.

The competition for B2B customers intensified even further in 2009 as a consequence of the general economic climate. Customers who had concluded contracts prior to the decline in electricity wholesale market prices were under exceptional pressure, an issue that was frequently reflected in the ensuing contractual negotiations. There is generally greater willingness among industrial customers to change provider than other customer groups. The competition is dominated firstly by the German major energy suppliers and secondly by foreign and regional providers. The activities on the part of local municipal utilities made a contribution to the prevailing competition in the past fiscal year. EnBW is countering the intense competition by extending its range of trading-related electricity products. A web-based customer portal for the management of energy contracts has been built up. High standards in advice and service are the basis of EnBW's customer relationships, which are often long term. The EnBW energy efficiency networks are an example of our activities that create added value for customers and boost customer loyalty. Since 2009, this has been supplemented by a franchise model, which is currently undergoing a trial period.

Gas

Competition similarly continued to grow on the gas market in 2009. According to the most recent survey by the Federal Network Agency, retail consumers are now able to choose from an average of twelve providers – and from more than 30 in the Stuttgart region. In contrast, there were only a small number of choices in 2007. Correspondingly, the survey revealed that the number of retail customers switching suppliers increased more than threefold from 2007 to 2008. However, the area of gas supplies to retail customers is also exposed to additional competition from alternative solutions, such as renewable energies or passive energy houses.

EnBW Gas GmbH succeeded in defending its market position with industrial and retail customers in the Stuttgart region. One of the marketing instruments employed was the introduction of further individual products geared to the prevailing market conditions. These included extending the range of products with a renewable share in the form of bio-natural gas produced in our own facilities. The pilot project launched in 2008 to test the use of heat pumps was put into practice for the first customers in 2009. Campaigns to establish EnBW as a natural gas brand gained impetus in 2009.

ENSO has successful gas retail customer operations in eastern Saxony.

Stadtwerke Düsseldorf, in which EnBW is the majority shareholder, succeeded in fending off the competition and even reported a slight increase in customer figures. Customer losses in its home territory were more than offset by successful marketing activities in selected regions in North Rhine-Westphalia.

Yello Strom GmbH's pilot project to retail the combined product "natural gas linked to the Sparzähler[online]" to retail customers in Essen and Nuremberg continued in 2009.

In 2009, GVS succeeded in maintaining its position in Baden-Württemberg and Germany as a whole. The economic crisis had a negative impact here, making itself felt in the form of company insolvencies. With regard to redistributors as a customer group, the increase in liquidity of the gas market led to an increase in direct purchases from the gas trade. Nevertheless, GVS is known on the market as a reliable and high-performing natural gas supplier. Its range of services is rounded off by additional technology, logistics and sales services.

Energy and environmental services

In the field of contracting services, the competition in Germany continued to become more professional and focused in 2009. EnBW Energy Solutions GmbH (ESG) further expanded its contracting activities for industrial customers in Baden-Württemberg and Germany as a whole. Addressing specific industries in a targeted fashion has proved to be a successful strategy in this context. ESG aims to safeguard the long-term supplies to the customer's location with technically and economically optimised solutions tailored to the customer's individual needs. ESG's portfolio of services is characterised by a wide range of different technologies, fuels and sizes of facilities. In addition to gas-fired facilities, ESG also operates a number of biomass and CHP plants on customer premises. ESG's contracting solutions contribute to its customers' competitiveness and a reduction in CO_2 emissions by means of efficient generation technology.

In the disposal area, efforts are concentrated on the disposal of waste in thermal waste treatment plants with a high rate of fixed assets to total assets and the related materials flow management (waste to energy). In this way, EnBW ensures reliable disposal services for its municipal partners. The two large-scale waste incineration plants in Stuttgart and Düsseldorf are indispensable elements in the district heating supplies in these two state capitals. The simultaneous generation of electricity and district heating (combined power and heat generation) makes a significant contribution to the climate-friendly supplies of energy. The activities relating to thermal waste disposal are based on long-term contracts with districts and towns in Baden-Württemberg and North Rhine-Westphalia. The market position remained stable in both regions over 2009.

In the area of water supplies, EnBW Regional AG provides engineering services as well as operating facilities on behalf of municipalities in Baden-Württemberg. In 2009, sales amounted to some 38 million cubic metres of water, a similar figure to the prior year, which means the company remains the largest single water supplier in Baden-Württemberg. EnBW takes its responsibility seriously for reliable water supplies in the Stuttgart region by, for example, ensuring adequate storage, remote monitoring of the facilities and modernisation of the pipeline network. When the third new overhead storage basin is put into operation in 2010, 22,000 cubic metres of new storage volume will be available within 24 months. In the course of 2009, EnBW invested some € 1 million in the modernisation and extension of the existing control system for the remote monitoring of the facilities. Its pipeline network of just under 1,500 km, that is renewed on a regular basis, allows EnBW to ensure stable, generally disruption-free supplies also in the medium to long term. The services rendered by RBS wave GmbH have enabled EnBW to reinforce its position in this area. An increase in demand for complex services (operating and contracting services) in particular from industrial customers has been noted. With LeakControl, EnBW offers its customers a product that monitors water leakage and simplifies the search for burst pipes.

The development of network-related services in the field of electricity supplies remained stable in the fiscal year 2009 despite the tense market situation prevailing in the wake of the economic crisis. Demand for photovoltaic plants remains high. REG is an established and recognised market player for all voltage levels in the area of network services.

Corporate strategy and value-based management

EnBW is one of the largest energy companies in Europe. Our aim is to increase the company's value through profitable growth while maintaining the company's financial stability. EnBW grows along with its customers, employees and partners.

Goals

EnBW stands for progress and competition on the energy market. Supported by its deep roots in Baden-Württemberg, EnBW aims to use its well-balanced business portfolio to become one of the leading European energy groups in the future. Customer-orientation is our guiding principle. In a fierce competitive environment, EnBW intends to convince its customers with a range of attractive and innovative products. The aim is to generate a positive value added and to maintain financial stability. This safeguards the company's future sustainability. For EnBW, safeguarding the future additionally means consistently promoting climate protection. We intend to increase the share of renewable energies in our own generation portfolio to 20% by 2020.

FURTHER INFORMATION
Values, goals, strategy › p. 15ff.

Strategy

EnBW pursues a growth strategy with a long-term perspective relying on the collaboration in partnership with the two core shareholders, EDF and OEW. Over the past few years, EnBW has started to significantly increase its investment volume with a view to safeguarding existing business and exploiting growth potential. In 2009, net investment totalled € 4.2 billion. The current 2010 to 2012 investment programme represents a net investment volume of € 5.1 billion.

Electricity generation is one of the central pillars of EnBW's business portfolio. Great importance is also attached to the development of our electricity generation capacities under our growth and investment programme. In the course of 2009 alone, we expanded our generation capacities, including long-term electricity procurement rights, to 15,771 MW, an increase of 771 MW. We are forging ahead with the expansion of renewable energies in particular with investment in facilities designed to exploit wind and hydro-electric power as well as geothermal, photovoltaic and biomass plants.

FURTHER INFORMATION
Forecast › p. 113f.

The second strategic area of the investment programme is the expansion of the gas business. In particular, we are reinforcing our activities in the midstream area to enable us to exploit business opportunities arising from the growth in cross-border transmission and the increasing liquidity of the gas markets. We will employ our expertise in the field of electricity trading and our knowledge of the market to make optimum use of our assets. To this end, we are working to enhance our asset portfolio of procurement agreements, transmission capacities (pipelines and LNG) and storage facilities. The Etzel storage project jointly under construction with EDF is an important milestone in this respect. The acquisition of the shareholding in EWE Aktiengesellschaft similarly makes it possible to jointly exploit opportunities in future.

EnBW strives to be more than just a run-of-the-mill energy supplier. We offer our customers comprehensive solutions for energy, supply and disposal issues. In addition to electricity and gas, we are focusing on expanding activities in the field of heating. We intend to expand our energy and environmental services segment in a targeted way. EnBW is committed to opening up new areas of business. Through our sales subsidiary Yello, for example, we were the first energy supplier in Germany to introduce an intelligent electricity meter. In the field of electromobility, we are pressing ahead with holistic solutions that follow on seamlessly from the Smart Home concept. Energy efficiency is one of EnBW's guiding principles. We aim for maximum energy efficiency in all our own business activities and, in cooperation with our customers, the local use of energy.

EnBW has its roots in Baden-Württemberg, one of the economic powerhouses in Europe. By supporting our home region, we are safeguarding EnBW's foundations at the same time. But our horizon is much broader. EnBW has operations throughout Germany. For example, we completed the acquisition of a 26% shareholding in EWE Aktiengesellschaft with its registered offices in Oldenburg in the course of 2009. The electricity generation capacities purchased in Germany in 2009 are mainly located outside Baden-Württemberg. With regard to international activities, EnBW concentrates on selected countries in central and eastern Europe as well as Turkey, where our joint venture with Borusan Holding started work in 2009.

EnBW's business operations constitute a diversified business portfolio, which can be broken down by products and services, stages in the value added chain and regional criteria. In the areas of electricity generation and gas procurement, we focus on the wholesale markets where competition is fierce. The efficiency and flexibility of the generation and procurement portfolio are decisive success factors in this respect.

EnBW's strategy is to maintain and expand its position on all three markets in order to reap the benefits specific to each respective market. For investors, EnBW offers a well-balanced business portfolio that minimises risk.

The strategic growth and investment programme involves a great deal of effort on the part of EnBW, but there is no alternative. The programme is tailored to take into consideration the company's financial strength and maintain its position on the capital market.

- Investments focus on the strategic areas and will generate positive added value over the long term.
- The investment programme is accompanied by divestitures. In this context, EnBW's non-strategic minority interests are under particular scrutiny.
- EnBW will consistently pursue its objective of retaining its single A rating.

Value-based management system

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EnBW's value-based management is based on the principle of value added. This measures how the company's value develops from a financial perspective. The underlying principle of value added is that the value of a company increases when the return on capital employed is greater than the interest required for this capital. Specifically, value added is calculated as follows:

Value added = ROCE – WACC x Capital employed

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

The return on capital employed (ROCE) is calculated from the ratio of adjusted EBIT, including investment result, to the capital employed. Adjusted EBIT measures EnBW's operating and sustainable performance. Investment result is taken into consideration as equity investments are an integral part of the business model. Adjusted EBIT, which is adjusted for non-operating effects, constitutes a pre-tax figure, which means that the investment is also converted to a pre-tax figure. All assets relating to the operating business are attributed to the capital employed, while non-interest-bearing capital, for example trade payable is deducted. As capital employed is calculated as of a specific cut-off date and adjusted EBIT including investment result is a figure that relates to a period of time, an average capital employed is formed from the values prevailing at the beginning and the end of the year and the three intervening end-of-quarter figures. The difference between ROCE and weighted average cost of capital (WACC), which is based on weighted interest payable on equity and debit capital, multiplied by capital employed then gives rise to the generated value added. This figure is positive when ROCE is higher than WACC.

Value added is the basis for EnBW's strategic decision-making and operational measures. Investment and business decisions are based on a positive value added contribution by the respective project over the entire period under review. Different risks are involved in the various business activities of the EnBW group. For this reason, each project is based on risk-adjusted costs of capital.

Value added is influenced by various factors. ROCE has continually increased over the last five years on the back of positive operational developments. As a result, value added grew, too. This development is unlikely to continue in light of the far-reaching investment programme begun in 2009. This means that investments in subsequent years significantly increase the capital employed. By their very nature, investments affect income over a protracted period of time, often long after the investments. As an example, investments in property, plant and equipment relating to the construction of new generation capacities do not have any positive effect on the group's operating results, apart from write-downs, until after they are put into operation. This means that the development of ROCE is rather cyclical and therefore also the value added, depending on the investment volume. Although it tends to decrease the value added, EnBW has not changed the method used to establish the value added; investments are immediately allocated to capital employed. EnBW's strategy aims at sustainably increasing the value of the company in the long term. On the other hand, annual fluctuations within the investment cycle are of secondary importance.

Economic and political environment

The negative general economic climate led to a reduction in energy consumption in Germany. In 2009, the prices on the wholesale markets for electricity, fuels and CO_2 emission allowances fell clearly below the prior-year level. Our active risk management system aims to keep any risks arising to a minimum. There remains great political and regulatory influence on the energy industry.

Economic background

EnBW's business development is influenced by various external factors mainly arising from the economic and political environment and the price situation on the market for electricity, fuels and CO_2 emission allowances.

The economic development in Germany and the rest of Europe has led to a fall in sales to end customers in the electricity and gas segment. While consumption by private households is generally independent of the economic cycle, phases of strong growth or contraction in the economy are clearly reflected in industrial demand and consequently in EnBW's sales. Furthermore, weather conditions play an important role especially in gas sales. This means that the decline in demand caused by the economic situation in January and February 2009 was partially offset by comparatively colder temperatures.

Both at European and national level, political decisions have a deep impact on the energy industry. One of the focal points in this context is the introduction of market- and competition-related regulations. In addition, increased consciousness of the necessity of limiting climate change and promoting environmental protection is bringing about major changes at the political and regulatory level. All in all, a great deal of government activity can be seen in the energy sector. Energy policy exerts great influence on business development and the corporate structure of the companies active in the industry. EnBW is therefore confronted by difficult and constantly changing demands that the company strives to meet as far as possible with flexible and long-term solutions.

The prices on the markets for electricity, fuels and CO_2 determine the course of business at EnBW both on the cost and revenue side: The prices for primary energy sources and the CO_2 emission allowances determine the variable costs of electricity generation by EnBW's power stations and are the decisive factors in the development of the electricity price on the wholesale market. CO_2 emission allowances are an input factor in electricity production as they have to be tracked under the European emissions trading scheme to ensure that they match the actual volume of emissions. The profitability of the individual power stations varies according to the price level on the wholesale markets. EnBW procures the quantities of primary energy sources and CO_2 emission allowances required for electricity generation in advance on the forward market. At the same time, it likewise sells the budgeted electricity production on the forward market. This enables EnBW to reduce uncertainties for the company's generation margin arising from the price development. This means that costs and revenue in 2009 can mainly be attributed to the conditions agreed in the contacts concluded in the previous years. Consequently, the price developments seen in 2009 will mainly have an effect on the subsequent periods. This likewise applies to the quantities of electricity procured by the sales function on the forward market.

Overall economic developments

As a consequence of the financial market crisis beginning in 2008, the second half of that year saw a considerable cooling of the global economy. Global economic growth in 2008, measured in real gross domestic product (GDP), slowed as a result to 3.0% after 5.2% in the prior year, according to information from the International Monetary Fund (IMF). The downturn accelerated in 2009, leading to a significant economic decline and an anticipated contraction in worldwide economic output of 1.1%.

According to Eurostat estimates, economic output in the euro area in 2009 was down 4.0% on the prior year. Minor growth of 0.6% had still been reported in 2008. For the countries in central and eastern Europe, the IMF estimates a decline averaging 5.0% for 2009. This area had still returned significant growth in the prior year. Turkey was similarly ensnarled by a major economic downswing. Eurostat estimates a drop of 5.8% for 2009, following growth of 0.9% one year earlier.

According to statistics from the German Institute for Economic Research (DIW), Germany's GDP contracted by an estimated 4.8% in 2009. A forecast drop in exports of 14.6% and a fall in capital expenditure of 8.2% mean that the traditional drivers of growth in the German economy in particular are experiencing a steep decline. According to the statistics available so far from Eurostat, this ultimately means that over the period from January to August 2009 each month was down at least 18% on the figure for the same month the year before.

Energy consumption

The marked contraction in economic output in Germany has significantly reduced energy consumption in the current year, particularly in connection with the decline in industrial production. According to preliminary estimates by the German Energy and Water Association (BDEW), electricity consumption in 2009 will total some 519 billion kWh. This constitutes a drop of around 5% on the prior-year period. In the case of gas, demand likewise fell over the same period by around 5.5% to 890 billion kWh, after the 942 billion kWh seen in the prior year. Households, businesses, retailers and service providers, i.e., those customer groups that tend to be independent of the economic cycle, had a stabilising effect on energy demand as did the relatively cold winter months of January and February.

Electricity generation and exports

Net electricity generation[1] also declined in Germany. Adjusted for seasonal effects, electricity generation over the period from January to October 2009 stood at 343 TWh, down 9.5% on the prior-year period (source: BDEW, preliminary data). On the one hand, this is attributable to the decline in demand and, on the other, there was also a reduction in the net export surplus from 17 TWh in the comparable prior-year period to 8 TWh over the months from January to October (source: BDEW, preliminary data).

As was already the case in 2008, nuclear power and brown coal were the main sources of energy in Germany. Generation capacity from renewable energies continued to grow in 2009. Despite the lower level of wind energy available in comparison to the prior year, the amount of renewable energies fed in under the German Renewable Energies Act (EEG) increased on the prior year by just under 5.7% to 75.2 TWh (preliminary forecast, source: BDEW).

Gas procurement

Most of the natural gas required for the German market is supplied under long-term purchase agreements. Of the quantities of gas procured in 2008, 37% stemmed from Russia, 26% from Norway and 19% from the Netherlands. At 14%, the portion of domestic production is in decline, which reveals Germany's and western Europe's increasing dependency on imports. Pipelines are the most important means of transmission. As an alternative, importing liquefied natural gas (LNG) will open up access to producing countries that are not linked by pipeline to the European market. This alternative means of procurement is increasingly gaining in importance in Europe as new import terminals go into operation. EnBW is also reviewing possibilities for its own projects, such as involvement in the construction of an LNG terminal in Rotterdam.

[1] Electricity generation less the power stations' own needs. Does not include electricity generated by industry, railways and private individuals.

Price development of primary energy sources and CO_2 emission allowances

All in all, it can be established that oil, coal and natural gas prices as well as the prices of CO_2 emission allowances were clearly below the level seen in the prior year in light of the negative economic development in 2009. After a steep price rise in the first half of 2008, there followed a marked drop in quotations already in the second half of 2008, which was in turn followed by a slight recovery of oil and coal prices in particular in the course of 2009.

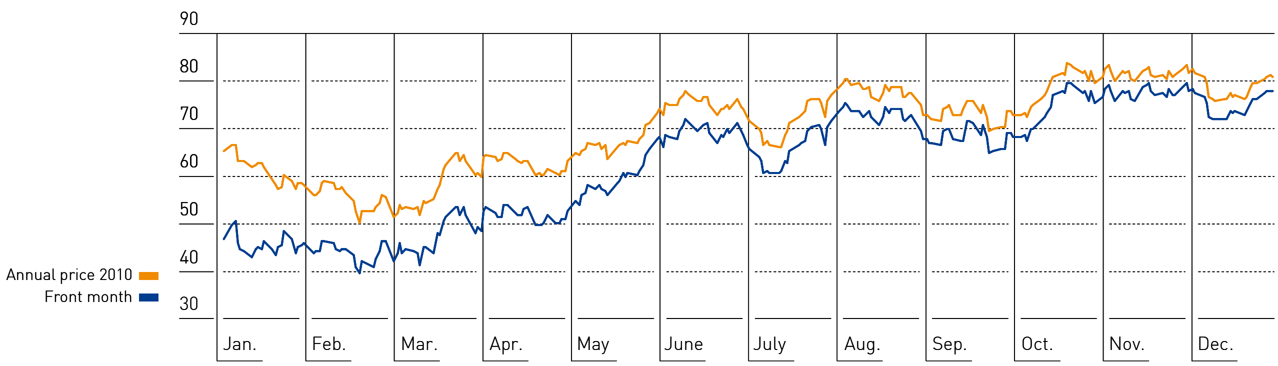
Oil market

Significantly lower oil prices for short-term delivery were seen in 2009 than in the prior year. In the wake of the financial and economic crisis, oil prices experienced a protracted downward revision from the record level of US$ 146 per barrel (159 litres) of Brent seen in July 2008 to a low of US$ 39.55 per barrel in February 2009. Declines in demand occurring with a time lapse as a response to the high price level prevailing until mid-2008 exacerbated the slump in demand. The low was followed by a phase of rising oil prices that continued into August, plateauing at that level until the end of the year. One of the reasons for this positive price development is how OPEC reacted. It resolved to reduce production by 4.2 million barrels a day – approximately 5% of global demand – in order to adjust supply to the slump in consumption, thus stabilising prices. Initially, the OPEC members generally adhered to their production quotas but rising oil prices meant that quota discipline gradually slackened. In addition, the positive development of some early indicators, such as various purchasing manager indices, induced a large number of market participants to hope for global economic recovery in the near future and therefore worldwide demand for oil. Consequently, oil prices increased before demand for oil did. Market expectations of a future return to economic growth are also reflected in the higher prices for the delivery of oil in later years (contango). Factors that tend to put pressure on prices, such as oil and oil product stores being fuller than usual, and a very high level of reserve capacities on the part of OPEC, are only reflected to a minor extent in the price development. On the other hand, these factors mitigated the potentially price-raising effects of the geopolitical developments in Nigeria or Iran. One other significant factor in the development of the oil price in 2009 was the exchange rate of the US dollar. Between March 2009 and mid-October, the US currency had fallen almost 20% against the euro. Assuming all other factors remain unchanged, depreciation of the US dollar pushes up the price of oil, which is quoted in that currency.

The average price in 2009 for short-term delivery came to US$ 62.67 per barrel, a drop of US$ 35.85 per barrel or 36% on 2008. Front month prices generally tracked the development of forward prices for delivery in 2010.

Development of prices for crude oil (Brent)

Daily quotes in US$/bbl Source: ICE



Coal market

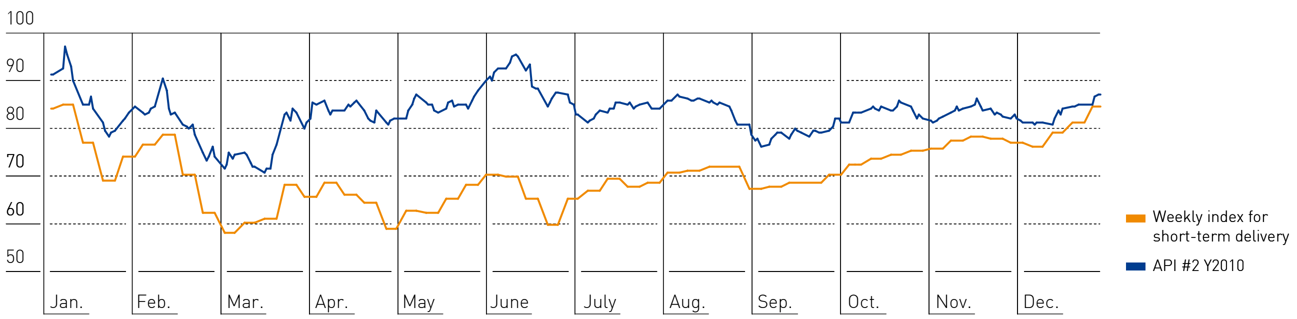
In January and February 2009, the prices of short-term hard coal imports at the ARA ports (Amsterdam, Rotterdam, Antwerp) initially continued the downward trend already seen in the second half of 2008. Over the following months, they saw a generally sideward movement increasing to a level of US$ 84.73/t by the end of the year. The prices for hard coal deliveries to the ARA ports in 2010 declined between the beginning of the year and mid-March 2009. A slight recovery continuing until mid-June 2009 was followed by a general sideward movement. The price reached US$ 87.16/t towards the end of the year. On average, prices for short-term deliveries had fallen by some 52% and those for deliveries in 2010 were clearly down (39%) in comparison to the prior year.

The decline in prices in comparison to 2008 was related to low levels of demand for coal in 2009. According to statistics of the German Coal Importer Association (Verein der Kohleimporteure), the volume of maritime trading in power station coal[1] over the first half of 2009 had fallen by some 13 million t in comparison to the same half of the prior year. The weakness of the global economy and low gas prices on the spot market put downward pressure on demand for coal. The market has relaxed in comparison to the prior year, leading for example to high stock levels in various European countries. China's high level of demand for imported coal in 2009 and the rise in front month prices for oil buoyed coal prices.

Development of coal prices (ARA ports)

Weekly index and daily quotes in US$/t

Source: Various brokers



API – All Publication Index
ARA – Amsterdam, Rotterdam, Antwerp

Gas market

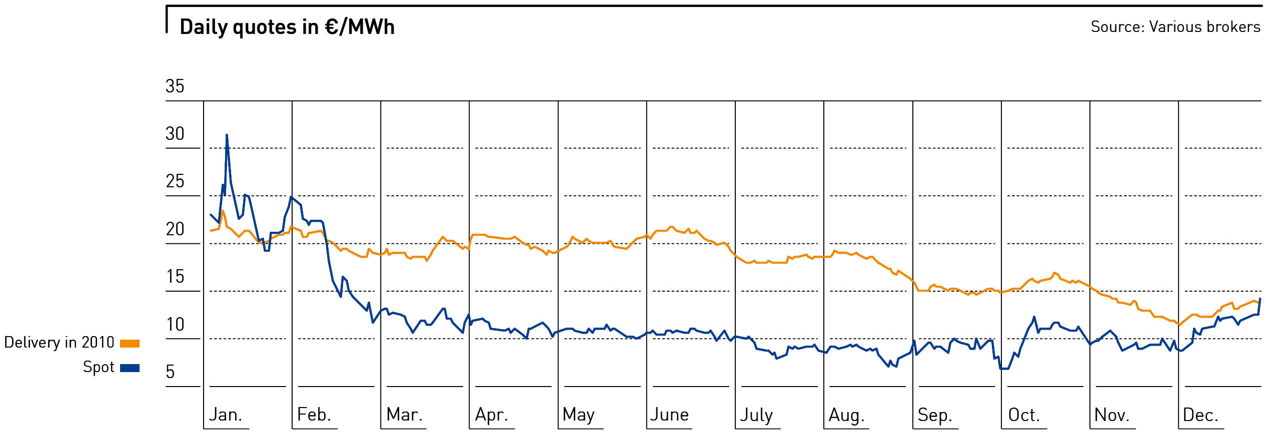
Long-term gas import contracts form the backbone of gas supplies in Germany. Prices track the development of the oil price with a time delay. Due to the increase in the oil price until mid-2008, the border price index compiled by the Federal Office of Economics and Export Control (BAFA) for natural gas correspondingly peaked at € 31.49/MWh in November 2008. As a consequence of the significant drop in the oil price in the second half of 2008, there was a marked fall in the border price in the first half of 2009. In August 2009, it reached its initial low of € 16.84/MWh after the € 30.03/MWh seen in January. This represents a decline of 44%. The rise in the price of oil after the second quarter of 2009 was reflected in a rise in the border price. In October it rose to € 17.40/MWh. The average border price of € 22.17/MWh for the first nine months of 2009 was down 18% in comparison with the average import price seen in 2008 (€ 27.06/MWh).

The wholesale market is another source of natural gas in addition to the gas import contracts. In 2009, the annual average price of natural gas for immediate delivery (spot market) at the Dutch Title Transfer Facility (TTF), the most liquid of the Continental European wholesale markets, stood at € 12.12/MWh, far below the prior-year figure of € 24.97/MWh. The growing import volume of liquefied natural gas for delivery in the immediate future can be seen as another reason for this drop in addition to the weak demand as a result of the economic climate. The price of the latter is based on the wholesale market price which means that offers below the border price linked to the price of oil are feasible. In addition, it is conceivable that some market participants were forced to sell on the wholesale market any unneeded delivery volumes from take-or-pay obligations (minimum purchase obligations), putting additional pressure on the price.

[1] Grades of hard coal used in power stations.

On the forward market, contracts for deliveries in 2010 were traded in 2009 at an average of € 18.08/MWh. In comparison, the price of these contracts stood at € 30.77/MWh in 2008, meaning that the decline amounts to 41%. This probably reflects expectations of lower demand in the wake of the economic crisis.

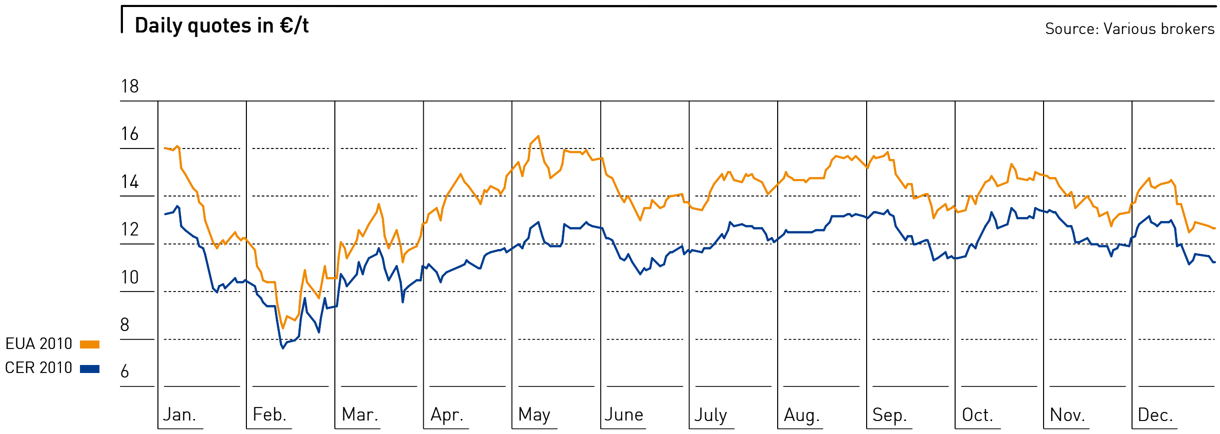
Development of prices for natural gas (Dutch wholesale market)



CO_2 emission allowances

In comparison to 2008, the prices of emission allowances (EU Allowances – EUA) for delivery in 2010 (EUA-10) had fallen to a clearly lower level in 2009. The price had averaged around € 23.88/t CO_2 in 2008 and around € 13.77/t CO_2 in 2009. Between the beginning of the year and February 2009, the price of EUA fell to around € 8/t CO_2. It then saw upward movement again, fluctuating between € 12.50 and € 16.50/t CO_2 until the end of the year. The collapse in the price in comparison to the prior year resulted from a lower level of emissions as a consequence of the decline in industrial production and electricity consumption due to the negative economic development. Furthermore, fuel price development led to significantly lower fuel switching costs (the costs of switching to lower CO_2-emitting generation methods).

Development of prices for emission allowances (EUA and CER)



EUA – EU Allowance
CER – Certified Emission Reductions

Certificates from projects to reduce emissions in emerging and developing countries (Certified Emission Reductions – CER) are a further means by which companies can cover at least part of their emissions. The price level of CER-10 allowances generally followed the development of the price of EUA-10 allowances over the course of the fiscal year.

Electricity market

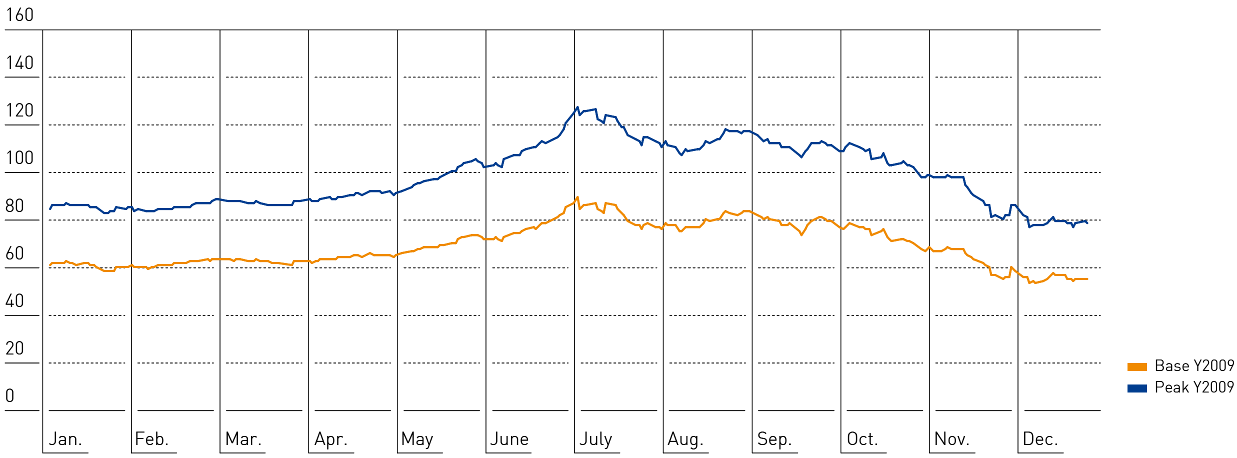
In 2009, prices on the wholesale market for electricity were much lower than the prior-year level both for immediate delivery (spot market) and for forward contracts for 2010. This was the result of the cost of the primary energy sources, i.e. oil, coal and natural gas, averaging considerably below the prior-year level as well as lower CO_2 emission allowance prices. The economic development also led to a significant drop in load in comparison to the prior year.

The price of the base load product on the EEX spot market averaged € 38.85/MWh in 2009, which was 41% down on the spot price in the prior year.

On the EEX forward market, the decline in the price of the base load product for 2010 that began in July 2008, specifically in connection with the significant drop in not only the CO_2 prices but also fuel prices, initially continued until the end of February 2009. Over the further course of the year, prices stabilised at the same time as coal prices, fluctuating within a corridor of € 43 to € 55/MWh as of mid-March. At € 49.22/MWh, the average price in 2009 was still some 29% lower than in the prior year.

Development of electricity prices on the forward market (EEX)

Daily quotes in €/MWh Source: EEX



Electricity and gas prices for retail and industrial customers

According to statistics from the German Federal Statistical Office, the prices of electricity for private households continued to rise in comparison to the prior year over the period from January to October 2009. This is due, among other things, to the fact that some quantities of electricity for retail customers and commercial businesses are purchased several years in advance and in individual tranches via the wholesale market. This reduces the risk of price peaks but, on the other hand, causes a delay in any adjustment to a rapidly sinking price level. One of the factors reflected in the 2009 price level is the marked increase in the electricity price on the wholesale market in the first half of 2008. Furthermore, higher burdens arising from the EEG contributed to the higher price level. BDEW statistics reveal that an average household with an annual consumption of 3,500 kWh paid an average of € 67.70 a month for its electricity in 2009, following some € 63.15 in the prior year (as of autumn 2009). Of this amount, approx. € 26.17 can be attributed to costs arising from state measures. As a rule, prices for industrial customers are more closely linked to the price level on the wholesale market which means that falling prices could be seen for part of 2009. According to the BDEW, the price of electricity for a typical industrial SME fell from 13.25 ct/kWh in 2008 to 11.23 ct/kWh in the reporting year.

According to statistics from the Federal Statistical Office, gas prices for retail customers initially grew over the first three months of 2009 in comparison to the prior-year period. Over the following months the rate of price rises slowed noticeably before prices went into decline from July 2009 onwards. The drop amounted to 18.7% in November 2009 compared to the same month of the prior year. Natural gas prices thus tracked the development of oil prices with a time lapse.

Political and regulatory environment

European energy policy

Third energy liberalisation package: The package of laws originally submitted in autumn 2007 was promulgated in June 2009. The long-winded negotiations on the third energy liberalisation package focused in particular on the issue of ownership unbundling of the transmission grids of the vertically integrated energy supply companies. This ultimately means that governments retain the options of creating independent system operators and independent transmission operators as an alternative to ownership unbundling when transposing the packages into national law. Accordingly, disposal of transmission grids will not be mandatory for energy suppliers such as EnBW. In light of the new political constellations prevailing in Germany it is impossible to predict which of these options will be implemented in Germany. Irrespective of these developments, two of the four transmission system operators in Germany, E.ON and Vattenfall, have decided to sell their transmission grids. In the case of E.ON, the sale was one of the conditions imposed on the company by the European Commission. EnBW advocates ownership of the transmission networks remaining with the group.

Energy and climate package: The legislative proposals for the energy and climate package presented in January 2008 included an emissions trading directive for the allocation of CO_2 emission allowances, a directive to promote renewable energies intended to provide for legally binding targets and a draft directive on the capture and storage of the CO_2 arising from the combustion of fossil fuels for electricity generation. The Green Package was ultimately passed in April 2009.

The new emissions trading regime now provides for all CO_2 emission allowances for the energy industry to be auctioned for the third trading period from 2013. This regulation entails additional costs for energy suppliers that will depend on the share of CO_2-based electricity costs. All in all, this will adversely affect the viability of fossil-fuelled generation. In an annex, the Commission permits the member states to use up to 15% of revenue from the auction of CO_2 emission allowances on investment subsidies for new, efficient fossil-fuel power stations. The CO_2 emissions of EnBW's portfolio of power stations are currently below the German average. On this basis, there will be less need for CO_2 emission allowances from 2013 onwards. In addition, the company makes every effort to purchase CO_2 emission allowances in the context of climate protection projects in developing countries in order to further reduce additional requirements.

The carbon dioxide capture and storage (CCS) directive creates a legal framework for the testing and introduction of CCS technology, which so far has only been applied in pilot projects. It provides for development to be monitored in 2015. If CCS technology has sufficiently matured by that time, its use may well become mandatory.

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With regard to the expansion of renewable energies, the energy and climate package provides for boosting the renewable share of the energy used by end customers in the EU to 20% by 2020. There are specific targets for each individual member state, depending on their respective starting point, existing potential and economic power. For Germany, these specifications mean a share of 18.5%. In addition, the share of renewable energies in the transport sector is intended to increase to 10% and the use of electric vehicles is to be subsidised as one of the most important technologies for the future. EnBW is pressing ahead with the expansion of its own generation capacities with renewable energies and is similarly committed to the field of electromobility.

Directive on industrial emissions: A directive is being prepared that aims at reducing the pollution burden to the air, water and soil from industrial plant by lowering the maximum emissions limits for these facilities. Depending on the ultimate design of the directive, this may mean that such facilities will need retrofitting. The directive has to be passed by the European Council and the European Parliament before it is transposed into national law. Under the existing schedule, it will not be passed until the summer of 2010. It is currently impossible to assess which of EnBW's facilities will be affected or to what extent.

Energy policy in Germany

The government coalition in power until the 2009 general elections in Germany did not succeed in passing the **Energy Efficiency Act (EnEffG) and the Act on the Capture, Transportation and Storage of CO_2 (KSpG)**. As both cases relate to the mandatory transposition of EU directives, the wording of the acts will now have to be revised once again. The former government coalition had failed to reach agreement on the draft carbon capture and storage (CCS) legislation due to reservations on the part of some of those German federal states that have potential sites for CO_2 storage facilities. This constitutes a disadvantage first and foremost with regard to the legal certainty of CCS pilot projects and similarly with regard to the possibility of the grants for CCS facilities being awarded as provided for in the EU's climate package. Those of EnBW's conventional power stations that are under construction and in planning can be fitted to facilitate the capture and storage of CO_2.

Cost allocation mechanism under the German Renewable Energies Act (EEG): The ordinance passed in the second quarter of 2009 reduces the effort involved in implementing the requirements of the EEG considerably. As of 2010, the electricity fed in at the distribution system operators under the EEG is collected and sold directly on the exchange via the transmission system operators, in contrast to the former practice of physically distributing it among suppliers. This simplifies handling by suppliers and mitigates the risks inherent in their forecasts. The abolition of the physical transfer as of 2010 will also lead to a reduction in risk and prevent potential losses on the part of EnBW.

Other legislation: The Water Resources Act (WHG) was passed before the general elections in Germany. The act did not contain the originally planned prohibition of lateral structures, meaning that it will still be permissible to build new hydro-electric power stations. EnBW operates numerous hydro-electric facilities. The regulations of this act will facilitate new projects by the company in the future.

The **German Act to Accelerate the Extension of the Extra-High-Voltage Lines (EnLAG)** came into force at the end of August 2009. Among other things, this act provides for accelerated approval procedures for those grid extension projects that meet special needs. This also relates to TNG's projects.

Nuclear power: The 2009 general elections in Germany led to a change in the political climate. The new federal government intends to draft a comprehensive energy concept by the end of 2010 to act as the basis for energy policy in the current legislative period. The coalition agreement between the CDU/CSU and FDP parties contains plans to withdraw the decision to reduce the working lives of nuclear power plants. There is still uncertainty as to the conditions that will be imposed for this to happen. As part of the reduction in working lives, unit 1 of EnBW's Neckarwestheim nuclear power plant (GKN I) is scheduled to be shut down in spring 2010.

Coal power stations: As part of the discussions on climate change, political and social groupings demand the phasing-out of coal power stations which would also entail the cancellation or prohibition of new projects. Just as in previous years, coal power station projects by other energy suppliers were confronted once again in 2009 with delays in approval procedures or negative court rulings. EnBW's RDK 8 hard coal power station is not affected by this. Construction work is on schedule; commissioning is scheduled for 2011. The construction of modern and efficient coal power stations is necessary to safeguard energy supplies. At the same time, they replace older power stations with higher CO_2 emissions.

Transmission networks: Implementation of the third energy liberalisation package in Germany is of particular importance to EnBW in light of the chosen procedure with regard to transmission grids. It is currently impossible to assess what position the new federal government will take on this issue. EnBW speaks out in favour of ownership of the networks remaining with the group.

Anti-trust and court proceedings: Pricing in the area of district heating has now also attracted the attention of the anti-trust authorities. EnBW group entities are also affected by the anti-trust reviews pursuant to Secs. 19 and 29 German Act against Restraints on Competition (GWB). We are currently in contact with the respective anti-trust authorities. The entities of the EnBW group operating in the area of heater current are only subject to the anti-trust review as a benchmark because of their favourable pricing levels. There are currently no abuse proceedings pending against any members of the EnBW group.

Recent rulings of the Federal Court of Justice on price adjustment clauses in special agreements: Price adjustment clauses in special agreements are subject to the strict criteria of the German legislation on general terms and conditions (Sec. 307 German Civil Code (BGB)) with regard to transparency and appropriateness. In 2009, as in the past, the Federal Court of Justice (BGH) also addressed the effectiveness of price adjustment clauses contained in special agreements. The price adjustment clauses employed in EnBW's special agreements have been reworded, where necessary, to meet the requirements of the current case law.

Regulation of the electricity and gas markets

Network user charges: As of the beginning of 2009 an individually set cap on the revenue from network user charges was imposed on all electricity and gas network operators in Germany over four years for gas grids and five years for electricity grids. The revenue caps specified by the Federal Network Agency for EnBW are generally above the 2008 network user charges, the ones most recently approved. This had a positive effect on revenue and earnings in the fiscal year 2009. The absorption of surplus revenues following the rulings by the Federal Court of Justice of August 2008 will not cause a burden on revenue before 2010. Over the last few years network operators generated surplus revenue by maintaining the original charges until the network user charges were approved.

Back in autumn 2008, the Federal Network Agency ruled that supra-regional long-distance network operators were also subject to regulation. This means that these companies are also subject to cost reviews and no longer the comparable market method. The approved network user charges in effect until 1 October 2009 were reduced by as much as 25%. The absorption of surplus revenue will not make itself felt until 2011. Incentive regulation will be extended to also cover the supra-regional long-distance network operators (E.ON Gastransport, Dong Energy, Eni Gas Transport Deutschland, Erdgas Münster Transport, Gasunie Deutschland, GRTgaz Deutschland, Ontras, Statoil Hydro, Thyssengas and Wingas) as of the beginning of 2010.

Merger of gas market territories: In the course of 2009, the number of market territories was reduced from twelve to six. This took place in two steps effective as of 1 April (twelve to ten) and 1 October (ten to six). The merger of gas market territories aims to simplify grid access for gas transmission and permits more intense competition in Germany. The gas network operators Gasunie Deutschland, EWE-Netz and Erdgas Münster Transport merged their market territories to one common market territory effective as of 1 April 2009. One further step in the merger of market territories involved the companies of Gasunie Deutschland, Ontras – VNG Gastransport, Wingas Transport, Dong Energy and Statoil Hydro Deutschland joining together under the name of Gaspool at the beginning of October. Furthermore, the grid operators bayernets, Eni Gas Transport Deutschland, E.ON Gastransport, GRTgaz Deutschland and GVS Netz are working towards market territory cooperation under the umbrella of NetConnect Germany. There are plans to further reduce the number of market territories.

The EnBW group

In what was a difficult environment for the economy as a whole the EnBW group returned an adjusted EBIT of € 1,793.9 million in 2009, matching the prior-year level. Expenses recognised in the financial result led to a 20.0% decrease in adjusted group net profit to € 879.1 million in the reporting period. Owing to the increased investment volume, net debt rose by € 2.3 billion to € 9.2 billion.

International Financial Reporting Standard IFRS 8, which is effective for the first time in the fiscal year 2009, leads to a change in the segment reporting of the EnBW group. What was previously the electricity segment has now been subdivided into electricity generation and trading and electricity grid and sales.

Overall assessment of the business development

The effects of the poor general economic performance also made themselves felt in EnBW's business development. Although unable to continue at the high levels of the prior year, we still managed to generate respectable results. In addition, the expanded investment programme caused higher borrowing costs.

Despite falling unit sales for electricity and gas, we managed to keep adjusted EBIT at the prior-year level. As in the prior year, the electricity generation and trading segment made a significant contribution. The generation margin improved once again in 2009. Adjusted group net profit fell short of the prior-year level, mainly on account of increased expenses recognised in the financial result. Owing to the increased investment volume, the company's value added – the condensed indicator of our entrepreneurial success – was down on the prior year by € 153.1 million to € 809.6 million.

As the third largest energy company in Germany, EnBW managed to retain its position with customers despite the continuing intense competition.

Forecast variances

Development of sales and earnings in 2009	Forecast in the 2008 annual report for 2009	Development 2009 compared to the forecast
Electricity sales (excluding trading)	falling	falling strongly
Gas sales (excluding trading)	rising	falling
Adjusted EBIT, group	stable	stable

The EnBW group's unit sales of electricity and gas suffered more than expected from the impact of the economic crisis. Unit sales of electricity to B2B customers clearly reflected the extensive scale-back in production in our customers' industries. Despite the cold winter in the first quarter of 2009 it was not possible to achieve the forecast gas unit sales. In addition to the decrease in unit sales in the B2B business as a result of the recession, higher temperatures in the course of the year led to further negative effects. The low price level further exacerbated the competitive pressure with respect to large customers.

In spite of the increase in expenses in the course of the year due to the negative economic development, adjusted EBIT at group level matched the prior-year figure, in line with the original forecast. The burdens that arose from the economic and financial crisis were offset in particular by higher income from the provision of balancing power, lower expenses from feeding in wind energy and higher network user charges.

It was not possible to reach the target adjusted group net profit (stable at the prior-year level of 2008). This is due first and foremost to the fact that the adjusted investment and financial result did not develop as anticipated due to the economic crisis.

Results of operations

Unit sales and revenue

Electricity sales of the EnBW group in billions of kWh	Generation and trading		Grid and sales		Total	
	2009	2008	2009	2008	2009	2008
Retail customers (B2C)	0.0	0.0	22.4	23.1	22.4	23.1
Industry and redistributors (B2B)	2.6	1.2	47.9	60.0	50.5	61.2
Trade	35.8	35.9	11.0	10.3	46.8	46.2
Total	**38.4**	**37.1**	**81.3**	**93.4**	**119.7**	**130.5**

As a result of the economic crisis, the EnBW group's unit sales of electricity fell in 2009 by 8.3% compared to the prior year to 119.7 billion kWh. The main reason for the fall was the 17.5% decrease in unit sales to B2B customers. Their demand was noticeably lower on account of the sharp decline in overall economic output. By contrast, electricity sales to retail customers were less dependent on the economic development and, at 22.4 billion kWh, just 3.0% below the prior-year level. Unit sales in the trading area rose slightly by 1.3%, slowing the decline in revenue at group level a little.

Gas sales of the EnBW group in billions of kWh	2009	2008	Variance %
Retail customers (B2C)	12.3	12.5	-1.6
Industry and redistributors (B2B)	53.5	57.3	-6.6
Total	**65.8**	**69.8**	**-5.7**

At 65.8 billion kWh, the EnBW group's unit sales of gas were 5.7% below the prior-year figure. This was due to warmer weather in the course of the year and the effects of the economic downturn despite the increase in unit sales seen in the first quarter of 2009 owing to the cold winter. Diversification in gas procurement at large customers also played a role in the decline in unit sales in the B2B sector by 3.8 billion kWh to 53.5 billion kWh. In view of the lower gas prices on the wholesale market, large customers purchased gas directly from there. Unit sales to retail customers were 1.6% lower than in the prior year at 12.3 billion kWh.

External revenue of the EnBW group by segment in € millions [1]	2009	2008	Variance %
Electricity generation and trading	2,357.5	2,541.7	-7.2
Electricity grid and sales	10,031.3	10,194.7	-1.6
Gas	2,453.1	2,881.2	-14.9
Energy and environmental services	722.3	687.8	5.0
Total	**15,564.2**	**16,305.4**	**-4.5**

[1] After deducting electricity and natural gas tax.

Due above all to the negative revenue development in the electricity generation and trading and gas segments, external revenue of the EnBW group before deducting electricity and natural gas tax dropped by 4.8% in the 2009 reporting period compared to the prior year to € 16,537.5 million. After deducting electricity and natural gas tax, external revenue decreased by 4.5% to € 15,564.2 million. Without consolidation effects, it would have fallen by 5.2%.

Electricity generation and trading: Revenue was down 7.2% to € 2,357.5 million in the electricity generation and trading segment on account of lower electricity prices on the wholesale market despite higher unit sales than in the prior year. This segment accounts for a 15.1% share of the EnBW group's total revenue following 15.6% in 2008.

Electricity grid and sales: The fall in revenue in the electricity grid and sales segment came to 1.6%. This was due to lower unit sales on account of the economic crisis, which outweighed the positive price effects seen. With revenue of € 10,031.3 million, this segment contributed 64.5% to group revenue, an increase of 2.0 percentage points.

Gas: Revenue recorded by the gas segment dropped 14.9% from € 2,881.2 million in the prior year to € 2,453.1 million in the fiscal year 2009. The reasons included lower gas prices on the one hand and lower unit sales on the other. The revenue generated is equivalent to a 15.8% share of the group's revenue, following the 17.7% seen in the prior year.

Energy and environmental services: The positive performance of other services produced an increase in the energy and environmental services segment's revenue of 5.0% to € 722.3 million. In relation to group revenue, this segment generated a share of 4.6% in 2009, which is slightly more than in the prior year.

Development of significant items of the income statement

The € 198.4 million increase in other operating income to € 1,014.2 million in 2009 is attributable above all to higher income from the reversal of provisions. Cost of materials decreased by 8.1% to € 11,121.1 million. The main reasons here were lower procurement costs for electricity and gas. Personnel expenses went up 9.3% to € 1,617.6 million as a result of the rise in headcount at the EnBW group and the collective wage increase effective as of April 2009. Amortisation and depreciation recorded in 2009 was considerably lower than in the prior year, totalling € 858.9 million. This 19.9% decrease is attributable to € 232.7 million lower impairment losses. In the fiscal year 2008, the EnBW group had recognised significant impairment losses on the electricity and gas grid.

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The decrease in the investment result is primarily due to the impairment losses of € 165.4 million recognised on investments in the fiscal year 2009. The impairment loss recognised on the investment in EWE Aktiengesellschaft amounted to € 95.0 million. It became necessary after expected earnings declined on account of the poor state of the economy as a whole. The other impairment losses essentially related to an investment held as a financial asset. The financial result amounting to € –714.4 million was substantially below that of 2008, which was € –473.1 million. The main reasons included higher borrowing costs and lower income generated from securities.

Earnings

Group net profit in terms of the profit shares attributable to the equity holders of EnBW AG fell by 12.6% from € 879.3 million in the prior year to € 768.2 million in the fiscal year 2009. At € 879.1 million, adjusted group net profit was far below the prior-year level. Non-operating group net profit amounted to € –110.9 million after € –219.5 million in the prior year.

Adjusted earnings and non-operating result

One key performance indicator within the EnBW group is adjusted EBIT. Adjusted EBIT is an earnings ratio adjusted for non-operating effects to accurately reflect the development of results of operations. The non-operating result reports extraordinary effects. These include gains or losses on the disposal of non-current assets, extraordinary effects relating to the nuclear power provisions, income from the reversal of other provisions, expenses relating to restructuring, material effects on earnings resulting from changes in the law as well as impairment losses.

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Adjusted earnings

Adjusted EBIT of the EnBW group by segment in € millions	2009	2008	Variance %
Electricity generation and trading	1,590.9	1,461.2	8.9
Electricity grid and sales	130.9	177.8	-26.4
Gas	152.0	192.7	-21.1
Energy and environmental services	86.2	100.1	-13.9
Holding/consolidation	-166.1	-137.9	-20.4
Total	**1,793.9**	**1,793.9**	**0.0**

The EnBW group's adjusted EBIT came to € 1,793.9 million, matching the prior-year level. Consolidation effects did not have a material impact on adjusted EBIT.

The electricity generation and trading segment succeeded in recording an 8.9% increase in adjusted EBIT to € 1,590.9 million. Positive effects stemmed above all from better terms and conditions of the forward contracts for electricity generation concluded in prior years for the fiscal year 2009, income from derivatives and higher income from the provision of balancing power, which made it possible to expand the generation margin. Negative effects on adjusted EBIT were due mostly to higher fixed costs and the resale of quantities not sold to B2B customers as a result of their reducing demand in line with the economic downturn. These quantities had to be sold to the market at a lower price. The prior-year figure additionally included reimbursements as part of court composition proceedings for a reduction of the water supply fees.

Adjusted EBIT in the electricity grid and sales segment dropped by 26.4% to € 130.9 million. In the regulated area, adjusted EBIT improved as a result of the increase in network user charges and lower costs relating to balancing power. On the other hand, there were expenses from feeding in wind energy, increased costs for energy needed to cover grid losses and higher expenses for connecting offshore wind farms to the grid. In the sales division, earnings were impacted by the economic crisis, higher procurement costs under the German Renewable Energies Act (EEG) and keener competition. Income relating to other periods was much lower in the fiscal year 2009 than a year earlier.

In the gas segment, adjusted EBIT decreased by 21.1% to € 152.0 million. The fall in unit sales and fiercer competition meant that earnings in the sales division fell. Income relating to other periods was far below the prior-year level. Earnings in the midstream area were reduced by project costs.

Adjusted EBIT in the energy and environmental services segment dropped by 13.9% to € 86.2 million. This decrease is mainly attributable to other services.

For the holding company/consolidation, adjusted EBIT was negative at € 166.1 million in the fiscal year 2009, compared to € –137.9 million in 2008. The figure deteriorated among other things because of the higher cost of the pension guarantee fund.

Earnings indicators of the EnBW group (adjusted) in € millions	2009	2008	Variance %
Adjusted investment result	221.2	217.3	1.8
Adjusted financial result[1]	-680.5	-394.7	-72.4
Adjusted income taxes[1]	-403.4	-420.7	4.1
Adjusted group net profit[1]	931.2	1,195.8	-22.1
of which profit shares attributable to minority interests	(52.1)	(97.0)	-46.3
of which profit shares attributable to equity holders of EnBW AG	(879.1)	(1,098.8)	-20.0

[1] Prior-year figures restated.

The adjusted investment result increased by 1.8% to € 221.2 million on account of the improved results of operations at international investments accounted for using the equity method, for example in Poland. Burdens on the adjusted investment result arose from reclassification of DREWAG Stadtwerke Dresden GmbH to assets held for sale. As a result of the reclassification, the investments were no longer accounted for using the equity method in the second half of 2009. The contribution from EWE Aktiengesellschaft was low due to its weak performance in the second half of 2009.

At € -680.5 million, the adjusted financial result was much lower than in the prior year. Reasons for the € 285.8 million decrease included higher interest expenses in light of the group's higher gearing level as well as lower income from the sale of securities and from the measurement of securities.

At € 403.4 million, adjusted income taxes were marginally below the prior-year level. This represents an adjusted tax rate of 30.2% (prior year: 26.0%). The rise in the tax rate is primarily due to higher taxes relating to other periods in the fiscal year 2009. Due to the aforementioned effects, the adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG fell by € 219.7 million to € 879.1 million in fiscal 2009 in a year-on-year comparison.

Non-operating result

Non-operating result of the EnBW group in € millions	**2009**	**2008**	**Variance %**
Non-operating EBIT, electricity generation and trading	39.1	-67.0	-
Non-operating EBIT, electricity grid and sales	32.7	-32.5	-
Non-operating EBIT, gas	-1.0	-242.6	99.6
Non-operating EBIT, energy and environmental services	1.0	-13.8	-
Non-operating EBIT, holding/consolidation	23.6	30.2	-21.9
Non-operating EBIT, total	**95.4**	**-325.7**	**-**
Non-operating investment result	-138.9	34.0	-
Non-operating financial result	-33.9	-78.4	56.8
Non-operating income taxes	-29.4	82.4	-
Non-operating group net profit	**-106.8**	**-287.7**	**62.9**
of which profit shares attributable to minority interests	(4.1)	(-68.2)	-
of which profit shares attributable to equity holders of EnBW AG	(-110.9)	(-219.5)	49.5

The electricity generation and trading segment's non-operating EBIT was burdened in 2008 in particular by non-recurring expenses relating to nuclear power. In the fiscal year 2009, income from the reversal of provisions was available to easily offset expenses from writing down inventories and other current assets. The key factor responsible for the improvement in the electricity grid and sales segment's non-operating EBIT was the higher income from the reversal of provisions in the fiscal year 2009. In the gas segment, non-operating EBIT had been reduced in 2008 by impairment losses recognised on the gas grids. There was hardly any change in absolute terms in non-operating EBIT in the energy and environmental services segment or holding/consolidation compared to the prior year. On balance, non-operating EBIT at group level improved considerably to € 95.4 million, up from a negative figure of € –325.7 million in the prior year.

The non-operating investment result was far below the prior-year level because of a gain on disposal recorded in the prior year. Expenses were incurred in the fiscal year 2009 due above all to impairment losses recognised on our investment in EWE Aktiengesellschaft and on investments held as financial assets. The non-operating financial result improved in the fiscal year 2009, primarily as a result of lower impairment losses recognised on securities compared to the prior year. The movement in non-operating income taxes is attributable to the change in non-operating EBIT. The non-operating effects in the investment and financial result are to a large extent tax-free. Non-operating group net profit totalled € –106.8 million in 2009 after € –287.7 million in the prior year. Accordingly, the profit shares attributable to minority interests rose to € 4.1 million. Overall, the non-operating group net profit in terms of the profit shares attributable to the equity holders of EnBW AG improved by € 108.6 million to € –110.9 million.

Reconciliation of earnings

Prior to adjustment for non-operating effects on earnings, the group net profit in terms of the profit shares attributable to the equity holders of EnBW AG fell by € 111.1 million to € 768.2 million.

Financial performance of the EnBW group for the period from 1 January to 31 December 2009

in € millions

	2009	2008	Variance (%)
Adjusted EBITDA	2,615.3	2,595.6	0.8%
Non-operating EBITDA	132.9	-55.5	
EBITDA	2,748.2	2,540.1	8.2%
Adjusted EBIT	1,793.9	1,793.9	0.0%
Non-operating EBIT	95.4	-325.7	
EBIT	1,889.3	1,468.2	28.7%
Adjusted group net profit[1,2]	879.1	1,098.8	-20.0%
Non-operating group net profit[1]	-110.9	-219.5	49.5%
Group net profit[1,2]	768.2	879.3	-12.6%

[1] In relation to the profit shares attributable to the equity holders of EnBW AG.
[2] The figures of the comparative period have been restated.

Financial position

Financial management of EnBW

Basis and objectives

The objective of financial management in the EnBW group is to minimise the costs of capital for financing the corporate strategy, to ensure that there is sufficient liquidity for operations at all times and to limit the risk of changes in interest rates for the group. Furthermore, the objective is to retain an A rating in the medium term and to optimise the capital structure under these conditions. With these parameters, corporate management ensures that the debt level is kept within a reasonable range. For management purposes, the company uses the dynamic leverage ratio, calculated from the ratio of net liabilities to adjusted EBITDA. The key performance indicators used by the rating agencies are also referred to for fine-tuning purposes. Costs of capital are minimised while retaining the financial headroom to exercise strategic options.

In order to achieve these objectives, EnBW's financing strategy is based on the following principles:

- Implementing long-term financing arrangements on the capital markets, with terms to maturity matching those of capital tied up in assets in the balance sheet. Financing via banks is used in exceptional cases only, usually for bridge financing purposes. This allows EnBW to obtain long-term financing at a favourable price.
- Establishing financing according to a multi-pillar strategy to provide a choice of various forms of financing that can be drawn on flexibly depending on the financial management objectives.
- Setting clearly defined limitations for the use of interest rate swaps in order to optimise financing terms and conditions.
- Winning a diversified base of investors on the markets for debt capital. EnBW attaches great importance to diversification according to geographical criteria as well as according to investors' motivation.

In the operating business, derivatives are used for hedging purposes only, for example for forward contracts in electricity trading or trading with primary energy sources. Likewise, foreign currency and interest rate derivatives are used only for hedging purposes.

Financial management also includes asset management. For this purpose, EnBW uses a cash-flow-based model to determine the balance sheet, P&L and cash flow effects of the next 30 years. This model takes into account actuarial appraisals on pension provisions and external expert reports on provisions relating to nuclear power. It also allows simulations of various alternative return and provision scenarios.

Another primary objective of financial management is to secure the existing financial assets of the EnBW group and their tradability and to guarantee a sufficient level of liquidity reserves to allow the group to meet its payment obligations at all times without restriction. The EnBW group's treasury guidelines set out the financial transactions permitted by EnBW's Board of Management and the framework within which they may be entered into. The treasury guidelines are applicable at all entities that are consolidated in full or with which EnBW AG has a profit and loss transfer agreement. The guidelines should also be referred to at all other entities as a matter of principle. Central financial management has the advantage of allowing risks to be minimised, providing transparency and optimising costs.

Treasury

The treasury function is responsible for the group-wide management of all treasury processes. Liquidity management is based on computerised rolling liquidity planning and extends to the previously defined scope. Further areas of responsibility are the central management of credit lines and bank guarantees and the issuance of guarantees and letters of comfort. Other tasks of the treasury function include interest rate risk and currency management.

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Interest rate risk and currency management

The objective of EnBW's interest rate risk management is to manage and monitor interest-bearing and interest-sensitive assets and liabilities in the balance sheet. The purpose is to limit the impact of fluctuation in interest rates and interest rate risks on results of operations and net assets. The consolidated entities regularly report on existing risk items via the rolling liquidity planning. The treasury function analyses these risks every quarter on a consolidated basis and devises an interest rate risk strategy. The interest rates for the EnBW group's financial liabilities are contractually fixed to a large extent. A change in interest rates thus usually only affects the interest result of EnBW for new borrowing and impending refinancing. The risk potential is determined on the basis of current interest rates and potential changes in these interest rates. A sensitivity analysis is provided in the notes to the financial statements.

The general principle is to close currency items resulting from operations using appropriate forward exchange contracts. The legal entities report net items of € 500 thousand or more to the treasury function for a risk period of twelve months. Overall, currency fluctuation from operating activities does not have any major effect on EnBW's profit for the period. Any translation risks are monitored on a case-by-case basis in the framework of currency management.

Asset management

The group aims to cover its non-current pension and nuclear power provisions within an economically reasonable period of time by means of investment in appropriate financial assets. The defined investment targets are to be reached with minimum risk. Efforts to optimise the risk/return profile of the financial assets were continued throughout 2009. An investment volume in excess of € 5.5 billion was managed in 2009, spread over a total of ten asset classes. The financial assets are bundled in four master funds with the following investment targets:

- 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

Financing facilities

In addition to the group's internal financing power from a free cash flow of € 1,292.1 million in 2009 and the group's own funds, the EnBW group has the following instruments at its disposal to cover its total financing needs:

- Euro Medium Term Note (EMTN) programme (€ 7.0 billion; € 5.2 billion drawn as of 31 December 2009)
- Syndicated line of credit (€ 2.5 billion; undrawn as of 31 December 2009)
- Bilateral short-term lines of credit (€ 342 million; undrawn as of 31 December 2009)
- Commercial paper (CP) programme (€ 2.0 billion; undrawn as of 31 December 2009)
- Measures to strengthen equity and issue special products (e.g. bond denominated in Swiss francs from 2008 with a volume of CHF 300 million)

The original € 5.0 billion of the EMTN programme was extended by a further € 2.0 billion in April 2009 in connection with the investment programme. On 1 July 2009, EnBW successfully placed two bonds with a total volume of € 1.35 billion, one medium-term (6 years, coupon: 4.125%) and one long-term (30 years, coupon: 6.125%). A total of € 1.0 billion of the syndicated line of credit revolves on an annual basis and was successfully extended in May 2009. An amount of € 1.442 billion from the second tranche has a term until May 2012; the remaining € 58 million is available until May 2010. At closing, the interest rate for the syndicated line of credit was in line with market rates. Thanks to the CP programme, the group had access to the capital market at all times at short notice despite the difficult market environment. The special products include bonds throughout the group with a volume totalling CHF 500 million.

Documentation of short-term and long-term borrowings on the capital market under the established EMTN and CP programmes as well as all other credit documentation with banks (e.g. syndicated line of credit) includes internationally accepted standard clauses. One key element of EnBW's financing policy is the issuance of a negative report and a pari passu clause to all creditors.

In 2009, EnBW had access to the capital market as and when needed. The terms and conditions for the company's financing are in line with market terms and conditions. No financing matured in 2009 on the capital market. A volume of € 217 million is due for repayment on the capital market in 2010. There are no maturities on the capital market in 2011.

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Rating and rating development

One goal of the corporate financial strategy is to maintain an A rating in the medium term. This criterion has been satisfied ever since the two rating agencies Standard & Poor's (2000) and Moody's (2002) started issuing credit ratings for EnBW. A further rating agency, Fitch, began rating the company on an ongoing basis in May 2009. Fitch's rating (A) matches that of Moody's (A2) and is one category above the rating issued by Standard & Poor's (A-).

The rating development Rating/outlook	2009	2008	2007	2006	2005
Fitch	A/stable				
Standard & Poor´s	A-/negative	A-/stable	A-/stable	A-/positive	A-/stable
Moody´s	A2/stable	A2/stable	A2/stable	A2/stable	A3/stable

Following the announcement by EnBW of plans to acquire a share of just under 48% in Verbundnetz Gas AG, Standard & Poor's and Moody's put the outlook for their rating under observation for a potential downgrade. In December 2009, the rating agencies Moody's and Standard & Poor's completed their review of the EnBW rating and confirmed the long-term A2 and A- ratings of EnBW as well as the short-term Prime-1 and A-2 ratings. Standard & Poor's continues to rate the EnBW business profile as strong and has given the financial strength a medium-grade rating. With reference to the uncertainty surrounding the implementation of EnBW's complex growth programme, Standard & Poor's assigned a negative outlook for the rating. The outlook of the ratings at Moody's is stable. Moody's believes that EnBW's financial situation will be stronger in future due to the renewal of the call option for the takeover of the VNG shares from EWE, the sale of GESO Beteiligungs- und Beratungs-AG (GESO) planned for the near future and the plans announced to launch a divestiture programme.

Investment analysis

Net cash investments of the EnBW group in € millions	2009	2008	Variance %
Electricity generation and trading[1]	620.7	538.1	15.4
Electricity grid and sales[1]	385.7	400.1	-3.6
Gas	62.8	65.3	-3.8
Energy and environmental services	240.2	253.1	-5.1
Total capital expenditures on intangible assets and property, plant and equipment[1]	**1,309.4**	**1,256.6**	**4.2**
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method[2]	3,041.5	107.6	-
Cash paid for the acquisition of investments[3]	23.2	40.0	-42.0
Total investments[1]	**4,374.1**	**1,404.2**	**-**
Cash received from disposals of intangible assets and property, plant and equipment	-93.0	-58.2	59.8
Cash received from construction cost and investment subsidies	-65.1	-79.0	-17.6
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method[4]	-45.0	-62.4	-27.9
Cash received from the sale of investments[3]	-1.3	-70.5	-98.2
Total divestitures	**-204.4**	**-270.1**	**-24.3**
Net (cash) investments[1]	**4,169.7**	**1,134.1**	**-**

[1] Prior-year figures restated.
[2] This does not include cash and cash equivalents acquired. In the reporting period, these amounted to € 24.8 million (prior year: € 3.6 million).
[3] Without investments held as financial assets.
[4] This does not include cash and cash equivalents disposed of upon sale. In the reporting period, these amounted to € 0.0 million (prior year: € 2.2 million).

EnBW consistently pursued its growth and investment programme in the past fiscal year. In the fiscal year 2009, EnBW made capital expenditures and investments totalling € 4,374.1 million. This constitutes an increase of € 2,969.9 million in comparison to the prior year.

Of total investment, 29.9% or € 1,309.4 million related to capital expenditure on intangible assets and property, plant and equipment. Of this amount, capital expenditures of € 620.7 million were made in the electricity generation and trading segment, primarily in order to expand power stations. Major projects in this field include the construction of the RDK 8 hard coal power station in Karlsruhe and the hydro-electric power station in Rheinfelden as well as of offshore wind farms. Capital expenditures in the electricity grid and sales segment focused on restructuring extra-high-voltage lines. In the energy and environmental services segment, capital expenditures focused on the construction of a substitute fuel power plant in Eisenhüttenstadt.

EnBW's financial acquisitions came to € 3,064.7 million in 2009. This is € 2,917.1 million more than in the prior year. Material items included the acquisition of a 26% share in EWE Aktiengesellschaft, the purchases of shares in Lippendorf and Bexbach power stations, the joint venture with Borusan Holding in Turkey and the purchase of onshore wind farms from Plambeck neue Energien AG in Lower Saxony and Brandenburg.

Capital commitments for intangible assets and property, plant and equipment amounted to € 888.3 million as of 31 December 2009 (prior year: € 1,475.1 million). Commitments to acquire entities totalled € 1,137.2 million (prior year: € 2,758.2 million). The capital commitments will be funded from the cash flow from operating activities.

Divestitures came to € 204.4 million in 2009 and were attributable mainly to the sale of Gegenbauer Holding SA & Co. KG as well as the disposal of grids and construction cost subsidies. Total net investments thus came to € 4,169.7 million in 2009.

Liquidity analysis

Free cash flow in € millions	2009	2008	Variance %
FFO (funds from operations) before taxes and financing	**2,427.7**	**2,325.6**	**4.4**
Change in assets and liabilities from operating activities	212.7	-536.1	-
Income tax paid	-197.0	-265.6	-25.8
Cash flow from operating activities	**2,443.4**	**1,523.9**	**60.3**
Capital expenditures on intangible assets and property, plant and equipment[1]	-1,309.4	-1,256.6	4.2
Cash received from disposals of intangible assets and property, plant and equipment	93.0	58.2	59.8
Cash received from construction cost and investment subsidies	65.1	79.0	-17.6
Free cash flow[1]	**1,292.1**	**404.5**	**-**

[1] Prior-year figures restated.

At € 2,427.7 million, funds from operations (FFO) exceeded the prior-year level of € 2,325.6 million by 8.2% in 2009 on account of the growth in EBITDA. FFO increased by a lower rate than EBITDA due above all to the reversal of non-current provisions without effect on cash.

The cash flow from operating activities rose by 60.3% on the prior year to € 2,443.4 million. The reason for this significant increase is that assets and liabilities from operations fell by € 212.7 million in the fiscal year, whereas they had grown by € 536.1 million in the prior year. This change is largely explained by the fact that hedging costs for forward transactions with electricity, coal and emission allowances had reduced the cash flow from operating activities in the prior year, but improved it in the reporting year. The positive effect from hedges stems from the inclusion of additional trading partners and from marking them to market. In addition, a lower amount of income taxes was paid in 2009 than in the prior year. Tax refunds were received for the fiscal year 2009 based on withholding taxes paid in prior years. Moreover, corporate income tax credits were paid out to EnBW for the first time in 2009.

In light of the increase in cash flow from operating activities, the free cash flow also exceeded the prior-year level by € 887.6 million in 2009, reaching € 1,292.1 million. Although cash paid for investments in intangible assets and property, plant and equipment has risen, the increase in cash received from the disposal of intangible assets and property, plant and equipment had a positive effect on free cash flow.

Cash flow statement in € millions	2009	2008	Variance %
Cash flow from operating activities	2,443.4	1,523.9	60.3
Cash flow from investing activities[1]	-4,629.6	-366.4	-
Cash flow from financing activities[1]	678.6	598.6	13.4
Net change in cash and cash equivalents	**-1,507.6**	**1,756.1**	**-**
Net foreign exchange difference	2.0	10.6	-81.1
Change in cash and cash equivalents	**-1,505.6**	**1,766.7**	**-**

[1] Prior-year figures restated.

Owing to EnBW's increased investment programme, the cash flow from investing activities amounted to € –4,629.6 million in 2009, after € –366.4 million in the prior year. Besides the significant increase in cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method, higher investments in other financial assets as well as a lower level of cash received from the sale of financial instruments were responsible for the high cash outflow. The cash flow from financing activities amounted to € 678.6 million, after € 598.6 million in the prior year. The proceeds from financial liabilities exceeded cash outflows for interest and dividends paid and the repayment of financial liabilities.

Taking the minor positive effects of exchange rate differences into account, the EnBW group recorded a drop in cash and cash equivalents of € 1,505.6 million to € 1,578.9 million as of 31 December 2009 in comparison to the year-end 2008. This includes cash and cash equivalents of € 108.1 million of the assets held for sale.

With the liquidity available, the clearly positive free cash flow and the available external sources of financing, the EnBW group's solvency was ensured at all times throughout the fiscal year 2009. EnBW's solvency is secured for the future by its sound financial position, including free lines of credit of € 2.842 billion.

FURTHER INFORMATION
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Net assets

Condensed balance sheet of the EnBW group in € millions [1]	31/12/2009	31/12/2008	Variance %
Assets			
Non-current assets	24,124.8	21,128.7	14.2
Property, plant and equipment	(11,925.2)	(11,585.3)	2.9
Entities accounted for using the equity method	(3,756.7)	(1,932.2)	94.4
Other financial assets	(5,691.4)	(4,960.3)	14.7
Deferred taxes	(29.2)	(28.7)	1.7
Current assets	8,875.5	11,626.2	-23.7
Assets held for sale	1,698.0	4.0	-
	34,698.3	**32,758.9**	**5.9**
Equity and liabilities			
Equity	6,407.7	5,591.5	14.6
Non-current liabilities	19,806.8	17,959.6	10.3
Provisions	(9,399.8)	(9,307.8)	1.0
Deferred taxes	(1,677.0)	(1,634.8)	2.6
Financial liabilities	(6,737.0)	(4,925.1)	36.8
Current liabilities	7,715.7	9,207.8	-16.2
Provisions	(1,006.2)	(1,109.1)	-9.3
Financial liabilities	(447.3)	(394.7)	13.3
Liabilities directly associated with the assets classified as held for sale	768.1	0.0	-
	34,698.3	**32,758.9**	**5.9**

[1] Prior-year figures restated.

The 5.9% increase seen in the EnBW group's total assets to € 34,698.3 million as of 31 December 2009 compared to the end of the prior year is due in particular to the € 2,996.1 million increase in non-current assets. These principally include the acquisition of the 26% share in EWE Aktiengesellschaft and the acquisition of and increase in value of non-current securities. Property, plant and equipment rose on account of the shares purchased in the Lippendorf and Bexbach power stations. The rise in property, plant and equipment was partially offset by the reclassification of GESO Beteiligungs- und Beratungs-AG and its subsidiaries as well as of the group of Pražská teplárenská Holding a.s. to assets held for sale. The decrease in current assets was caused by the drop in cash and cash equivalents as a result of investments, a lower level of trade receivables and declining market values for derivative financial instruments.

Besides the positive group net profit for the year, the increase in market value of the securities also contributed to the € 816.2 million increase in equity to € 6,407.7 million as of year-end 2009. Non-current liabilities rose to € 19,806.8 million, in line with the rise in financial liabilities. This was principally attributable to the new bonds and bank liabilities taken out to finance the investment programme. Non-current and current provisions did not change significantly over the year and mainly relate to provisions for pensions and similar obligations as well as provisions relating to nuclear power. Reclassification of the liabilities of GESO Beteiligungs- und Beratungs-AG and its subsidiaries as well as of the group of Pražská teplárenská Holding a.s. to liabilities directly associated with the assets classified as held for sale led to a decrease in current liabilities.

Further factors reducing current liabilities included lower market values for derivative financial instruments, a decline in trade payables and the expiry of the put option of a minority shareholder.

Key indicators for the analysis of the composition of assets	2009	2008	Variance %
Equity ratio (%)[1]	18.5	17.1	8.2
Average capital employed in € millions[1]	13,958.2	12,259.3	13.9
Net debt/equity[1]	1.4	1.2	16.7
Coverage ratio for non-current assets (non-current assets/equity)[1]	3.8	3.8	0.0

[1] Prior-year figures restated.

The equity ratio went up from 17.1% as of year-end 2008 to 18.5% as of 31 December 2009 in spite of the increase in total assets. Average capital employed rose by 13.9% year-on-year on account of the increased investment volume, in particular for the expansion of power station capacity and for the acquisition of a share in EWE Aktiengesellschaft. Due to the higher net debt as a result of the acquisitions made, the ratio of net debt to equity deteriorated slightly in 2009. The coverage ratio for non-current assets remained stable at the prior-year level of 3.8 as of the balance sheet date for 2009 in spite of the higher investment volume.

Net debt

Cash and cash equivalents as of 31 December 2009 fell by € 996.6 million compared to the end of the prior year due to implementation of the investment programme. The bonds issued and credit lines drawn also played a role in the increase in net financial liabilities of € 2,844.6 million to € 5,763.1 million as of year-end 2009. As a result net debt also rose notably to € 9,172.0 million as of the same date. The slightly smaller increase in net debt is mainly attributable to the fall in liabilities from put options.

Net debt in € millions[1]	31/12/2009	31/12/2008	Variance %
Cash[2]	-1,217.8	-2,216.3	-45.1
Short-term investments[2]	-154.3	-152.4	1.2
Cash and cash equivalents[2]	**-1,372.1**	**-2,368.7**	**-42.1**
Bonds[3]	5,446.6	4,110.3	32.5
Liabilities to banks	962.5	556.4	73.0
Other financial liabilities	726.1	620.5	17.0
Financial liabilities[3]	**7,135.2**	**5,287.2**	**35.0**
Net financial liabilities[2, 3]	**5,763.1**	**2,918.5**	**97.5**
Pension and nuclear power provisions	9,355.8	9,013.1	3.8
Long-term investments and loans[4]	-4,983.3	-4,231.4	17.8
Cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions	-785.2	-1,218.7	-35.6
Liabilities from put options	28.5	529.2	-94.6
Other	-146.4	-162.4	-9.9
Subtotal[3, 4]	**9,232.5**	**6,848.3**	**34.8**
Net debt directly associated with the assets classified as held for sale	-60.5	0.0	-
Net debt[3, 4]	**9,172.0**	**6,848.3**	**33.9**

1 Prior-year figures restated.
2 Without cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions.
3 Adjusted for valuation effects from interest-induced hedging transactions.
4 Includes investments held as financial assets.

The dynamic leverage ratio is net debt divided by adjusted EBITDA.

Dynamic leverage ratio in € millions[1]	2009	2008	Variance %
Net debt	9,172.0	6,848.3	33.9
Adjusted EBITDA	2,615.3	2,595.6	0.8
Dynamic leverage ratio	**3.51**	**2.64**	**33.0**

1 Prior-year figures restated.

The dynamic leverage ratio increased to 3.51 as of 31 December 2009 as a result of the rise in net debt in connection with the investment programme. At the same time, EnBW is investigating the possibility of making a number of divestitures to reduce the dynamic leverage ratio.

Value added

Value added 2009 by segment	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	Total
Adjusted EBIT including investment result (€ millions)	1,674.3	344.6	161.7	97.6	-172.7	2,105.5
Average capital employed (€ millions)	4,837.4	4,960.4	1,794.0	1,324.4	1,042.0	13,958.2
ROCE (%)	**34.6**	**6.9**	**9.0**	**7.4**	**-**	**15.1**
WACC (%)	10.5	8.9	8.9	9.6	-	9.3
Value added (€ millions)	**1,165.8**	**-99.2**	**1.8**	**-29.1**	**-**	**809.6**

Value added 2008 by segment[1]	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	Total
Adjusted EBIT including investment result (€ millions)	1,486.7	424.8	203.1	113.9	-137.9	2,090.6
Average capital employed (€ millions)	4,001.9	4,903.8	1,863.9	1,347.9	141.8	12,259.3
ROCE (%)	**37.1**	**8.7**	**10.9**	**8.5**	**-**	**17.1**
WACC (%)	10.4	8.8	8.8	9.6	-	9.2
Value added (€ millions)	**1,070.5**	**-6.7**	**39.1**	**-15.5**	**-**	**962.7**

[1] Prior-year figures restated.

A positive contribution to value added was made again in the fiscal year 2009.

The significant increase in capital employed went hand in hand with a slight increase in adjusted EBIT including investment result. As a result, value added totalled € 809.6 million. This is a decrease of € 153.1 million compared to 2008.

The various segments contributed value as follows:
The value added of the electricity generation and trading segment increased by € 95.3 million compared to the prior year. This increase in adjusted EBIT is the result of improved terms and conditions for the forward contracts on electricity generation concluded for fiscal 2009, income from derivatives and higher income from the provision of balancing power. Negative effects on adjusted EBIT were due mostly to higher fixed costs and the resale of quantities not sold to B2B customers as a result of the economic crisis. The prior-year figure additionally included reimbursements as part of court composition proceedings for a reduction of the water supply fees. Capital employed increased first and foremost due to the rise in capital expenditures made to expand power station capacity, in particular by acquiring shares in the Lippendorf and Bexbach power stations, constructing the new power station unit RDK 8 and the Rheinfelden hydro-electric power station as well as realising wind power projects.

The value added of the electricity grid and sales segment fell by € 92.5 million compared to the prior year. In the regulated area, adjusted EBIT improved as a result of the increase in network user charges and lower costs relating to balancing power. On the other hand, there were expenses from feeding in wind energy, increased costs for energy needed to cover grid losses and higher expenses for connecting offshore wind farms to the grid. In the sales division, earnings were impacted by the economic crisis, higher procurement costs under the German Renewable Energies Act (EEG) and keener competition. Income relating to other periods was much lower in the fiscal year 2009 than a year earlier. Capital employed remained virtually unchanged.

The value added of the gas segment fell by € 37.3 million compared to the prior year. The fall in unit sales and fiercer competition meant that earnings in the sales division fell. Income relating to other periods was far below the prior-year level. Earnings in the midstream area were reduced by project costs. Capital employed fell principally due to impairment losses recognised on property, plant and equipment in the fiscal year 2008, which showed full effect on capital employed in 2009.

The value added of the energy and environmental services segment was € 13.6 million lower than in the prior year. The main reason was the decrease in earnings in the other services division. The minor drop seen in capital employed was the net effect of the sale of investments on the one hand and higher capital expenditures on the other.

With respect to the figures for the holding company/consolidation, capital employed increased considerably on account of the acquisition of the 26% shareholding in EWE Aktiengesellschaft.

Calculating value added

The weighted average cost of capital before tax represents the minimum return on capital employed. Positive value added is only generated once the return on capital employed (ROCE) exceeds the weighted average cost of capital. Cost of capital is determined based on the weighted average cost of equity and debt. The weighted average is the share of equity and debt capital in total capital. The value of equity refers to the value determined using the mark-to-market method instead of the amount recognised. Cost of equity is based on the return of a risk-free investment and a company-specific risk premium (market risk premium). The latter is calculated as the difference between the risk-free investment and the return of the overall market in relation to the beta factor. The cost of capital includes the cost of equity on a pre-tax basis. The terms at which the EnBW group can obtain debt capital in the long term are used to determine the cost of debt capital on a pre-tax basis.

Calculation of the weighted average cost of capital	2009	2008
Risk-free interest rate (r_F)	4.0%	4.7%
Market risk premium (MRP)	5.0%	5.0%
Beta factor (β)	0.9	1.1
Cost of equity after tax	**8.4%**	**10.0%**
Cost of debt before tax (r_D)	6.5%	5.7%
Tax shield of interest on debt capital	-1.7%	-1.5%
Cost of debt after tax	**4.8%**	**4.2%**
Percentage of financing that is equity (E)	50.0%	40.0%
Percentage of financing that is debt (D)	50.0%	60.0%
WACC after tax	**6.6%**	**6.5%**
Tax rate (s)	29.0%	29.0%
WACC before tax (group)	**9.3%**	**9.2%**

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

In order to reflect the various risks of our activities along the value-added chain, we calculate the cost of capital separately for each segment.

To calculate ROCE, adjusted EBIT is determined in a first step. The EBIT generated at group level is adjusted to eliminate any non-operating income and expenses. Investment income and expenses are added to adjusted EBIT, provided the investments are a permanent part of EnBW's business model. The calculation is made on a pre-tax basis to ensure comparability with adjusted EBIT.

Capital employed comprises all assets from the operating business. Interest-free liabilities – such as trade payables – are deducted. Capital employed is calculated as the average of the opening value and closing value for the year as well as the three quarters.

Adjusted EBIT including investment result in € millions[1]	2009	2008
EBIT	1,889.3	1,468.2
Non-operating EBIT	-95.4	325.7
Investment result[2]	82.3	244.7
Non-operating investment result	138.9	-34.0
Tax adjustment investment result[3]	90.4	86.0
Adjusted EBIT including investment result	**2,105.5**	**2,090.6**

1 Prior-year figures restated.
2 Without income from investments held as financial assets.
3 Adjusted investment result / 0.71 – adjusted investment result (with 0.71 = 1 – tax rate of 29%).

Average capital employed in € millions [1]	2009	2008
Intangible assets	1,806.4	1,702.6
Property, plant and equipment	11,925.2	11,585.3
Investment properties	70.3	86.6
Equity investments[2]	4,464.8	2,661.1
Inventories	944.8	862.9
Current trade receivables[3]	2,786.3	3,125.1
Other assets	5,324.0	4,679.8
Non-interest bearing provisions	-1,050.2	-1,403.8
Non-interest bearing liabilities[4]	-7,464.6	-7,536.1
Subsidies	-1,519.0	-1,717.6
Deferred taxes[5]	-1,647.8	-1,606.1
Assets and liabilities directly associated with the assets classified as held for sale that are attributable to net debt	-60.5	0.0
Capital employed as of 31 December	**15,579.7**	**12,439.8**
Average capital employed[6]	**13,958.2**	**12,259.3**

1 Prior-year figures restated.
2 Including entities accounted for using the equity method, investments in affiliated entities and other investments that are allocable to operations.
3 Without affiliated entities.
4 Without affiliated entities, without potential purchase price obligations from put options.
5 Deferred tax assets and liabilities netted.
6 Calculation of the average based on the quarterly figures of the reporting year and the prior-year closing figure.

Unrecognised intangible assets

EnBW's success is also based on a range of intangible assets that are not recognised in the balance sheet. EnBW's human, structural and relationship capital, i.e. its intellectual capital, has a significant influence on the company's business operations and therefore reflects the business value of EnBW. Accordingly, the professional management of intellectual capital is a strategic challenge. EnBW is the only large company in Germany to employ intellectual capital reporting for this purpose based on the principle of "Intellectual Capital Statement – Made in Germany" and has been doing so since 2005. The factors influencing intellectual capital are assessed in a systematic self-assessment process by several employee groups that are representative in terms of the professions and hierarchies of their members. The quality and quantity of individual factors, such as corporate culture, motivation and customer relationships, as well as their systematic development are assessed with the help of 27 questions. The results from the key group entities are then used on a rolling basis[1] to give a group-wide overview of the development of intellectual capital. This way the company can identify areas for optimisation and then initiate, monitor and manage improvement measures.

FURTHER INFORMATION
Employees/Human capital
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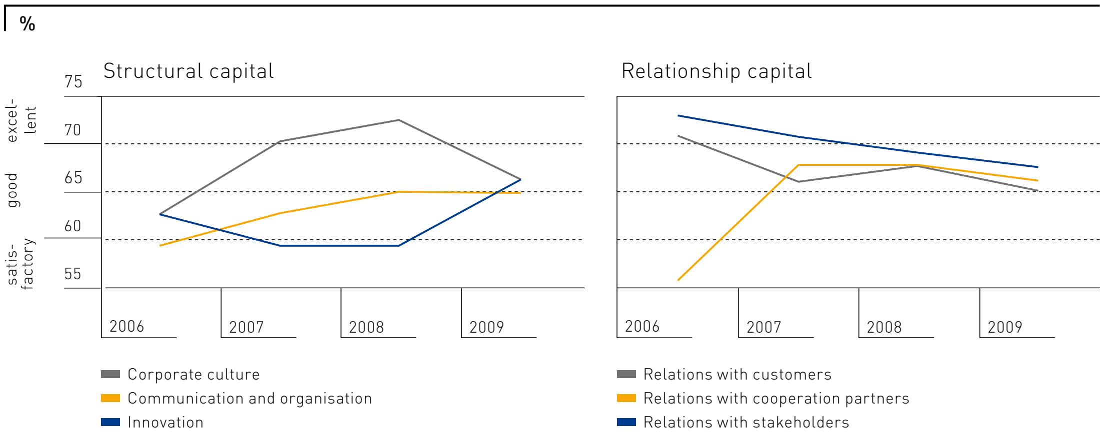
1 The intellectual capital statement is prepared on an alternating basis: in years ending with an odd number it is prepared by the companies in the electricity business and in even years at companies in the gas segment and the service companies. The results of the current year and of the prior year are consolidated in a group-wide summary (comprising the results of the intellectual capital statement at twelve group entities). This alternating approach at segment level is primarily related to the speed of change with respect to enhancing intellectual capital.

Development of the factors influencing the intellectual capital of EnBW



Structural capital: The individual factors for assessing structural capital reached a good level in 2009. Although the assessment of the corporate culture deteriorated marginally compared to the prior year, it is generally seen as pleasant, constructive and good. The decrease is attributable above all to the increased demands as a result of the corporate growth strategy. The integration of new and young employees remains a key challenge and people feel that HR instruments to develop the corporate culture should be employed on a still more systematic and long-term basis. The assessment of communication and organisation within the EnBW group remained largely unchanged in relation to the prior year. There are numerous opportunities for employees to share knowledge. Issues were identified mainly in communication at the interface between entities, departments and levels of hierarchy. The assessment of the company's innovative power has improved. Innovation programmes introduced have made the innovation process more systematic and have encouraged more product and process innovations to be put forward within the group. Respondents believe that the innovative power can be raised by involving new innovation partners and reducing the time taken to introduce the innovations.

Relationship capital: With assessments reaching nearly 70%, the factors for relationship capital are at the good, upper end of the scale. The assessment of customer relationships went down slightly again in 2009, above all in the B2B sector. Potential for optimisation is mostly identified in customer relationship management, an area that is facing increasing challenges in the liberalised energy market. The customer satisfaction surveys performed by EnBW are proof of the good level, but they do also indicate that there is room for improvement. The quality of relationships with cooperation partners almost matched the good prior-year level. The high number of cooperation relationships, frequent contacts and often very close working relationships were factors that played a role here. According to the results of the survey, improvements could be achieved by taking a more systematic approach to managing relationships with cooperation partners. The critical image of energy companies in the general public, the efforts perceived in individual municipalities to regain control of energy supplies and regulatory developments are responsible for the slight decrease in the assessment of the relationship with stakeholders. EnBW's public relations with key stakeholders was considered "good" in 2009; at the same time, respondents felt that relationship management should be spread over a larger number of employees.

Great importance is also attached to the EnBW brand. Maintaining and building on a positive brand image is key to success in relationships with customers, partners and authorities. The shared brand identity at EnBW is the foundation for a clear positioning of EnBW amidst intensive competition. This strategic alignment has meant that, besides being very well known in Baden-Württemberg, the EnBW brand has also honed its profile with its customers. Managing this intangible asset, the brand, pays off: the image perceived by customers strengthens customer loyalty.

The fundamental condition is that customers are highly satisfied with the company. EnBW kept customer satisfaction and customer loyalty of its retail customers at a good level in 2009 despite the difficult competitive environment. This places EnBW in front of its national competitors RWE, E.ON and Vattenfall.

We attach importance to treating all our business relations as partners. We try to consider all interests. When building generation facilities, for instance, this approach has often ensured a smooth approval process with the authorities.

EnBW AG

The profit for the year of EnBW AG decreased compared to the prior year by € 697.2 million to € 456.2 million. Taking account of the profit carryforward of € 124.1 million and after transferring € 100.0 million to other revenue reserves, retained earnings come to € 480.3 million. A dividend of € 1.53 per share will be proposed to the annual general meeting.

EnBW AG

As 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 financial statements of EnBW AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporations Act (AktG). The detailed financial statements audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, and management report of EnBW AG, which is combined with that of the group, are published in the Electronic German Federal Gazette ("elektronischer Bundesanzeiger") together with the unqualified audit opinion. The full financial statements of EnBW AG are available for download.

Net assets of EnBW AG

The net assets of EnBW AG are largely dependent 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.

Condensed balance sheet of EnBW AG in € millions[1]	31/12/2009	31/12/2008
Assets		
Non-current assets		
Intangible assets	10.2	11.1
Property, plant and equipment	10.5	10.1
Financial assets	15,018.7	12,165.0
	15,039.4	**12,186.2**
Current assets		
Receivables from affiliated entities	2,664.3	2,377.3
Other receivables and other assets	496.9	606.1
Cash and cash equivalents	1,450.5	2,061.3
	4,611.7	**5,044.7**
Prepaid expenses	**60.8**	**55.3**
	19,711.9	**17,286.2**
Equity and liabilities		
Equity		
Subscribed capital	640.0	640.0
Capital reserves	22.2	22.2
Revenue reserves	1,433.6	1,333.6
Retained earnings	480.3	615.1
	2,576.1	**2,610.9**
Provisions	**3,548.0**	**3,383.1**
Liabilities		
Liabilities to affiliated entities	12,885.4	11,225.8
Other liabilities	687.3	48.7
	13,572.7	**11,274.5**
Deferred income	**15.1**	**17.7**
	19,711.9	**17,286.2**

[1] According to German commercial law.

Financial assets increased by € 2,853.7 million. Material additions recognised under loans to affiliated entities were a loan extended to EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH for the acquisition of additional shares in Lippendorf power station and under other investees the acquisition of a 26% share in EWE Aktiengesellschaft. The change in securities and cash and cash equivalents reflects the € 914.7 million drop in cash and cash equivalents.

The equity ratio of EnBW AG fell by 2.0 percentage points on the prior year to 13.1%. One reason for this change is the increase of € 2,425.7 million in total assets, above all as a result of the capital expenditures made.

A subsidiary issued two bonds of € 1,350.0 million in total in the fiscal year and made the liquidity available to EnBW as loans. This development essentially accounts for the increase in liabilities to affiliated entities by € 1,659.6 million.

Net profit of EnBW AG and dividend

Condensed income statement of EnBW AG in € millions[1]	2009	2008
Investment result	1,291.0	2,025.8
Interest result	-391.4	-415.9
Personnel expenses	-208.4	-175.7
Other income and expenses	-109.6	-165.9
Profit from ordinary activities	**581.6**	**1,268.3**
Taxes	-125.4	-114.9
Profit for the year	**456.2**	**1,153.4**

[1] According to German commercial law.

The profit for the year 2009 recorded by EnBW AG amounts to € 456.2 million, € 697.2 million below the prior-year level. Retained earnings total € 480.3 million and include the profit carried forward of € 124.1 million as well as the transfer to other revenue reserves of € 100.0 million. The investment result was down € 734.8 million compared to the prior year. Negative effects in 2009 stemmed from higher expenses from the loss absorption and impairment losses recognised on shares in affiliated entities and investments. In addition, the prior year had been boosted by positive non-recurring effects recognised as income from reversing impairment losses recognised on shares in affiliated entities and investments.

The negative balance of other income and expenses improved by € 56.3 million compared to the prior year. It primarily comprises offsetting within the group as well as administrative and consulting costs.

The tax expense is € 10.5 million higher than in the prior year. The change is principally due to higher tax back payments for prior fiscal years.

We will propose to the annual general meeting on 29 April 2010 that a dividend of € 1.53 per share be distributed from the retained earnings of EnBW AG. As of 31 December 2009, a total of 244,256,523 shares were entitled to dividends. If the annual general meeting approves this proposal, the amount distributed by EnBW AG for fiscal 2009 will total € 373.7 million.

Comments on reporting

In accordance with Sec. 315a (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.

Dependent company declaration

Pursuant to Sec. 312 German Stock Corporations Act (AktG), the Board of Management of EnBW AG prepared a dependent company report for the fiscal year 2009. This details relationships with affiliated entities, and closes with the following declaration: "In the legal transactions listed in the dependent company report, and according to the circumstances that were known to us when those legal transactions were performed, our company received 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."

Employees

The EnBW group has more than 21,000 employees, each of whom makes a major contribution towards the success and achievement of the company's growth targets. A key element of our personnel strategy is therefore to safeguard the competencies and skills of our employees and to develop these further. Fairness, respect and trust are the pillars used to ensure an approach based on partnership and cooperation in our dealings with one another in the company.

Headcount development and personnel composition

The EnBW group employed 21,124 people as of 31 December 2009. This is an increase of 623 employees or 3.0% on the prior-year level. The fact that the group hired more than 330 of its trainees on permanent contracts is one of the main reasons for the increase. In addition, the company made new hires in various areas as part of implementing its growth strategy. The headcount in the energy and environmental services segment increased significantly due to the changed allocation of employees from the electricity grid and sales, gas and holding segments. Furthermore, part of ENSO Energie Sachsen Ost AG was integrated in the operations of the energy and environmental services segment.

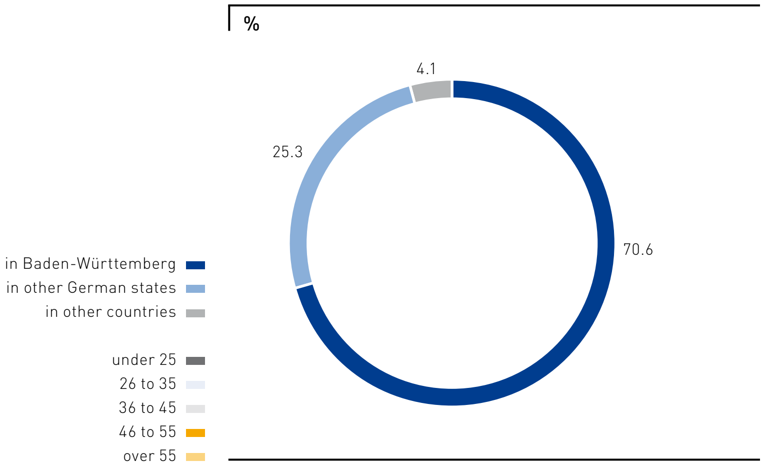
Employees of the EnBW group[1]	31/12/2009	31/12/2008	Variance %
Electricity generation and trading	4,794	4,546	5.5
Electricity grid and sales	6,420	7,130	-10.0
Gas	733	923	-20.6
Energy and environmental services	8,586	7,282	17.9
Holding	591	620	-4.7
Total	**21,124**	**20,501**	**3.0**
Number of full-time equivalents[2]	20,064	19,610	2.3

[1] Number of employees without apprentices and without inactive employees.
[2] Number of employees translated into full-time equivalents.

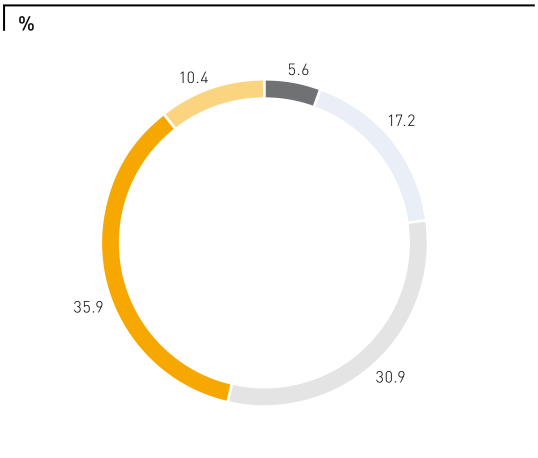
In 2009, EnBW once again provided 334 trainee positions, apprenticeships and joint student placements at 14 of its core companies in Baden-Württemberg. The new training year started on 7 September. The company thus managed to maintain its traditionally high percentage of trainees at the core companies even in a difficult economic environment. At the end of 2009, the percentage of trainees was 7.6%, a similar figure to the prior year.

A total of 70.6% of the group's 21,124 employees are based in Baden-Württemberg, with 25.3% in other German states and 4.1% working abroad. Most of our employees working abroad are employed at our subsidiaries in the Czech Republic. The regional distribution of our employees has changed only slightly since the prior year. At 43.6, the average age of employees in the EnBW group remained practically unchanged in 2009 compared with the prior year; 46 to 55-year-olds make up the largest group, accounting for 36% of the workforce. When combined with the employees aged between 36 and 45, this group constitutes around 67% of the workforce. The distribution by age group has also hardly changed in the fiscal year 2009.

Employees by region



Employees by age group

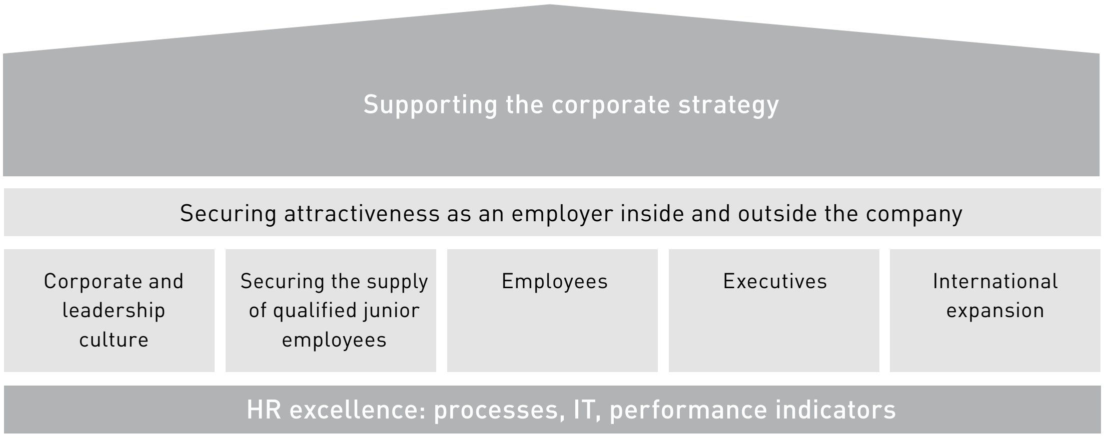


Some 22.9% of employees at EnBW have a degree from a university, university of applied sciences or university of cooperative education (prior year: 21.4%); 71.5% of staff have completed a training programme at a technical college or an apprenticeship (prior year: 72.8%), while the remaining 5.6% have school-leaving certificates without further formal training (prior year: 5.8%). Further figures relating to the structure of the workforce in the EnBW group are as follows: at the end of 2009, women accounted for 25.2% of the total headcount (prior year: 24.8%). In a year-on-year comparison, the proportion of part-time employees rose by 1.5 percentage points to 12.3% or 2,588 employees, including employees participating in the phased retirement scheme. The percentage of female part-time employees declined from 59.8% in the prior year to 59.4% or 1,538.

In light of EnBW's growth strategy, its HR work in the fiscal year 2009 focused on increasing staff numbers and carrying out restructuring within the group. New staff members were hired and integrated in the areas of generation (conventional and renewable energies), IT and energy trading in particular. In order to give potential applicants an even more precise picture of EnBW as an employer, in the fiscal year 2009 we considered the question of what we stand for as an employer. The EnBW employer brand refined through this process has become the basis for all our HR work and communication. The ageing society as a whole poses major challenges to companies in the light of the age structure of their workforce. EnBW launched a group-wide demographic analysis in the fiscal year 2009 in order to respond adequately to this issue. The results of the analysis will play a major role in the direction that our future HR policy takes.

Personnel strategy

EnBW's personnel management supports the implementation of the EnBW corporate strategy, with a focus on finding, retaining and developing employees. The personnel strategy helps to safeguard the attractiveness of EnBW as an employer both inside and outside the group. With this in mind, the personnel measures are geared towards five different areas as shown in the following diagram: corporate and leadership culture, securing the supply of qualified junior employees, employees, executives and internationalisation.



Corporate and leadership culture

Based on the corporate philosophy, fairness, respect and trust constitute the yardstick for working together within the company. EnBW was awarded the title of "Fair Company" by the magazine "Junge Karriere", an award conferred on companies that comply with responsible principles in dealing with graduates joining the workforce. According to the "Germany's Top Employers 2009" study, EnBW has been announced as one of the most attractive employers in Germany for the fifth time in a row. EnBW's third place in the category "work-life balance" is worthy of special mention. These examples emphasise the company's aspiration to guarantee a motivating work environment. EnBW's leadership principles, which underpin executives' dealings with their employees, reflect the guiding principle of an approach based on partnership and cooperation. Our corporate culture also involves keeping employees informed on a constant basis and encouraging the exchange of ideas. The monthly EnBW newspaper for employees, the group's intranet and the "Quo vadis" information event covering current topics are key tools in our internal communication. We also carry out regular surveys of our employees.

Securing the supply of qualified junior employees

Trainees: In 2009, EnBW once again provided 334 trainee positions, apprenticeships and joint student placements at its core companies in Baden-Württemberg for training in technical and commercial professions as well as for programmes at universities of cooperative education and universities of applied sciences. Trainees, apprentices and students with good grades are taken on for a limited period of twelve months. There is also an option to offer them permanent employment. Ensuring that these young people are taken on after completing their placement or apprenticeship is a great help in finding and retaining junior employees.

FURTHER INFORMATION
www.enbw.com
› Careers

Student programmes: EnBW works intensively with universities to secure the supply of young talent with an academic background. Among other things, this involvement takes the form of speaker activities, seminars, events, scholarships and foundation chairs. Another important aspect relates to our special programmes to promote high potentials, whereby we maintain close links with especially talented students with a view to offering them future employment. In the fiscal year 2009, a total of 1,000 students were on placement, completing their theses or working as casual workers in EnBW's core companies.

Group trainee programme: EnBW supports trainees with an academic background working within and beyond the group as part of its group trainee programme. Over a period of twelve months, the trainees complete several theory and practice phases in various companies and areas within the EnBW group, including a period abroad and a "hands-on" phase. This allows the trainees to familiarise themselves with the group's value added chain and to develop a comprehensive understanding of the company's business segments.

Employees

Development and advancement: At the annual performance review discussion, the executive and the employee work together to set out tasks, responsibilities and objectives. Also, the discussion centres on planning the employee's personal development. Use can be made in particular of the extensive offering by EnBW Akademie, with seminars on methodology, social and technical competence, events as well as one-to-one training sessions on leadership skills. There are also numerous external offers available. EnBW's job-family programme is one of its internal programmes for developing high potentials. Within the five job families of marketing and sales, grids and distribution, trading and energy industry, support as well as generation and development, employees are prepared for a future management position during the twelve-month programme. Our knowledge relay tool ensures that knowledge and experience are transferred systematically in the event that an employee leaves the company or moves to another department.

FURTHER INFORMATION
Values, goals, strategy
› p. 18f.

Additional offers: In today's world, the world of work and life in general is subject to continuous change. An important part of personal life planning is to strike a balance between one's professional and private life. EnBW combines both areas in order to safeguard the motivation and performance of its employees in the long term. One central component of this approach involves active health promotion and health care for EnBW employees, including company sport groups, an occupational health service, annual vaccination campaigns and physiotherapy offerings.

Remuneration: The agreements concluded in April 2009 for the companies bound by collective agreement until the end of 2010 led to a 3.6% rise in the collectively bargained wage with effect as of 1 April. In addition the employees received a one-off payment of € 1,200 in April. In a second stage, it was agreed that remuneration will increase by a further 2.0% as of April 2010. Furthermore, profit participation bonuses are granted to EnBW employees in recognition of their commitment to the company. The distribution is based on the level of achievement of group-related targets. Negotiations pertaining to the collective framework agreement terminated by the employers' association Elektrizitätswerke Baden-Württemberg at the end of 2008, which had been in effect unchanged in significant respects since 1973, continued in the reporting year 2009. The aim is to put in place a more market-oriented and competitive framework for energy supply companies in Baden-Württemberg.

Executives

The composition of the management team is guided by the requirements for implementing the company's growth strategy. The existing instruments and processes of management development were reviewed in terms of their aims and their effectiveness. As a result, a leadership performance strategy was developed with the Board of Management in 2009. The next steps to establish an annual management process for the targeted development of executives and successor planning involve consistently linking tried-and-tested tools to new or modified approaches such as annual management conventions for the assessment of potential. A new area "Top management support" was set up in recognition of the special role played by top management in the successful management of the company. The aim of this area is to improve the quality of the staffing in these positions in the long term by means of individualised measures and measures geared to target groups. In addition to selecting and preparing executives and junior employees for this level on a requirements basis, this also involves providing support and training for the respective task. We have stepped up our cooperation with EDF, for example with an international management conference for top management.

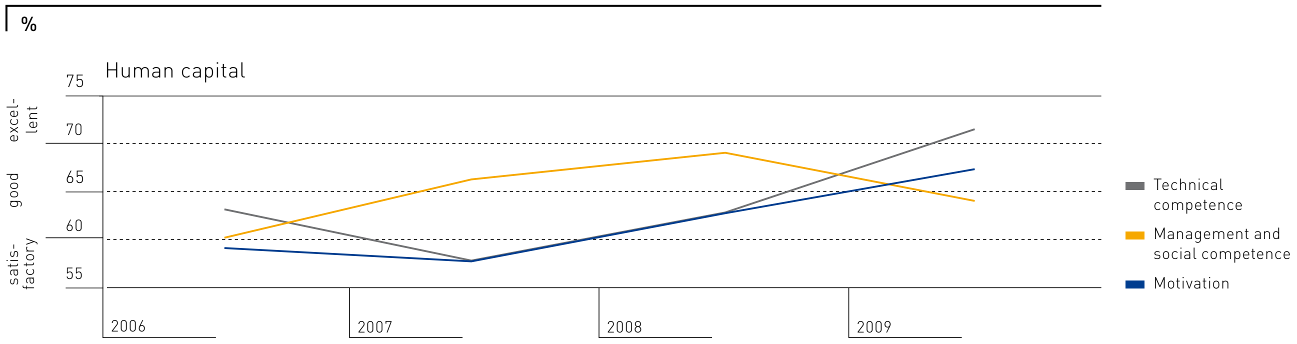
International workforce – successful cooperation with EDF

EnBW attaches great importance to global thinking and action. It has an employee exchange system in place with EDF, whereby employees are assigned to manage the company's subsidiaries. This often involves employees of the two companies working at the respective partner company or at a foreign subsidiary for several years. Another successful model in place with the EDF group is the co-recruitment model. For example, the "We offer a future" programme has been launched for the fourth time in the field of nuclear power. Meanwhile the "connExion" programme, in the area of conventional power stations, is entering its second round. Since early 2008, members of lower and medium management have been exchanging ideas on the topic of grid technology as part of the network twinning programme within the EDF group. The network twinning programme supplements the leadership twinning programme launched in 2004, which was geared towards sales and related areas.

Knowledge sharing and thus the preservation of nuclear expertise at both companies is also furthered by the cooperation between EDF and EnBW on the construction of the new EPR-type nuclear power plant in Flamanville. EnBW has provided a technical director in Flamanville and is directly involved in this respect. In return, the head of the nuclear power generation department at EnBW Holding is from EDF.

Assessment of our intellectual capital: human capital

Development of the factors influencing the intellectual capital of EnBW



Since 2005, EnBW has assessed its human capital using the method “Intellectual Capital Statement – Made in Germany”. The company’s overall rating has been “good” since 2008. Technical competence was rated as “excellent” in 2009. This improvement is attributable to the fact that resources problems in prior years that were linked to the company’s growth and restructuring were resolved by creating new jobs and improving the system for finding and training staff. The rating for management and social competence improved continuously up until 2008 thanks to programmes introduced in the group. The rating deteriorated slightly in 2009, however, with a sharp rise in requirements on account of the company’s growth and the increasing complexity of the business having a negative impact. Management development programmes have not yet succeeded in adequately counteracting this development. The assessment of the motivation of the EnBW workforce has been developing positively since 2007, with the main reasons cited as an improvement in the situation with regard to resources as well as increasing stability after the changes experienced in prior years.

FURTHER INFORMATION
The EnBW Group/ Structural and Relationship capital › p. 73ff.

Research and development

Research, development and innovation are becoming more and more important, not least in implementing climate protection targets. EnBW considers its activities in this area extremely important in order to meet requirements for an environmentally friendly, safe and reasonably priced supply of energy going forward. We are focusing especially on increasing energy efficiency, developing renewable energy sources further and reducing emissions.

Research and development objectives and guidelines

Our research and development work forms the basis for solutions that create added value in our own plants and at our customers and paves the way for sustainable energy supply. EnBW takes a holistic approach in its research and development work. The company realises innovations by using advanced technologies along its entire value added chain, including their use at customers. The aims pursued are to:

- Increase the efficiency of conventional[1] power stations using new materials and improved processes
- Reduce CO_2 emissions by separating, capturing and converting CO_2
- Use more renewable energy sources: bioenergy, geothermal energy, new fuels
- Make electricity grids more efficient using intelligent energy management
- Raise energy efficiency in use: energy for living (heat pump, fuel cell)

We are also involved in international climate protection projects (Clean Development Mechanism (CDM)). EnBW has a lean and powerful structure in the field of research and innovation, which hinges on early cooperation with the world of science, our suppliers and new companies. We want to use this structure to develop innovations that are of practical relevance and contribute to increasing the company's value.

Lean research and development structure

In the EnBW group, every EnBW company is responsible for initiating R&D activities in its own part of the value added chain. The research area integrated in the holding company coordinates and supports the companies in their research efforts. In addition, the research area develops the strategic research objectives and drives the development of higher-level initiatives. EnBW focuses especially on projects that are on the interface to market maturity. Instead of having our own laboratories, we have a close and trusting working relationship with academia and our technology suppliers. We implement new developments in house or at our customers in cooperation with our research partners.

Expenditure, personnel, results

In 2009, research and innovation centred on optimising conventional power plants, tapping further renewable energy sources and expanding local generation, in particular with the additions to fuel cell heating devices in field tests. Research expenditure at EnBW totalled € 32.0 million in 2009 after € 28.9 million in 2008.

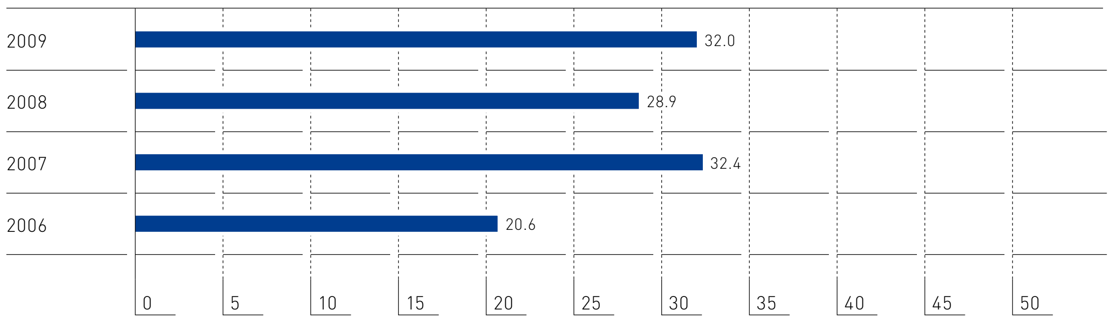
[1] Including thermal and nuclear power facilities.

To cater to our increased electromobility activities, the number of employees involved in research, development and innovation in the EnBW group rose by 20 to roughly 170 in the fiscal year 2009. Some 150 of these work throughout the EnBW companies and also carry out R&D projects in the course of their operational work. There are still 19 employees in the strategic core areas of R&D and innovation located in the holding company, and most of these are engineers and people with a background in the natural and business sciences. They also receive support from numerous students, thus making a contribution to practical training.

Yet another EnBW research project was awarded a prize in the fiscal year 2009: the MeRegio mobile project is one of the five winners of the technology competition "Information and Communication Technology for Electromobility" sponsored by the Federal Ministry of Economics. EnBW is in charge of managing the syndicate for this project. The aim is to develop and build up extensive infrastructure in Baden-Württemberg for the use of electric vehicles and to carry out testing in a regional field test by the end of 2011.

Research expenditure of the EnBW group

in € millions



Incorporating external know-how – together with EDF

The cooperation with universities in the area of research was extended across the entire group and in all group companies in 2009. The most important external research and innovation partners are the universities, colleges and research institutes in Baden-Württemberg, in particular in Hohenheim, Karlsruhe and Stuttgart. Elsewhere in Germany, close ties also exist to universities and research institutes in Aachen, Berlin, Cologne, Cottbus, Darmstadt, Dresden, Düsseldorf and Munich.

In the past year EnBW also reinforced its cooperation with EDF research and the development of numerous new projects with the European Institute for Energy Research (EIfER). The contract volume amounted to € 2.8 million in 2009, distributed amongst 26 projects (2008: € 2.6 million for 29 projects). For example, these include a new bioenergy project, where the cross-border cooperation between EnBW and EDF in Baden and in Alsace is mobilising unused potential in biogas energy generation. EIfER is also supporting EnBW's electromobility activities by optimising processes in setting up the charging stations. This development will be continued in EDF and EnBW's joint cross-border project Klébér.

Selected research and development results

Nuclear power

For many years, EnBW has been involved in nuclear power research in Germany through several joint ventures coordinated by the professional association VGB PowerTech. In 2009, we supported around 130 projects of leading national and international institutes and facilities, most of which span several years. In the first half of 2009, we were able to draw roughly 40 of the 150 projects in progress in the prior year to a successful conclusion. Some 20 new projects were launched during the same period. The majority of these projects relate to current issues of optimising the operation of power stations.

In order to retain and expand its technical knowledge in the field of nuclear power, EnBW supports a chair for plant dynamics and systems analysis at the newly founded Karlsruhe Institute of Technology (KIT) as well as eight scholarships for doctoral work at various research institutes. The subject of the work is the optimisation of nuclear power plants that are in operation, feasibility aspects of nuclear power, improving the design of components for "generation IV reactors" and the behaviour of radioactive materials in different media.

Increasing efficiency in traditional power generation and CO_2 separation

Increasing efficiency in power plant technology is an important issue for EnBW. A higher degree of efficiency automatically results in the use of less coal and in lower CO_2 emissions. A decisive component for increasing energy efficiency in the use of traditional fuel cells is an increase in the steam parameters: pressure and temperature. As part of the research project 725 °C GKM, a pilot plant was set up and put into operation in 2009 to test high-temperature materials with a nickel basis. The aim of this project is to give us information in subsequent years on the long-term behaviour of new and innovative boiler materials under working conditions that we can then use in applying new materials in the construction of power stations, as well as as a basis for designing highly efficient steam-generating stations with steam temperatures of at least 700 °C and pressure of around 350 bar. EnBW is also involved in various projects concerning production, processing and testing procedures for high-temperature materials as well as for classifying materials.

The pre-engineering study NRW PP700 centred on estimating the investment and operating costs as well as assessing the technical and commercial framework conditions for a highly efficient coal power station. The results of the study show that the level of efficiency increases by 3.2 percentage points to a total of 48.2% when the steam parameters are raised from 600 °C/250 bar to 700 °C/350 bar. Further measures to optimise the power plant process can improve the overall effectiveness level to 50.2%.

In 2009, EnBW set up a pilot plant to develop and test the carbonate looping process, i.e. the capturing of CO_2 from flue gas using lime, in an effort to reduce CO_2 emissions from fossil-fuelled power stations. The advantages of the process include the relatively low loss of efficiency and the use of limestone, a familiar material, in the power plant process. The pilot plant was commissioned at the beginning of 2010. The trial run will commence in the first half of 2010, with initial results expected in the course of the year.

EnBW also participated in another project to capture CO_2 from flue gases that was based on the chilled ammonia method (capturing the CO_2 by washing the flue gas using aqueous ammonia). Together with EPRI, ALSTOM, WeEnergy and a total of 37 power plant operators, a pilot plant was attached to a power plant in the US for this purpose. The trial run concluded on schedule at the end of 2009 after the plant had been used successfully. The plant achieved a steady rate of CO_2 capture of more than 7,000 hours at high CO_2 capturing levels. Assessment of the operating and investment costs is still underway.

We continued testing different gas-selective membranes for capturing carbon dioxide in our Rheinhafen thermal power station in 2009. Further tests using larger membrane surfaces should show whether this simple and low-loss method can be used in practice.

EnBW also carried out numerous projects relating to optimising and cutting costs in the operation of power plants. This also applies to the catalysts used in flue gas cleaning. The subject of the DENOPT project was to examine mechanisms that reduce the efficiency of catalysts for the denitrification of flue gases as well as to develop (further) processes for regenerating catalysts. Until the project concludes in the summer of 2010, we will analyse processes in order to determine to what extent it is possible to delay or altogether avoid replacement investments for new catalysts by regenerating old elements. The necessary practical tests will take place in EnBW power stations.

Baden-Württemberg and Bavaria launched the second tranche of the "Power Stations of the 21st Century" projects initiative together with science and the industry in 2009. The total volume of all 50 projects amounts to around € 10 million. The end of the initiative is planned for 2012. EnBW is involved in projects focusing on capturing CO_2, reducing slagging in coal power plant firing systems, developing FLOX burner technology (a combustion process without a visible flame and with considerably lower nitrogen oxide emissions) for pulverised-fuel firing systems and developing nanoceramic protective layers as protection against corrosion on heat exchange pipes in waste incineration plants. Initial results are expected during the course of the year.

International climate protection projects/CDM

EnBW is carrying out a research project in Madagascar in order to render wasteland arable by capturing bio-energy. This can be achieved by cultivating jatropha plants, the fruits of which contain a lot of oil. In addition to cultivating this wild plant on wasteland, the project is hoped to develop a method that facilitates the creation and use of such plantations using the Clean Development Mechanism (CDM). The planting area had reached a size of 1,000 hectares by the beginning of 2010. The plantation can be extended as soon as the political situation in Madagascar has stabilised again.

Tapping new energy sources

Geothermal energy: Energie- und Wasserversorgung Bruchsal GmbH and EnBW Energie Baden-Württemberg AG celebrated the opening of the first geothermal power station in Baden-Württemberg in Bruchsal on 19 December. This plant uses thermal water with a temperature of 120 °C from a depth of 2,500 metres to generate electricity. Bruchsal is one of the few regions in Germany that has a natural reserve of hot water underground that can be transported directly. Although the generation of energy from geothermal heat is based on a simple principle, there are stringent requirements with respect to technology and operation. The power station in Bruchsal constitutes a major step on the road towards using geothermal energy with highly saline thermal waters containing gases. In Germany, these are found in particular in the Upper Rhine rift valley, and this area is being researched as a particularly attractive location for geothermal power stations.

Initial operational experience has been gathered at the geothermal power station in Soultz-sous-Forêts, in which EnBW is involved and which was commissioned in June 2008. Some particularly positive aspects included the high level of availability of the circulation of the thermal water circuit and the advances in materials research regarding corrosion. The power station has now commenced normal operation.

Bio natural gas: The research work on the pilot plant for creating and feeding biogas into the natural gas grid in Laupheim was completed successfully and on schedule. Now that the pilot plant also runs smoothly in continuous operation, there are plans to extend capacities. Based on this project, work commenced on a further plant in Blaufelden-Emmertsbühl. For capacity reasons, bio natural gas plants can often only be connected to upstream high-pressure transmission pipelines which, in many places, run at great distances from the potential locations for biogas generation. In future, a new process can be used to feed the processed bio natural gas directly into the local natural gas grid. At the plant in Blaufelden-Emmertsbühl, the supply line was reduced from 4.8 km to almost 800 m as a result. At the same time it saves costs and energy, as it is no longer necessary to spend time and resources on permanently compressing the bio natural gas for the higher pressure of the transmission pipe. If the volume of the bio natural gas fed into the system exceeds the consumption from the local distribution grid, the excess gas is fed back into the upstream transmission grid at the existing crosspoint using a newly installed compressor. On the basis of the new process, EnBW Gas GmbH assumes that the number of economically feasible locations for feeding in bio natural gas will double in Baden-Württemberg alone. Around 20 million kWh of bio natural gas is to be generated in Blaufelden-Emmertsbühl from the summer of 2010, which would supply more than 1,000 households.

An important aspect of EnBW's research relates to using previously unused biomass flows for energy generation. Among other things, this includes waste from food production. The ETAMAX project commenced in September 2009 and is set to run for five years. The project is sponsored by the German Federal Ministry of Education and Research as part of the initiative "BioEnergy 2021 – Research for the use of biomass". The central focus is on optimising the generation and processing of biogas using new fermentation methods that can work flexibly using different biomasses as the raw material. The biogas yield is also to be increased by using the leftovers from the fermentation process, which have remained unused in the past. The project is to incorporate a small pilot fermentation plant that generates biogas from discarded vegetable waste from the wholesale market in Stuttgart. EnBW is working as part of a syndicate, carrying out biogas-processing tasks and examining the commercial prospects of the process.

Local generation of energy

Under CALLUX, the practical test for the use of fuel cells in domestic properties, 13 fuel cell heating devices have been put into operation since the project commenced in 2008. The companies involved, which include EnBW, intend to have installed around 800 facilities by the end of 2012. EnBW alone is providing a figure in the region of € 10.5 million for the project in order to test fuel cells in private households. EnBW is planning a total of 222 new fuel cell heating devices. Unlike traditional block combined heat and power units, which use combustion motors, the devices generate electricity and heat using a process of electrochemical energy conversion.

The research platform for local generation of energies initiated together with the German Aerospace Centre (DLR) in 2008 is taking shape. The first project started was the development of a micro gas turbine for the use of biogas. The tasks at hand are to adjust the combustion chamber of today's micro gas turbines for the use of biogas and to optimise the plant for better exploitation of the fuel as well as to increase the efficiency of local generation of energy on a small scale. Specific research projects are in preparation for three further concepts for plants using natural gas, biogas and wood gas.

Grids

Since the spring of 2008, EnBW has been successfully using Germany's first environmentally friendly transformer with rapeseed oil insulation in its high-voltage grid. The benefit of using rapeseed oil is that the environment will not be polluted with the mineral oil used to date. The transformer, which is located in Bad Teinach in the Black Forest, transmits energy from the 110 kV high-voltage grid to the 20 kV medium-voltage grid and is running without interruption and without any sign of the insulating oil aging. EnBW is a forerunner in the use of insulating oil that is not harmful to the environment in operating equipment. Vegetable oil could also present an economic alternative to mineral oil or to sulphur hexafluoride. Efforts in 2009 focused on analysing the state of the vegetable oil, and this will continued in 2010. EnBW has also acquired six measuring transformers with biological insulating oil for another area of use and these are also to be examined in a practical test from 2010 onwards. Measuring transformers are used to measure and gauge electrical energy at a high voltage level.

Smart grids/applied energy efficiency

EnBW is the first energy supply company in Germany to use intelligent meters, rolling these out at customers in the autumn of 2008. This idea has since developed further, with the first 100 of a total of 1,000 test households taking part in the "MeRegio" (Minimum Emission Region) research project in early November 2009. The project is sponsored by the Federal Ministry of Economics within the framework of the "E-Energy" tender. By connecting local energy producers (e.g. photovoltaic plants, block CHP units), storage media (e.g. batteries, electric vehicles, heat accumulators) and points (e.g. household devices, heat pumps) to a smart grid, the aim is to make the use of energy more efficient and to reduce CO_2 emissions for an entire region. The central communication unit between the consumption point and the energy supplier is the intelligent electricity meter provided to all test households. The customers will test the flexibility of their own consumption behaviour over the next three years. Thanks to the dynamic rates, the test households will pay less for electricity in periods of low consumption than in periods of high consumption. This four-year research project is to be accompanied by the development of certification for environmentally friendly regions in Germany. EnBW is heading up the project, the partners to which include ABB, SAP, IBM, Systemplan and Karlsruhe Institute of Technology (KIT).

Electromobility: In the field of electromobility, EnBW has set up the first charging stations as part of a pilot project encompassing an initiative sponsored by the federal government to carry out research into electromobility. This is part of the project to develop Stuttgart as a model region. An additional measure will involve providing electric scooters to the city's authorities. A further 500 electric scooters will then be in use after 2010. The objective is to carry out widescale research into use patterns and to test the integration in intelligent energy management. These findings can be used to develop the infrastructure, charging stations and payment systems for the future.

As part of the two-year MeRegio mobile research project, EnBW is working in cooperation with other research partners to investigate the possibility of integrating electric vehicles in a smart home by using intelligent charging stations.

In order to use electric vehicles and fuel cell vehicles, a reliable infrastructure is needed. EnBW is supporting both drive technologies with its technical expertise in power generation and its high proportion of CO_2-free electricity. In order to examine the possibility of establishing a nationwide infrastructure to supply fuel cell vehicles with hydrogen, EnBW founded the joint H_2 Mobility initiative with other representatives from leading industrial companies in September of this year.

Risk and opportunities report

The risk situation of the EnBW group deteriorated in 2009, specifically due to the effects of the financial and economic crisis; some risks have materialised. Group risk management identified risks at an early stage enabling measures to be taken to reduce exposure. We continue to anticipate a further deterioration in the risk situation on the market and in the field of competition. There were no risks to the group's ability to continue as a going concern. At the same time, EnBW sees a wide range of opportunities that we intend to exploit by strategic and operational measures.

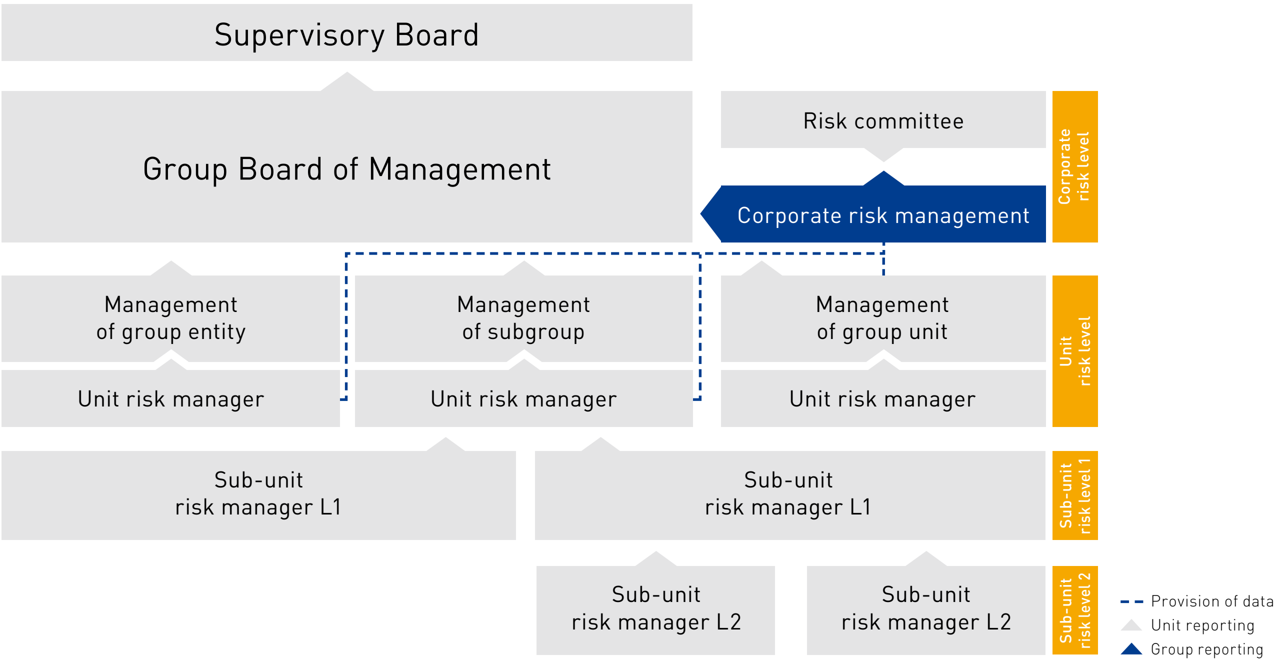
Principles of risk management

The business operations of the EnBW group are constantly exposed to internal and external risks. The risks for the EnBW group can be subdivided into systemic and industry risks, strategic risks, operating risks, IT risks, personnel risks, financial risks and other risks. EnBW's risk management defines risk as a circumstance that can have a negative impact on the results of operations, financial position and net assets of the company and make it more difficult to achieve the operating and strategic targets. In this context risks are events that either can basically be planned, but are still subject to chance, or that are not foreseeable. The risk management of the EnBW group coordinates the proactive and preventive process of managing risk in accordance with the chosen definition of risk and the respective objective. This covers risk identification, risk analysis and assessment, early warning system, risk management as well as risk documentation and reporting. Risk management measures are measures to avoid, reduce or transfer risk, to make provision in the balance sheet for risk or accept the risk. The observation period analysed by risk management generally extends to the medium-term planning horizon. Individual risks to which special importance is attached are taken into account beyond this period. Details of opportunity management and significant opportunities for the EnBW group follow the overall assessment of the risk situation.

Structure and process of risk management

Within the EnBW group, risk management is divided into central and local units. Group risk management, organised at the level of the holding company, defines the methods and processes to be applied throughout the group. One material risk management tool is the risk manual, which stipulates the handling of risks in the entire group. Starting at the level of the individual entities, risks are aggregated along defined reporting lines on the basis of specified reporting requirements and reporting duties. The group risk management department is additionally responsible for reporting risks to the group's Board of Management.

Structure

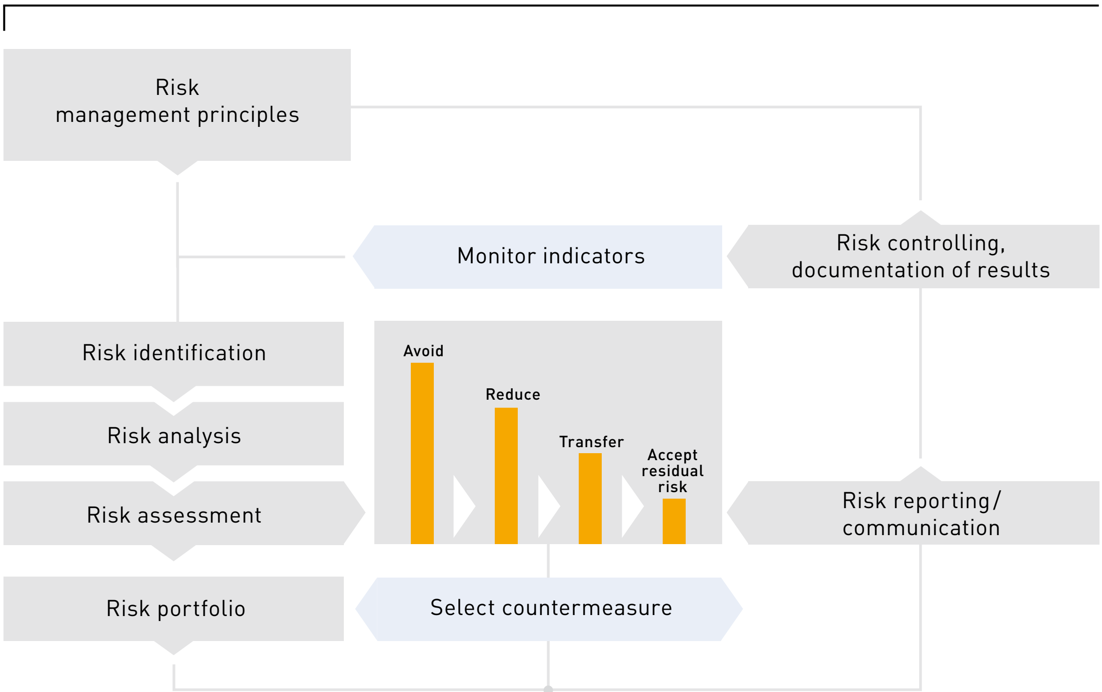


At group level, there is an interdisciplinary group risk committee. This committee addresses questions and issues relating to risk management from various group perspectives and is responsible for the quality of the group's risk report. The group's Board of Management reports on the risk situation at regular meetings with the Supervisory Board. Within the Supervisory Board, the audit committee is specifically responsible for the detailed assessment of the group's risk situation.

The risk management process is integrated in the operational processes of the EnBW group companies and at the level of the holding company as a continuous procedure. The risk management of the EnBW group covers the identification, analysis as well as the assessment and reporting of risks. This process facilitates the early detection of risks in an appropriate manner, whatever the nature of the specific risk. The risk management process covers various stages of reporting and escalation procedure. The materiality threshold for risks is a potential loss of € 1 million. These risks remain with the respective individual entity for risk management at the responsibility of the entity's management. Risks involving a potential impact of € 20 million over the budget horizon or € 10 million in the first budget year are reported to the relevant member of the Board of Management. The group risk threshold is € 50 million. Such risks are presented to the entire Board of Management. A standardised risk report is issued each month. The Board of Management is informed without delay of the occurrence of any acute risk situations needing immediate attention.

Generally speaking, any risks with a probability of occurrence of less than 50% are subject to a review as to whether they have to be dealt with in the next forecast or planning round. As far as possible, accounting measures should be taken for any risks identified as being more probable than not. Furthermore, such risks have to be taken into consideration in the next planning round.

Process



Following the intensification of credit risk management throughout the group with the rollout of a uniform credit risk assessment, we extended the range of risk management instruments in 2009 in light of the financial and economic crisis. The monitoring group to supervise credit risks continually controls the possible consequences arising for EnBW should the ratings of our customers and business partners fall.

The group risk exposure is currently being elaborated on the basis of individual risks established in the course of risk assessment and reporting. The extent of fluctuations in the group's earnings figures is estimated in the form of stochastic models in which various risk scenarios are taken into consideration. This facilitates validation of the group's planning on an ongoing basis, taking into account the general risk situation. As part of establishing the group risk exposure, a process of identifying opportunities was set up in 2009 making it possible to reflect them in the models in addition to risks.

In the fiscal year 2009, the group risk management department continued its cooperation and the close networking with other group management systems, above all the planning and accounting, crisis management and group internal audit systems. This means that group risk management is an essential component of EnBW's internal control system. There is also close cooperation with the compliance function that ensures that legal requirements and corporate policies are adhered to by employees.

EnBW aims to continually fine-tune the available risk management methods and procedures. Our employees' professional expertise with regard to risk management is developed in workshops and events held on a regular basis.

Systemic and industry risks

Economic risks

Economic development: Forecasts of future economic development and the related demand for energy are essential components of EnBW's projection of unit sales of electricity and gas. Any significant negative deviation between actual and projected economic development gives rise to numerous risks for EnBW as was clearly shown in 2009. The collapse of the economy as a whole, specifically the severe decline in industrial production, led to a significant drop in demand for electricity and gas. This is related to lower levels of demand from EnBW customers, giving rise to selling risks on EnBW's sales side, which may lead to the erosion of profit margins. A decline in sales volume also means smaller quantities being transmitted via EnBW's grids and a fall in network revenues in the current budget period. There is additionally the risk that those quantities already purchased for sale will have to be resold if they are not purchased. Depending on the price level on the wholesale market, there is a risk of these quantities being resold at terms below procurement prices. With regard to economic development in 2010, there is a general slightly positive trend, although some uncertainties remain. Risks for EnBW could also arise from an unforeseen economic recovery, as this would mean that additional primary energy sources and electricity would have to be procured.

Allocation of CO_2 allowances: The distribution of the CO_2 volumes defined in the National Allocation Plan (NAP) II does not entail any risk for EnBW in the current planning period as the planning for allocated allowances and any that need to be procured has already been completed. There is uncertainty, however, relating to the third allocation period beginning as of 2013. The allocation process is planned to take the form of an auction of all allowances, but not all details of the auctions are available yet. This means that it is not yet possible to assess the economic consequences for the group. The risk pertaining to the procurement and use of the CO_2 allowances is managed uniformly throughout the group as part of the integrated risk management process. In addition to European allowances, international allowances from the project-based mechanisms defined in the Kyoto Protocol (Clean Development Mechanism and Joint Implementation) are used.

Market development

Almost all assets and transactions of our group entities in the areas of generation, trading and sales 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. Our risk management and risk controlling are based on best practices and are adapted to reflect market developments on an ongoing basis. EnBW Trading GmbH (ETG) has voluntarily committed to comply with the minimum requirements for risk management (MaRisk) prescribed for financial service providers. Compliance with these requirements is reviewed by the auditor during the audit of the financial statements. 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. ETG secures 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 entities along the value added chain and the group's holding company are integrated. The core business of ETG is to market our own generation products, and to hedge them against market price risks, primarily via the wholesale market. Through risk management in the sales function EnBW ensures that the anticipated sales volume is available. 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. ETG generally hedges currency risks from the purchase of fuels which are traded in foreign currency. Opportunities which result from the flexibility of our power stations are continuously optimised on the basis of current market prices. In order to generate additional income, ETG uses its know-how on the energy markets to manage the risks as well as for trading for our own account.

The following significant market price risks are inherent in market development:

In the context of our energy trading activities, the EnBW group enters into energy trading contracts for the purpose of price risk management, optimisation of power stations, load 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, the procurement of coal, gas and oil as fuels and the procurement of emission allowances. Furthermore, the EnBW group 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. As of 31 December 2009, the nominal value of all energy derivatives totalled € 36,264.7 million. The market value of all energy derivatives as of the same date was € –249.5 million.

The EnBW group has exposure to foreign currency risks from procurement and hedging of prices for fuel needs, as well as gas and oil trading. In addition, the EnBW group has currency risks arising from liabilities denominated in foreign currency. The currency risk is hedged with the help of appropriate financial instruments – in the reporting period forward exchange contracts in particular – on the basis of continuously monitored exchange rate forecasts. The EnBW group 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 risks are only hedged against exchange rate fluctuation in exceptional cases. EnBW AG is mainly exposed to currency risks from liabilities denominated in Japanese yen and Swiss francs. These are mostly hedged using suitable financial instruments, including swaps.

The EnBW group and also EnBW AG use 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. On the assets side, there is interest exposure to 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. For the EnBW group and EnBW AG, these risks are mainly in the euro area.

The nominal volume of interest and currency derivatives amounted to € 3,425.2 million as of 31 December 2009. These derivatives had a total market value of € –18.5 million.

Competitive and price risks: The price risk has grown in the gas segment. The main drivers of this risk item are more intense competition and the development of the oil price. Not only the number of competitors is on the increase but also the aggressiveness of their pricing practices. Similarly, we are also exposed to strong and dynamic competition in the electricity segment, which may well increase our exposure to quantity and price risks. The increase in network costs may constitute a risk to earnings from sales if these costs cannot be passed on to customers.

Energy needed to cover grid losses: EnBW's grid companies have to purchase on the market any energy lost during transmission through the networks. While the amount of energy needed to cover grid losses can be estimated quite accurately based on past experience, the market prices for purchasing from other sources are highly volatile. The risk for the EnBW group is that the purchase costs may exceed the budgeted prices. In contrast to the prior year, in 2009 EnBW Transportnetze AG (TNG) was able to obtain energy to compensate for energy lost at prices below our budgeted prices due to the low level of prices at the time of procurement.

Political and regulatory risks

Third European energy liberalisation package: The third energy liberalisation package was passed at European level in June 2009. In contrast to the original draft, it provides for the option of alternatives to ownership unbundling of transmission networks. This means that governments retain the options of creating independent system operators and independent transmission operators ("third way") when transposing the packages into national law. This in turn means that the sale of the transmission networks is no longer mandatory, thus mitigating the risk situation for EnBW.

Directive on industrial emissions: The tightening of the maximum limits for nitrogen oxides and sulphur dioxide for industrial plant was discussed at the level of the European Union in 2009 and the drafting of a directive on lowering the emissions threshold has begun. The current schedule provides for a second reading in parliament in January 2010 and for the legislation to be passed in the summer of 2010. Depending on the thresholds chosen, this may mean that EnBW will need to retrofit some of its existing facilities. The volume of investments necessary will depend on the number of facilities affected and the technical details in each individual case.

Amendment to the Renewable Energies Act: An ordinance on the cost allocation mechanism under the German Renewable Energies Act (EEG) was passed, stipulating financial transfer as the chosen method. Uncertainties in the marketing of renewable energy and the forecasting of cost allocation under the EEG contain risks both for transmission system operators and sales functions. While transmission system operators have to pay a fixed price for renewable energies fed in, they sell the electricity in the wholesale market at a price that cannot be predicted in advance. The sales functions pay an EEG cost allocation as compensation to the transmission system operators. Short-term risks arise for the transmission system operators if the cash flows are not settled in the short term. The cash flows are netted with a time delay of two years. The sales functions incur planning risks as the EEG cost allocation for the following year is not established until after the budget has been finalised.

Network user charges: As part of incentive regulation, an individually set cap on the revenue from network user charges was imposed on all electricity and gas network operators in Germany over four and five years for gas and electricity grids, respectively, effective as of 1 January 2009. The revenue caps specified by the Federal Network Agency for EnBW are generally above the 2008 network user charges, the ones most recently approved. This allows us, in principle, to anticipate a positive effect on revenue for the current fiscal year. Following the rulings by the Federal Court of Justice (BGH) of August 2008, it is expected that the absorption of surplus revenues will cause a burden on revenue as of 2010. This relates to surplus revenue generated by network operators over the period from 1 November 2005 until the network user charges were approved in 2006. We continue to pay close attention to how incentive regulations, and any other potential regulatory measures, will be structured.

Abuse proceedings relating to balancing energy: The abuse proceedings by the Federal Network Agency against the transmission system operators in Germany are still pending. The object of the proceedings is the balancing energy purchased by the transmission system operators. The Federal Network Agency is investigating the system-related contradirectional non-harmonised use of balancing energy between the four German balancing zones. Should the Federal Network Agency find this practice abusive, there is a risk that some of the costs incurred for balancing energy since 2006 by our transmission system operator, TNG, might not be recognised and reduce network user charges in future periods. Optimised network operations were introduced to reduce the amount of contradirectional non-harmonised use of balancing energy in future. It will be necessary to await further procedure on the part of the Federal Network Agency.

Anti-trust pricing reviews: The attention of the anti-trust authorities turned towards pricing in the area of district heating in the course of 2009. EnBW has also received a disclosure notice under the sector survey. The investigation proceedings are not based on a concrete suspicion against our companies and do not constitute abuse proceedings. We are in contact with the respective anti-trust authorities in this context. In the area of heater current, none of the entities of the EnBW group are affected by the anti-trust review but are being used as a benchmark only because of their favourable pricing levels.

Strategic risks

Viability of investments: One of the cornerstones of the group's strategy is an extensive investment programme. As is the case with any business undertaking, EnBW's strategic development involves risks by its very nature. Development opportunities always harbour the risk of a potential loss of income. In general, the latter arises from a misinterpretation of customer requirements and framework conditions as well as technological misjudgements. In implementing strategic projects, there is also a risk that the phase of economic viability may not be reached at all or only with a delay. In this respect, construction projects in the area of generation capacities entail three basic risks: Large-scale projects are subject to approval by the authorities which may be delayed in some cases and projects may have to be abandoned if approval is not forthcoming. As a consequence, any investments already made will have to be written off. In addition, there is an noticeable trend of subsequently questioning the legality of approvals that have already been issued. The current market environment may give rise to financing risks with consequences for the overall costs of the project. Furthermore, the implementation phase of a project generally entails quality, deadline and cost risks. EnBW's objective is to counter these risks by playing a proactive role in drafting contracts and performing comprehensive claim management.

Equity investments: EnBW's growth strategy also involves equity investments. By their very nature, there always are uncertainties as to the success of a transaction or the subsequent integration of the company in the group. Furthermore, we are exposed to the risk of equity investments being impaired due to uncertainties as to assumptions on the future development of the business. This applies to newly acquired equity investments in particular, but is also valid for existing ones. EnBW's investment programme not only involves acquisitions but also extends to the sale of assets and companies. In this respect, there is a general risk of it not being possible to obtain adequate sales prices on the market.

Renewal of franchise agreements: A franchise agreement is a contract between a municipality and an energy supply company granting the energy supply company the right to lay and operate lines on public roads in order to directly supply end consumers within the municipality. In return the municipality receives a franchise fee. Upon expiry of a franchise agreement, the municipality has the right to commission other energy suppliers to operate the network, who then buy the network from the previous network operator. Some 400 electricity and gas franchise agreements within the network territory of EnBW and its main equity investments expire by 2013 and are up for renegotiation. The loss of a franchise territory may have detrimental impact on the capitalised earnings value. There is the additional concern that customers will be lost to the new franchisee as a consequence of the more intense competition. There is generally more interest by third parties in the franchises we hold. At the same time, towns and municipalities are increasingly demonstrating an interest in returning their electricity, gas and water supply networks to public ownership. These moves back to municipal ownership additionally increase this risk. EnBW underlines its role as a strong partner in Baden-Württemberg through active franchise agreement and relationship management with regard to towns and municipalities. In 2009, 300 franchise agreements were successfully renegotiated and concluded. This means that the EnBW group has managed to maintain virtually the same number of franchises despite the increased competition with municipal utilities.

Status of franchise negotiations in the EnBW group

Franchise agreements concluded in 2009		
Electricity	existing	192
	new	1
Gas	existing	104
	new	4
Franchise agreements expiring between 2010 and 2013		
Electricity		312
Gas		68

Operating risks

The production processes along our value added chain in the business segments of the EnBW group require complex and highly specialised technical equipment. Our objective is to avoid damage to our plants and minimise downtimes. Our measures to manage internal risk include the use of cutting-edge technology, proper maintenance of our equipment and staff training. Despite the high standards, it is not possible to rule out risks completely. Risks due to external factors are more difficult to ascertain, as external effects tend to impact our processes very rapidly and unexpectedly. Nevertheless, we strive to counter such risks with preventive measures.

The economic effects of operating risks are minimised, among other things, by taking out insurance if this is possible and economically justified. Every year, we analyse the effectiveness of the insurance cover and any additional requirements to guarantee that we are adequately insured should damage to property occur. We select the amount of the deductible based on what makes economic sense. Business interruptions, particularly of power plants, can significantly impact the operations of the group, depending on how long they take.

Power station dismantling: Long-term and complex large-scale projects such as dismantling Obrigheim power station generally involve exposure to risk. In this context, special focus is put on the technical, regulatory and market risks that jeopardise budgets and schedules. The dismantling work is currently on schedule.

New power stations: EnBW's current construction projects include power stations in Karlsruhe, Mannheim (through the shareholding in Großkraftwerk Mannheim AG), Eisenhüttenstadt and Rheinfelden. EnBW is further expanding its generation capacities in the field of renewable energies. Investment projects of this scale and complexity are exposed to risks relating to quality, cost and deadlines that we counter with a closely meshed project risk management.

New ice load map: In connection with the introduction of a new ice load map for high and extra-high-voltage networks, the German Commission for Electrical Engineering (DKE) published a draft standard at the beginning of 2008. This standard defines the technical requirements for pylons and overhead lines for ice load bearing capacity on the basis of geographical elevation, irrespective of the actual condition of the networks. An amended draft map has been prepared in the meantime in cooperation with EnBW's grid companies, among others. Publication has been delayed, nevertheless, following objections by other grid operators. Until the map is approved there remains a risk as the related requirements have not yet been finalised.

IT risks

Communication and information systems are of central importance for the smooth running of a large number of EnBW's business processes. Accordingly, high priority is given to avoiding malfunctions in the IT networks and applications and supporting the implementation of processes in the best possible way. The provision and integration of software and hardware solutions is organised centrally. IT security is given high priority throughout the group.

We minimise potential IT risks by means of high security standards. The EnBW group principles for security in information and communication technology (EKSIT@) are an integral part of those standards. These are a group-wide binding set of rules for the use of our information and communication systems. Special importance is attached to IT security, data protection and data security. Our guidelines are based on international and industry-specific security standards.

Applications in the IT network are protected according to their significance and the assigned level of protection. Service level agreements require IT service providers to guarantee that the requirements are met. The IT risk is assessed by comparing the status required with the level of protection installed. The variance is used to derive any measures necessary for the further development of the IT systems in order to create the required level of security. The ongoing analysis and evaluation process involves IT managers as well as risk managers and is accorded high priority.

Personnel risks

The employees of the EnBW group make an essential contribution to the company's development. For this reason, EnBW is exposed to the risk of not having a sufficient number of employees with the necessary qualifications to meet operational and strategic requirements. This risk arises from competition from other companies on the labour market and is exacerbated by demographic developments. EnBW counters this risk with numerous internal personnel development measures and positioning the company as an attractive employer. The EnBW employer brand was redefined in numerous workshops in 2009.

There is a remuneration risk stemming from collective wage agreements differing from budgeted personnel expenses. The 2009 collectively bargained agreement fixes employee remuneration until December 2011. New collective bargaining agreements are expected for the period thereafter. The uncertainty concerns the amount and term of the collectively bargained wages and salaries in the planning period.

Financial risks

Counterparty risk

Counterparty risks chiefly arise from over-the-counter (OTC) transactions employed to safeguard and optimise power station capacities in the trading sector and from customer business. On the trading side, counterparty risk consists of settlement risk and mark-to-market risk. Settlement risk arises from unsecured receivables from trading partners. This risk also exists with regard to customers in connection with the group's sales activities. The mark-to-market risk arises from the market valuation of open positions in the trading portfolio. This means that the risk of default on the part of a trading partner consists of potentially having to repurchase the position at the then current market prices.

Counterparty risk is excluded by clearing transactions through energy exchanges such as the EEX or ICE and the necessary clearing bank. Bilateral margining agreements in the trading sector involve the provision of collateral for existing counterparty risks, thereby actively limiting the counterparty risk from the business relationship and keeping it to a reasonable level. For trading partners on the OTC market, we define credit limits on the basis of their credit standing. Counterparty risk is established and adherence to the line of credit and spread thereof are monitored on a regular basis. ETG generally enters into transactions on the OTC market on the basis of master agreements, as published by the European Federation of Energy Traders (EFET), the International Swaps and Derivatives Association (ISDA) or the International Emissions Trading Association (IETA), for example.

The number of company insolvencies is anticipated to grow in the wake of the economic crisis leading to an increase in the risk of bad debts. Increased delays in the payment of receivables is also budgeted. This effect may even occur with a time lag after the economy has bottomed out which means that the full scope of the impact will not be felt until some time later. EnBW limits the potential negative impact by means of active management of customer and trading partner credit risks. The increasing number of company insolvencies leads to uncertainties regarding future obligations from the cross-industry pension guarantee association.

Financing and liquidity risks

Liquidity/financing: Owing to our stable financing with own funds and the contractually approved lines of credit, EnBW was able to cover its funding requirements at all times in the fiscal year 2009. From the current perspective, no refinancing will be required in 2010. Furthermore, we do not perceive any liquidity bottlenecks on the external markets.

Asset management

In pursuit of its conservative cash investment strategy, EnBW is guided by the aims of achieving a good credit standing, a high level of liquidity and broad diversification of the investments. We continued to pursue this strategy in 2009. In 2009, there was a heightened risk of impairment with regard to the portfolio of securities in connection with the negative market development. This risk became reality in some cases. It decreased again, however, as prices started to rise again. Irrespective of this, the nature of the markets means that there remains a risk of target returns not being achieved as well as other impairments. The value at risk determined per security as of the balance sheet date is € 103.2 million (95%/10 days). In the prior year, this figure came to € 107 million (95%/10 days).

The volatile financial markets mean that our financial assets are subject to price risks and other risks of potential losses. Impairment losses have to be recognised on securities if these risks lead to a significant or prolonged decline in the fair value of these investments below their cost. In fiscal 2009, impairment losses due to a significant decline in fair value totalled € 57.0 million (prior year: € 89.1 million). No impairment losses had to be recognised due to a prolonged decline in fair value in fiscal 2009. If the capital market environment remains unchanged in 2010, there is a risk that impairment losses of a high eight-digit figure will have to be recognised on the portfolio of securities held as of the end of the reporting period due to a prolonged decline in fair value.

Other risks

Legal risks

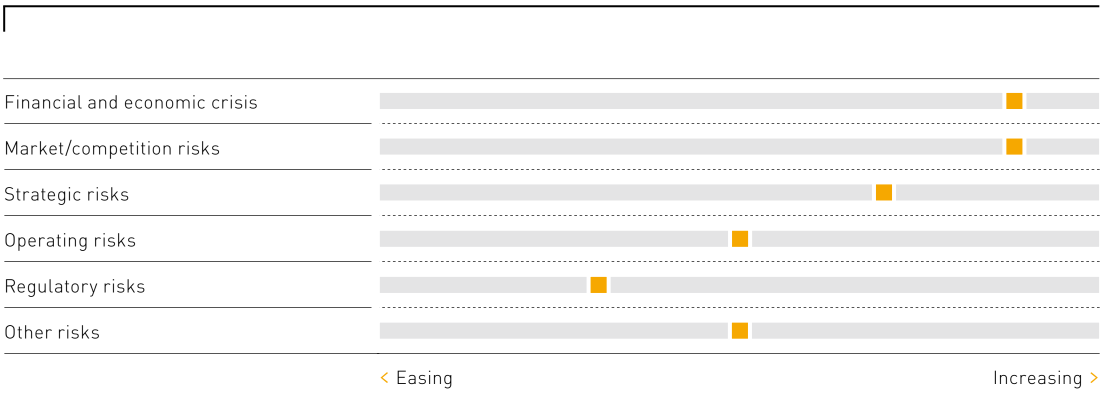
EnBW's entrepreneurial activity brings with it a series of legal risks from our contractual relationships with customers and business associates and from regulatory developments. In the operating business, the main risks relate to the pricing of energy supplies (in particular Secs. 315, 307 German Civil Code (BGB)) and the conditions for network usage and power plant operation.

In the meantime, the Federal Court of Justice (BGH) has issued rulings on a range of issues relating to price adjustment clauses. Unfortunately, not all open issues have been resolved by existing supreme court rulings. Where necessary, the price adjustment clauses employed by the EnBW group have been reworded to reflect more recent court rulings. Besides civil law disputes with business partners, anti-trust and regulatory measures play a role here. Particular mention should be made of the anti-trust pricing reviews under Sec. 19 and 29 German Act against Restraints on Competition (GWB) being performed as part of the sector surveys. Court cases and other legal disputes are mainly in the field of civil law. There is also litigation in the area of public law relating to matters of great economic significance. Adequate risk provisioning has been made with the approval of the departments concerned and the legal department.

Overall assessment

The ongoing development of the risk management system continued in 2009. The economic impact of risks is assessed on a regular basis. The risk situation of the EnBW group deteriorated in the course of 2009 mainly due to the consequences of the financial and economic crisis.

Development of the risk position in 2009



The risks from resale and decreased sales – which have become reality in some cases – had a perceptible impact on earnings. Extraordinary burdens on earnings arose from impairment losses on financial assets and bad debt allowances on receivables. The EnBW group's risk management system identified risks at an early stage, enabling measures to be taken to reduce exposure. The risks arising from the economic and regulatory environment are expected to ease somewhat in the foreseeable future. In contrast, we anticipate an increase in competition and market risks that may impact the net assets, financial position and results of operations of the EnBW group. Furthermore, there is an increase in project-related risks due to the greater number of investment projects.

We employ operational and accounting measures to mitigate potential risks to the group. Provisions and impairments in the accounts allow for risks where the probability of occurrence is high. Current projections take account of material risks.

In 2009, 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.

Risk management system

In 2009, the group risk management function again informed the EnBW Board of Management and the management of the group companies and heads of corporate functions of the current risk situation in detailed quarterly reports and monthly risk change reports. Where unforeseen risks occurred, we provided decision-makers with ad hoc reports. The EnBW Board of Management in turn provided the EnBW Supervisory Board with detailed quarterly reports on the group's current risk situation. In accordance with the German Corporate Governance Code, the audit committee dealt at its meetings with risks which can have a significant influence on the results of operations, financial position and net assets of the group.

The risk management system within the group and at the individual entities is regularly reviewed by the internal audit function – both in terms of compliance with legal requirements and also in terms of the way it works and how effective it is. In addition, the early warning system for the detection of risk is likewise reviewed by the independent auditor on a regular basis.

Opportunity management

General

Opportunities for EnBW are constantly opened up by its activities and developments in its operating environment. Such opportunities range from fundamental decisions relating to energy policy at European level through to suggestions made by an individual employee under the company-wide suggestion scheme. Opportunities contribute to the company's success when they are recognised early and exploited effectively. EnBW firmly believes that the advantages of a competitive market benefit its customers. For this reason, all employees, irrespective of their area and level of responsibility, are encouraged to think and act entrepreneurially, to constantly search for and exploit any opportunities as they arise. At operating level, this enables the group companies to identify opportunities that might materialise in the form of above-budget earnings performance in the course of operating activities or due to an improved market environment or other external factors. Furthermore, the group strategy function is responsible for cooperating with EnBW's market entities to systematically identify and assess any strategic opportunities arising within EnBW or its environment and to develop measures to exploit them. EnBW's Board of Management discusses strategic opportunities on a regular basis.

Categories of opportunities

Opportunities may arise anywhere within EnBW's sphere of operations or in the course of a specific activity. Opportunities and risks are often two sides of the same coin. Opportunities arising from developments in the company's environment can be broken down into opportunities from changes in the political and regulatory environment, opportunities arising from the general economic situation and opportunities from market and technological developments. Changes in the prevailing conditions may be more or less relevant to EnBW in comparison to competitors. Some selected, company-specific opportunities are detailed below.

Company-specific opportunities

One significant external opportunity for EnBW is the potential revocation of the reduction in working lives of nuclear power plants decided by a previous government. EnBW's electricity generation portfolio has an above-average share of CO_2-efficient generation capacities based on nuclear and hydro-electric power. Depending on the exact wording of the regulations on the use of nuclear power, this may have a positive effect on the earnings of the EnBW group. One of the ongoing opportunities arising from corporate strategy is EnBW's tradition of working together with other companies and organisations as equal partners. EnBW's strong position in the region of Baden-Württemberg, for example, is based on the close links to OEW, one of its core shareholders. The collaboration in partnership with EDF enables EnBW to make use of a wide range of opportunities on the European and global markets. The decision made in 2008 to take a shareholding in EWE offers areas for cooperation, opening up the possibility of exploiting synergies in the areas of purchasing, trading, IT, gas, Turkey and renewable energies.

There are further opportunities inherent in EnBW's corporate strategy as a result of seeing itself as an energy consultant and energy service provider. The topic of energy efficiency plays a decisive role in this context. The growing importance of the topic of energy efficiency is expected to provide EnBW with potential for growth. It has expressed its strong commitment in this field for many years now and already provides a whole range of products and services with concrete benefits to customers. EnBW is aware of its responsibility for climate and environmental protection. It therefore champions a broad energy mix to make good use of a range of fuels. Our electricity generation portfolio increasingly relies on renewable energies such as wind and hydro-electric power; 68% of our own generation capacity is already CO_2-free. The expertise gain in this area opens up additional business opportunities in this field.

The penetration of new fields of business by EnBW can similarly be seen as an opportunity resulting from the right corporate strategy. For example, it is pressing forward with holistic solutions in the field of electro-mobility that are seamlessly linked to the smart home concept. We see intelligent products as an opportunity to open up completely new sales markets for EnBW electricity and heating. Entering new markets offers EnBW further strategic opportunities. In this context, EnBW is focusing on selected countries in central and eastern Europe as well as Turkey. In comparison to Germany and the rest of western Europe, these countries only have a low level of economic output, but are much more dynamic. EnBW sees an opportunity to participate in this dynamic growth through local investments.

Overall assessment of the economic situation of the group

The EnBW group's economic situation remains sound, despite the difficult conditions prevailing in 2009. EnBW's results of operations – measured as adjusted EBIT – reached the prior-year level in spite of the decline seen in the unit sales of electricity and gas. The electricity generation and trading segment was the mainstay of results of operations. Adjusted group net profit, by contrast, was burdened by the financial crisis and higher finance costs and failed to match the prior-year figure. A clearly positive free cash flow is proof of the company's financial strength.

With its investment and growth programme, EnBW has reinforced its position as Germany's third-largest energy supplier. We are also expanding into selected countries, mainly in central and eastern Europe as well as in Turkey. Our aim is to achieve a balanced business portfolio in order to hold our own in the face of intensifying competition and a persistently high level of political and regulatory uncertainty. At the centre of our strategy is a comprehensive investment programme, which we have pursued consistently even in difficult times. The capital expenditures and acquisitions made in 2009 set the stage for future growth at EnBW. Efficiency measures are put into practice on an ongoing basis under the !mpuls programme.

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The investment programme does, however, place great demands on EnBW and has led to an increase in net financial liabilities. In addition to its internal financing power from cash flow from operating activities, EnBW was able to raise funds on the capital market successfully in 2009 by issuing two bonds with a total volume of € 1.35 billion. The group's financial headroom also includes further, previously unused financial instruments. In addition, we are considering a number of divestitures with a potential volume of up to € 2.8 billion. We are currently in the final phase of negotiations with one bidder for our investment in GESO Beteiligungs- und Beratungs-AG. The company's ratings are still in the targeted A region. Two of the three rating agencies, Fitch and Moody's, give EnBW a stable outlook. We consider the group's financial position to be sound. We believe that the EnBW group will be able to maintain a strong operating performance in the future, which will allow us to distribute a high dividend to our shareholders without touching the substance of the company.

The existing regulations on reducing the working lives of nuclear power plants will have a negative effect on the economic situation of EnBW. Depending on how the upcoming negotiations about revoking the reduction of working lives end, these effects might be mitigated. Despite the improved general economic conditions, low prices on the wholesale market for electricity could put a damper on the company's earnings power.

Remuneration report

The remuneration report contained on pages 230 – 240 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.

Subsequent events

Since notifying the Federal Anti-Trust Office of its decision to sell GESO Beteiligungs- und Beratungs-AG, EnBW has in the meantime chosen Technische Werke Dresden (TWD), a wholly owned subsidiary of Dresden, the capital of the German state of Saxony, as preferred bidder. All further negotiations are being held exclusively with TWD with the aim of concluding a purchase agreement in the near future. EnBW and TWD have agreed to maintain secrecy regarding further details of the status of negotiations. Towards the end of January 2010, EnBW AG contributed its 100% shareholding in GESO Beteiligungs- und Beratungs-AG into EnBW International Finance B.V. in return for the issue of new shares in order to strengthen the latter's financing power.

In January EnBW signed an agreement to prematurely terminate a long-term electricity supply agreement with a foreign contracting partner. The agreement is effective subject to conditions precedent. Provided the conditions precedent are satisfied, EnBW will receive an eight-digit compensation payment, which will be recognised as non-recurring income in the fiscal year 2010.

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

In the following, the Board of Management provides the information prescribed by Secs. 289 (4) and 315 (4) German Commercial Code (HGB) and explains this in accordance with Secs. 176 (1) Sentence 1 German Stock Corporations Act (AktG).

Composition of subscribed capital

The subscribed capital of EnBW Energie Baden-Württemberg AG (EnBW) amounts to € 640,015,872.00 and is divided into 250,006,200 no par value bearer shares with an imputed value of € 2.56 each.

Restrictions relating to the voting rights or transferability of shares

Dated 17 April 2009, Electricité de France (EDF) published the 2008 reference document issued for the French financial market supervisory authorities (Autorité des Marchés Financiers) in which it also reported on the agreements made between EDF and Zweckverband Oberschwäbische Elektrizitätswerke (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 possibilities open to 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, suggest candidates for the election of shareholder representatives on the Supervisory Board, which has 20 members, and will seek to use their votes to have four members based on the EDF suggestion and three, including the chairman of the Supervisory Board, based on the OEW suggestion. 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 may only sell restricted shares (= 25.005% of EnBW's 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 such third parties are 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%

E.D.F. INTERNATIONAL SA, which is based in Paris (France), and OEW Energie-Beteiligungs GmbH, which is based in Ravensburg (Germany), each hold 45.01% of the share capital of EnBW as of 31 December 2009.

The sole shareholder of E.D.F. 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 E.D.F. INTERNATIONAL SA.

The sole shareholder of OEW Energie-Beteiligungs GmbH is Zweckverband Oberschwäbische Elektrizitätswerke with registered offices in Ravensburg. The latter therefore has an indirect shareholding of 45.01% in EnBW's share capital via OEW Energie-Beteiligungs GmbH.

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 German Stock Corporations Act (AktG) in conjunction with Sec. 31 German Co-determination Act (MitbestG), responsibility for the appointment and dismissal of members of the Board of Management rests with the Supervisory Board. This competence is stipulated in Art. 7 (1) Sentence 2 of EnBW's articles of incorporation and bylaws. If under exceptional circumstances a required board member is missing, Sec. 85 German Stock Corporations Act (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 German Stock Corporations Act (AktG). The specific rules of procedure are contained in Sec. 179 and 181 German Stock Corporations Act (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 option pursuant to Sec. 179 (1) Sentence 2 German Stock Corporations Act (AktG) is 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) German Stock Corporations Act (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 German Stock Corporations Act (AktG) to purchase treasury shares. The company may purchase treasury shares only on the basis of other reasons justifying acquisition in accordance with Sec. 71 (1) German Stock Corporations Act (AktG). As of 31 December 2009, 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 German Stock Corporations Act (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. The treasury shares held by EnBW do not grant the company any rights in accordance to Sec. 71b German Stock Corporations Act (AktG).

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

The following 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 and Sec. 315 (4) No. 8 German Commercial Code (HGB).

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A syndicated facility agreement for a line of credit of € 2.5 billion, which had not been drawn by 31 December 2009, and a bilateral long-term bank loan of € 500 million 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.

In the event of a change of control at EnBW, EnBW is required to offer its shareholding in EWE Aktiengesellschaft (EWE) to EWE's municipal shareholders, Weser-Ems-Energiebeteiligungen GmbH and Energieverband Elbe-Weser-Beteiligungsholding GmbH. The purchase price is the market price as determined by an expert appraisal. A change of control is deemed to have taken place when a shareholder other than EDF or OEW directly or indirectly obtains the majority of the voting rights. Nos. 4, 5 and 9 of Secs. 289 (4), 315 (4) German Commercial Code (HGB) were not relevant for EnBW in the fiscal year 2009.

Key features of the financial reporting internal control and risk management system

In the following, the Board of Management provides the information prescribed by Secs. 289 (5) and 315 (2) No. 5 German Commercial Code (HGB).

Principles

EnBW's financial reporting internal control system (ICS) serves to ensure that the financial reporting is reliable and in compliance with laws and regulations. In order to guarantee that the ICS is effective, the group-wide control mechanisms are tested at entity and group level in terms of whether they are suitable and functioning. This process creates the requisite transparency in order to identify any existing control weaknesses, consider their relevance for the financial statements and remedy them on a timely basis. The ICS methodology in the EnBW group is based on the COSO standard, an internationally accepted framework for internal control systems.

The financial reporting ICS qualifies as effective if the control mechanisms reach a standardised and monitored degree of maturity and there are no material control weaknesses. The degree of maturity relates to the understanding of an ICS and the level of implementation of the group-wide ICS methodology at the group entities. Materiality of control weaknesses is measured as the probability of occurrence and the extent of a potential misstatement in proportion to the financial statement items concerned.

The financial reporting risk management system is a component of the financial reporting ICS and encompasses measures for identifying and assessing risks that jeopardise the objective of financial statements in accordance with law and regulations.

An ICS cannot provide absolute assurance that the associated objectives are met or of completeness. The effectiveness of the ICS can be impaired in exceptional cases by unforeseeable changes in the control environment, fraud or human error.

In order to ensure that the financial reporting is reliable, the ICS is designed as follows with respect to the financial reporting process.

Structure

EnBW's ICS is organised at a central and local level. All major entities have an ICS officer, who monitors the effectiveness of the ICS at entity level and evaluates any control weaknesses as they occur. An ICS report is prepared for the entity on an annual basis and approved by the entity's management.

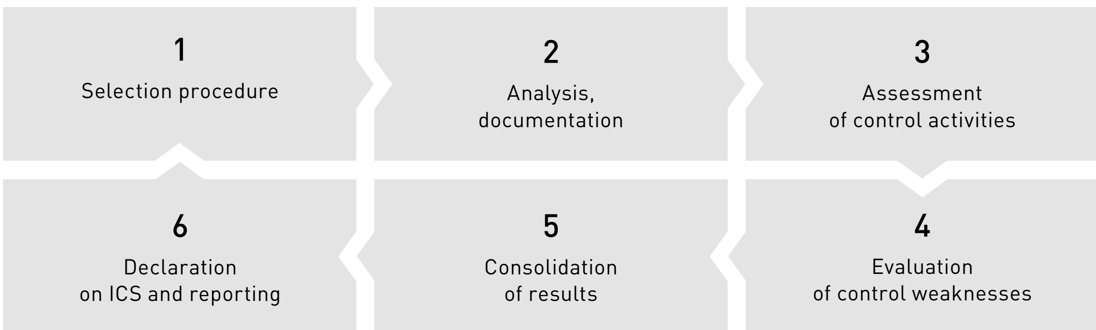
The ICS officer at group level assists the entities with implementing a harmonised approach and consolidates the data surveyed. A consolidated ICS report for the group is provided to the group's Board of Management every year. This report forms the basis for the group's Board of Management in its reporting to the audit committee set up by the Supervisory Board.

Organisational structure of ICS financial reporting

Process

The ICS has an annual cycle to monitor that documentation is up to date, that the controls are suitable and functioning and identify and assess any control weaknesses.

ICS stages at EnBW



Financial reporting risk management (phase 1)

Financial statement items that are material from the group's perspective as well as relevant entities and processes are identified on the basis of quantitative and qualitative risk indicators in a risk-based selection procedure.

As part of this central selection procedure, the relevant financial statement assertions are defined from the group's perspective. They concern those risk areas of the financial statement items identified that are material from management's perspective. These "risk-based" financial statement assertions are then used as a basis to derive specific control objectives for each financial statement item. The control objectives are requirements in order to cover the material financial statement assertions of the relevant items and thereby counter the risk of misstatements in financial reporting.

System of internal control over financial reporting (phases 2 – 6)

In order to make sure that all control objectives defined in the central selection process are covered, processes and control activities are documented and analysed in detail for all entities that are considered to be material. The documentation phase is followed by an assessment of the effectiveness of the control activities. The activities are evaluated in terms of whether they are suitable for achieving the defined control objectives. The identified controls are also checked to establish that they are functioning properly. The implementation of controls and appropriate documentation of the same is monitored at defined intervals. If the assessment of suitability and functioning reveals any control weaknesses, the effects of those weaknesses on the financial statements are evaluated. The results are presented in a report at entity level and in a consolidated report for the group. These reports serve as the basis for reporting to the audit committee.

Ensuring compliance with laws and regulations

Standardised processes are in place to ensure completeness and consistency in the preparation of the financial statements and financial reporting. The financial reporting ICS defines controls designed to guarantee compliance with the group's accounting policies, the entities' accounting guidelines and procedural instructions as well as deadlines for the individual accounting processes.

Forecast

EnBW aims to improve the key financial indicators relating to operations in the medium term through organic as well as external growth. Due to the current decision to reduce the working lives of nuclear power plants and the uncertain political, economic and regulatory environment, for the short term we anticipate adjusted EBIT to match the level of the prior year in 2010.

To the extent possible, our forecast takes an in-depth look at the expected future development of EnBW and the environment we work in for the next two fiscal years.

Anticipated economic climate

Future economic development

The economic downturn seems to have bottomed out in 2009. Starting at a low level, estimates for 2010 and 2011 anticipate low to moderate GDP growth. In its 2009 autumn forecast, the International Monetary Fund predicts an increase in global economic output of 3.1% in 2010 and 4.2% in the following year. In this respect, it is anticipated that growth in developing economies will be much more dynamic than in industrialised countries. This is also confirmed by Eurostat assumptions for the euro area involving an increase of a mere 0.7% in 2010 and one of 1.5% in 2011. For the countries in central and eastern Europe, the International Monetary Fund works on the assumption that growth will reach an average of 1.8% before the end of 2010. Eurostat predicts larger growth in Turkey, one of EnBW's growth markets. GDP growth of 2.8% is forecast for 2010 and 3.6% for 2011. For Germany, Eurostat anticipates growth of 1.2% in 2010 and 1.7% in 2011. The German Institute for Economic Research (DIW) is a little more optimistic, forecasting economic output to increase by 2.1% as early as 2010. There are, however, some voices warning of new setbacks to economic growth, which would mean that the return to expansion in many countries will not be without difficulties. Problems continue to be seen in the financial sector, and the consequences of governments and central banks discontinuing their spending programmes and expansive monetary policy are the topic of critical debates.

Demand for energy: Periods of strong expansion or contraction of the economy as a whole have a great influence on industrial demand for energy as was clearly shown in 2009. As the economy stabilises there should be a recovery in industrial production. In comparison to 2009, demand for electricity and gas will probably rise slightly again over the next two years.

Future market development

Oil market: The market participants anticipate higher oil prices in the coming years than in 2009. While the price for short-term deliveries of oil averaged around US$ 62.67/bbl in 2009, the forward market prices for 2010 and 2011 stood at US$ 77/bbl and US$ 83/bbl, respectively, in mid-December 2009. The decisive factor for the higher price level in the coming years are expectations that the global economy will recover and with it global demand for oil. To what extent current price expectations will become reality in the two years greatly depends on how supply and demand actually develop, the future value of the US dollar and the attractiveness of crude oil as an asset class.

Coal market: Towards the end of 2009 the market prices for forward delivery of hard coal in the ARA ports (Amsterdam, Rotterdam, Antwerp) for 2010 and 2011 stood at US$ 87.16/t and US$ 99.54/t, respectively, i.e. at a higher level than spot prices which were at US$ 84.73/t. From our perspective, this can be attributed to the forecast development of global economic output, especially the economic growth in Asia. The tendency is for greater growth in Asia to lead to greater global demand which, in turn, supports coal prices. One of the main uncertainties on the coal market is how much coal will be imported by China and India. The volume will be driven by rapid growth in domestic demand and simultaneous expansion of domestic production. Exchange rates are another factor impacting prices: We expect any further decline in the value of the US dollar to boost coal prices, which are quoted in US dollars, and vice versa.

Gas market: While the price level of long-term procurement agreements generally tracks oil prices, prices on the wholesale markets depend on the supply and demand situation. On the Dutch wholesale market TTF, the prices in December 2009 for gas deliveries in 2010 averaged € 12.96/MWh and those for deliveries in 2011 averaged € 18.00/MWh. This is equivalent to a mark-up of around 7% for 2010 or around 49% for 2011 on the average spot market price in 2009 of € 12.12/MWh. Stable supplies of pipeline gas and ongoing constant supplies of liquefied natural gas (LNG) to Europe could be favourable to a continuing low price level in the future. Nevertheless, an economic upswing could boost price levels in the long term. In addition, a repeat of the gas disputes between Russia and Ukraine is likely to bring about short-lived price mark-ups.

CO2 allowances: Depending on general economic developments, one of the major factors in the development of the price of CO_2 allowances is future energy demand and the related volume of emissions. Similarly, fuel switch costs (for switching from coal to gas, a fuel which involves lower CO_2 emissions) are relevant to the price of EU allowances (EUA), which is determined by how coal and gas prices develop. Two further significant factors influencing future prices arise from the following developments. In the event of a follow-up agreement to the Kyoto Protocol, the EU will raise the already ambitious target for CO_2 reduction by 2020 from 20% to 30% in comparison to 1990. The number of CO_2 allowances allocated would be lower as a result and would raise prices. Furthermore, a decision is expected to be made this year on exactly how the EUA auction mechanism will be structured as of 2013. This is of particular importance for electricity companies as they will no longer receive an allocation of allowances for no charge as of 2013.

Electricity market: The prices of primary energy sources and CO_2 allowances determine the marginal costs of electricity production and are thus decisive for the price of electricity on a competitive market. This is illustrated by the simultaneous drop in the prices of electricity and primary energy sources as of the second half of 2008. Consequently, the development of fuel and CO_2 prices will continue to have a decisive influence on the development of electricity prices on the wholesale market in future. It cannot be ruled out that unscheduled power station downtimes or extreme weather conditions could have a short-term impact on the spot market price.

The price level is similarly influenced by political decisions such as promoting renewable energies or extending the working life of nuclear power plants. It is difficult to assess the impact of an extension of the working life of nuclear power plants as the conditions for such an extension are still unknown.

The forecast rise in the share of renewable energy sources in the total volume of electricity generated will reduce the wholesale market price. However, the price-reducing effect on the wholesale market will be offset by higher costs for final customers as a result of the German Renewable Energies Act (EEG). It can be assumed that the spot market will remain highly volatile. It is primarily due to the increasing volume of wind energy being fed in.

Prices on the forward market are driven by the expectations of market participants with regard to the future price level on the spot market. Following the upward forward price curves for primary energy sources and CO_2 allowances, the forward price curve for deliveries of electricity in subsequent years took an upward turn at the end of 2009. This provides reason to expect rising price levels on the spot market for 2010 and 2011. On 28 December 2009, the price for the base product was € 44.36/MWh for 2010 and € 51.93/MWh for 2011. In comparison to the average electricity price on the spot market in 2009, this would mean that the market participants anticipate a price rise of around 14% and 34%, respectively.

Future political and regulatory environment

European and German energy policy will continue have a major effect on the business operations of EnBW over the coming years.

Europe: Depending on how it is structured, the Directive on Industrial Emissions may mean that EnBW will need to retrofit some of its existing facilities. The Directive is expected to be passed in the summer of 2010. Climate protection will remain at the focus of initiatives by the European Commission. There is no indication that other specific projects are in planning.

Germany: Enactment of the Energy Efficiency Act (EnEffG) and the Act on the Capture, Transportation and Storage of CO_2 (KSpG) is back on the agenda for the current legislative period. Implementation of the third energy liberalisation package in Germany is of particular importance to EnBW in light of the chosen procedure with regard to transmission grids. It is currently impossible to assess what position the new federal government will take on this issue. The EU does not require ownership unbundling. EnBW advocates ownership of the grids remaining with the group. Close cooperation with other grid operators while maintaining the four balancing zones is desirable. Climate protection remains on the federal government's agenda. The coalition agreement even sets a target of achieving a 40% reduction in greenhouse gas emissions by 2020, the baseline being 1990, irrespective of contributions by other European and non-European countries.

In addition, the federal government has announced that it will present a comprehensive energy concept by autumn 2010 which will address the issue of the future energy mix. One issue of special importance to EnBW is the possibility of the decision to reduce the working lives of nuclear power plants being withdrawn. The terms on which this may happen are currently still uncertain.

Regulatory framework: The individual caps on revenue from network user charges for electricity and gas grids have been set and are valid until 2013 and 2012, respectively. This means that the parameters for revenue development in the grid sector have already been set. Following a ruling by the Federal Court of Justice (BGH), it is expected that the absorption of surplus revenues will reduce revenue as of 2010 (electricity grids) and 2011 (gas grids).

It can be assumed that the number of gas market territories will continue to fall.

Future industry development

In Europe, the number of energy companies operating outside their traditional home markets is on the increase. This is achieved through equity investments or market entry. In this respect, their activities focus on creating electricity generation capacities. There will also be further changes in the gas sector, for example in the regulatory environment, in demand by individual consumer groups, in supplies on the European market and in the required levels of flexibility. The gas supply companies will plan their future investments on this basis. EnBW will meet these challenges, looking not only to short-term changes in the gas market, as an example, but also taking a long-term perspective. This is reflected by EnBW's long-term investments in the gas midstream business.

EnBW works on the assumption that competition for retail and industrial customers is on the increase. This contributes to price sensitivity on the part of customers. A large number of providers are striving for greater market shares. In addition, competition over the next few years will be characterised by a wider range of products. For instance, statutory regulations provide for greater numbers of intelligent electricity meters to be installed at retail and business customers. As a rule, growing awareness for energy efficiency in all customer groups will be expressed in further demands being placed on energy companies' range of products.

Because of this, EnBW is of the opinion that the market for energy and environmental services will continue to grow. Other energy companies will reinforce their activities in this sector. One example that should be mentioned is the greater use of intelligent electricity meters, an area in which EnBW is a market leader. In a second stage, this may well lead to the development of a whole series of products relating to the smart home of the future such as, for example, energy-optimised management of domestic appliances, rates that differ according to the time of day as well as the networking of local generation, consumption and storage of energy.

Corporate strategy and future development of the company

Future development of the company

Investment and growth programme

Over the past few years, EnBW has started to significantly increase its investment volume with a view to safeguarding existing business and exploiting growth potential. At € 4.4 billion, the investment volume reached the highest level in the company's history in 2009. We have budgeted gross investments of € 7.9 billion for the period from 2010 to 2012. Capital expenditures account for around € 5.2 billion of this total, financial investments for € 2.7 billion. Gross investments break down as follows by strategic area for the group:

- **Developing generation capacity:** € 2.9 billion: The focus is on constructing new thermal power stations (€ 1.5 billion) as well as facilities to exploit renewable energies (€ 1.5 billion), mostly wind and hydro-electric power.
- **Expanding the gas business:** € 1.6 billion: The focus is on our gas storage project in Etzel and the call option for a share of 48% in VNG as part of our activities in the gas midstream area.
- **Core market Germany, selective growth abroad:** € 1.0 billion: The focus is on hydro-electric power stations and wind turbines in Turkey. In addition, it is planned to increase our shareholding in PRE in Prague.
- **Establishing new fields of business:** € 0.4 billion: The major investment projects include expanding our energy-related services and contracting business.
- **Securing and optimising existing business:** € 2.0 billion.

Growth projects account for a 59% share of investments. The remaining 41% is attributable equally to replacement and renewal measures, in particular for power stations and grids.

The investment programme is accompanied by divestitures. Equity investments are being examined to determine whether they belong to EnBW's core business. In this context, we plan to make divestitures amounting to € 2.8 billion. With a view to meeting conditions imposed by the Federal Anti-Trust Office in connection with the acquisition of shares in EWE Aktiengesellschaft, we also plan to sell GESO Beteiligungs- und Beratungs-AG. Overall, this brings net investments for the period from 2010 to 2012 to € 5.1 billion.

Future generation capacities, sales markets, products, services and processes

As part of its development of generation capacities, EnBW is currently pressing forward with the construction of a number of new facilities. One of the thermal power stations worthy of special mention is RDK 8 (912 MW). There are also plans to increase generation capacities from renewable sources. Hydro-electric and wind power installations in the North Sea and the Baltic Sea as well as in Baden-Württemberg will play a major role in this development. Generation capacities will continue to expand until after 2012 with power station projects that have already been started such as GKM 9 in Mannheim, which is scheduled to go into operation by 2013. EnBW has a 290 MW share in this project. With regard to the offshore wind farms in the North Sea and the Baltic Sea, we aim to put all turbines currently planned with an output of 1,200 MW into operation by 2015/2016. New generation facilities will replace existing generation capacities. Taking these factors into account, our objective is to maintain a generation portfolio capable of providing a stable output of 14,000 to 15,000 MW.

The acquisition of the VNG shares remains an option with regard to expansion of the gas business. In addition, we are expanding our storage capacities to as much as 200 million cubic metres with our gas storage project in Etzel.

Generation capacities abroad under the joint venture in Turkey are to grow to a total of 2,000 MW in the long term, primarily in the field of renewable energies. Following the successful penetration of the Turkish market, we are reviewing market entry or intensification of existing activities in select countries in central and eastern Europe as part of expanding EnBW's international operations in coordination with our partner EDF.

To establish new fields of business, we act as energy consultants and energy service providers to offer innovative products and services creating added value for the customer. The topic of energy efficiency plays a decisive role in this context. The intelligent electricity meter was only the start of a series of innovations. In the area of smart homes we are planning to introduce a comprehensive energy management platform for private households. This is likewise linked to our activities in the field of electromobility as part of a model project in Stuttgart. We are also participating in a project to test operation of electric vehicles powered by hydrogen. For projects such as the smart home, we are planning a series of new products and services relating, for example, to local generation or to support energy efficiency measures. In addition, we are intensifying our direct marketing of electricity in Baden-Württemberg. We also intend to expand our activities in the areas of heating and contracting.

Under the umbrella of the EDF group we are constantly reviewing possibilities for joint projects that assist in making both corporate strategies reality. For instance, we aim to cooperate in developing the Polish market. Both companies continue to place a focus on realising synergies. Regarding cooperation with EWE Aktiengesellschaft, new joint activities are being defined. Initially, we are concentrating on the areas of purchasing, trading, IT, gas, Turkey and renewable energies. The renewable energies subproject is intended to act as a driver for the development of new technologies, for example. Further steps will also include the topics of generation, sales, grids, research and development as well as telecommunications.

Financing

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It is anticipated that EnBW's growth strategy, which involves a review of our minority shareholdings, can be financed completely from current cash flow over the coming years. This means that, apart from any short-term borrowings, net financial liabilities will probably fall by the end of 2012, despite the budgeted investment programme of some € 7.9 billion. The EMTN bond, which matures in 2012, will probably have to be refinanced. In order to cover these requirements, EnBW draws on various sources of financing. The decision about which products should be used is based on strategic financial requirements of cost-efficient financing combined with the need to ensure liquidity at all times.

Anticipated development of the company

The following overview of the economic outlook of the company is primarily based on organic operational growth of the EnBW group. Consolidation effects from the shares in power stations acquired in 2009 and all companies (including power stations) fully consolidated or proportionately consolidated since the beginning of 2010 are recognised separately as a consolidation effect. The comparative period 2009 was adjusted for the operating results of GESO Beteiligungs- und Beratungs-AG and the district heating activities in the Czech Republic and included in the income from consolidation. The income from the disposal of equity investments is shown as extraordinary effects in the non-operating result of the EnBW group.

Anticipated development of unit sales and revenue[1]

The revenue of the EnBW group in absolute terms is of secondary importance for earnings performance. Firstly, revenue in the electricity generation and trading segment is determined in particular by the trading activities of our trading entity. It may be subject to considerable fluctuations depending on how the market develops over the year, without this being reflected as such in the profit or loss. Secondly, the development of revenue in the gas segment is influenced by the indexing of the gas price to the oil price. The gross margin in the gas segment is not decisive in this context.

We expect revenue in the energy and environmental services segment in the water, thermal disposal and contracting sectors to rise slightly (1% to 3%) in 2010.

[1] Segments adjusted for changes in the consolidated companies.

Unit sales in the B2C and B2B sectors of the electricity grid and sales segment and the gas segment are relevant for the company's future results of operations: The intensified competition on the German electricity market is one of the principal reasons for the slight decrease anticipated for 2010 in unit sales to B2C customers. In addition, efforts towards greater energy efficiency are making themselves felt. Even for 2011, we do not anticipate a reversal of the downward trend in unit sales. Regarding business with B2B customers, we expect unit sales to remain roughly at the prior-year level for the next two years in spite of intense competition. The EnBW group continues a consistent policy of cost recovery. In the gas segment, we have budgeted unit sales at the level of 2009 in the B2C sector for the next two years despite the changed customer behaviour. Despite the fiercer competition, we expect the normalisation of the gas spot prices in the B2B sector to lead to slight increases in units sales in fiscal 2010, because customers will purchase less gas directly on the wholesale market, as was the case in 2009, for example. For 2011, we additionally see good prospects of boosting sales by attracting new customers.

(External) sales in the B2C and B2B segments or revenue in the segments 2010 compared to the prior year

Electricity grid and sales segment (unit sales)	stable (-1% to +1%)
Gas segment excluding trading (unit sales)	rising slightly (+1% to +3%)
Energy and environmental services segment (revenue)	rising slightly (+1% to +3%)

Anticipated development of earnings (adjusted EBIT)[1]

There are a number of factors influencing earnings in the electricity grid and sales segment. In the regulatory area (grids) we expect network user charges to fall this year. On the one hand, the transition from physical to financial transfer of the EEG allocation puts downward pressure on the network user charges, but generally without an effect on income. On the other hand, a burden is placed on earnings by the absorption of surplus revenues. The drop in revenue is offset by lower costs, among other things for the energy needed to cover grid losses and from other efficiency programmes. Starting with less than satisfactory results due to increased burdens from the procurement of electricity and from the German Renewable Energies Act (EEG) in 2009, the sales function continues to be confronted with a significant increase in the costs from the EEG – in part a consequence of the drop in unit sales to end customers throughout Germany in the wake of the economic crisis. Positive effects will stem from the already initiated strategic realignment of the sales functions. In addition, the rises in the price of electricity made in 2009 and those announced in 2010 will have an effect throughout the year. We therefore assume that earnings in 2010 in the electricity grid and sales segment will remain at the level of the prior year. A slightly positive trend is forecast for 2011.

The expectations regarding earnings in the electricity generation and trading segment are based on the currently applicable nuclear consensus. As a result, the limited availability in 2010 of generation capacities from GKN I nuclear power plant will translate into a much lower contribution to earnings from this power plant. This development is partially offset by an improved generation margin compared to the prior year. The improvement is thanks to the fact that a large volume of electricity was secured for 2010 on the basis of the sharp increase in electricity prices on the wholesale market in the first half of 2008. Overall, earnings in 2010 should be just above the 2009 level. We expect earnings in 2011 to stabilise at 2010 levels.

In the gas segment, we expect the pressure on prices to cause a drop in earnings. At the same time, we expect network user charges to be lower on account of the absorption of surplus revenues. The cost of developing the gas midstream division, including consulting costs or costs relating to the gas storage facilities under construction, will make themselves felt, too. Overall, we are budgeting a significant decline in earnings in 2010. We expect earnings in the gas segment to return to growth in 2011 due to higher unit sales.

[1] Adjusted for changes in the consolidated companies.

Increasing earnings in the contracting services division should bring about significantly higher income in the energy and environmental services segment in 2010. We also anticipate similar growth for 2011. The commissioning of the CHP plant in Eisenhüttenstadt in 2011 will make a contribution to the positive development of the contracting services business.

The acquisitions and disposals in the consolidated group give rise to a negative effect that comes to around -1% of adjusted EBIT in the group. Negative effects on the operating result arise from the planned sale of GESO Beteiligungs- und Beratungs-AG and the district heating activities in the Czech Republic. These effects are partially offset by the contributions to earnings from the generation capacities acquired in the course of 2009 and at the beginning of 2010 and the planned expansion of electricity activities in the Czech Republic.

At the level of the EnBW group, we are working on the assumption that adjusted EBIT in 2010 will remain at the level of the prior year. We nevertheless expect earnings to grow as of 2011. Efficiency programmes that have already been launched within the group with a total volume of around € 250 million by 2011 will have a positive impact on earnings development.

Development of earnings 2010 (adjusted EBIT) compared to the prior year[1]

Electricity generation and trading segment	rising slightly (+1% to +3%)
Electricity grid and sales segment	stable (-1% to +1%)
Gas segment	falling (double digit)
Energy and environmental services segment	rising (double digit)
Consolidated companies	-1% of adjusted EBIT, group
Adjusted EBIT, group	**stable (-1% to +1%)**

[1] Segments adjusted for changes in the consolidated companies.

Adjusted group net profit, dividend, non-operating result and ROCE

We expect adjusted investment result and adjusted financial result to improve in 2010 in comparison to the prior year. Investments in 2010 and 2011 will be financed from current cash flow. The adjusted tax rate will return to normal in 2010 and should come to 28%, falling from the 30.2% seen in 2009 due to the higher level of taxes relating to other periods. According to our budget, adjusted group net profit will increase in 2010 in comparison to 2009. We strive to achieve further constant growth in the following years. Taking into account the volume of net investments and the expected decrease in net debt, we will maintain a distribution rate of between 40% and 60% – in relation to adjusted group net profit. Due to the sale of GESO Beteiligungs- und Beratungs-AG and further planned divestitures, we expect a distinctly positive non-operating result for 2010.

The return on capital employed (ROCE) is likely to fall in 2010. The reason for this is the rising level of capital employed tied up in the investment and growth programme. Our growth strategy will complement our portfolio of existing facilities that have been written down to a great extent with new facilities (construction projects that will span several years such as RDK 8, offshore wind farms) that will not generate income until several years after commissioning. In addition, changes to the group of consolidated companies will have a negative effect on ROCE.

Significant opportunities and risks of the next two years

The level of future earnings at EnBW depends significantly on how commodity and electricity prices develop – factors that are reflected in the generation margin. However, the forward contracts entered into under our hedging strategy secure the major volumes for 2010 and the following year. As a rule, the unhedged quantities increase in the following years, as do opportunities and risks.

The availability of our power stations constitutes another risk factor for the results of operations. In the past, our power stations always achieved above-average availability in a national comparison.

Depending on how the announced withdrawal of the decision to reduce the working lives of nuclear power plants is put into practice, there will be an opportunity for EnBW to generate additional contributions to earnings.

The activities of competitors, which cannot be foreseen, and the uncertain political and legal framework for pricing measures are more of a risk than an opportunity with regard to achieving our target sales success and expanding our customer base in the electricity and gas business. Gas sales are generally closely dependent on temperatures. Furthermore, unit sales of electricity and gas are affected by potential changes in consumer behaviour (subsidy programmes for energy efficiency) and the implications of the economic development on consumption in trade and industry, in particular. The risks will tend to be higher here than the opportunities.

The EU's third energy liberalisation package opens up the possibility of allowing companies to retain ownership of the grids. Nevertheless, it is not possible to exclude the risk that ownership unbundling will be introduced nevertheless.

The efforts being made towards climate protection and energy efficiency give us reason to see additional potential for growth in the market for contracting services, especially in the area of local generation. The co-generation of heat and electricity as well as possibilities for use of biogenic fuels make local generation solutions more important. We observe increasing interest on the part of companies from all industries in holistic and complex contracting models. As one of the leading contracting companies in Germany, this provides us with an opportunity to intensify our expansion over the next few years.

Developments on the volatile capital markets give rise to opportunities and risks for EnBW's financial assets. Impairment losses have to be recognised on securities if these risks lead to a significant or prolonged decline in the fair value of these investments below their cost. Particularly if there is no change to the prevailing capital market environment, there is the risk of impairment losses having to be recognised as a consequence of a prolonged decline in fair value.

Developments in human resources and welfare

Competent and motivated employees make a significant contribution to reaching the objectives of EnBW's corporate strategy. At the same time, finding employees on the labour market, especially from certain professional groups, has become more difficult, as fewer employees are available. In addition, EnBW is confronted with the challenges of demographic development. EnBW's personnel strategy in this context is broken down into the components of finding, retaining and developing employees. The aim is to further increase the attractiveness of EnBW as an employer inside and outside the company. Intensive support for young talent, targeted personnel development measures and seminars provide assistance to our staff and open up potential for tomorrow. EnBW's personnel management tools are adapted to current labour market developments on a regular basis.

Competence management: Demographic change and the related decrease over time in the number of young people entering the market makes personnel planning even more difficult. How many employees with which qualifications and expertise have to be available to the company at any given time? This question is central to competence management. In this respect, EnBW has gathered experience in the implementation of pilot applications in technically orientated business units. Our experience gained in finding solutions to the challenges arising from demographic change will be used for fine-tuning the competence management system in the future.

Talent management: To promote EnBW's talent – from trainees through to executives – new hires and employee development programmes are subject to constant improvement. The objective is to retain high potentials at EnBW in the long term, by offering them a career within the group at an early stage. The EnBW group's trainee programme will continue in 2010. The tried-and-tested personnel management tools for identifying and developing (young) executives, such as management conferences and advancement groups, continue to be used throughout the group. The risk of posts not being occupied is reduced with the help of intercompany successor planning measures. This enables EnBW to continue to offer its executives interesting opportunities for development in future.

Executive management: The introduction of MEEnBW, a systematic process for management development, continues the further strengthening of management skills at all levels. The tried-and-tested personnel management tools for identifying and developing (young) executives, such as management conferences and advancement groups, are integrated into this process and expanded to include measures relating to a comprehensive successor planning and individual career planning as well as compulsory training programmes. This improves executives' leadership and management skills in the long term, makes prospects for development predictable and lowers the risk of posts not being occupied.

Corporate and leadership culture: The positive development of the corporate and leadership culture within the EnBW group remains a central pillar of personnel strategy. There are plans to carry out regular employee surveys in future. Executives with a wealth of experience and sound management expertise are needed in order to implement EnBW's strategic orientation. Adapting the leadership principles as a basis for the common understanding of leadership forms the guiding principle and the binding element in the EnBW group.

Collective pay agreement: EnBW wishes to make every effort to constructively promote the restructuring of the collective agreement terminated in 2008 and bring negotiations to a successful conclusion. The restructuring focuses on reflecting new job descriptions and forms of work, revising remuneration structures, creating even greater flexibility in the working hours and adapting it to the current legal situation.

Work-life balance: The re-auditing process for the "audit berufundfamilie" certificate awarded by the Hertie foundation began at the end of 2009. In order to promote compatibility of work and private life, childcare will be expanded to offer places for 80 children by the beginning of 2011. The new public day care centre on the company's Stuttgart premises will provide childcare for around 35 more children aged six months to six years. EnBW is also participating in the construction of a childcare centre in Karlsruhe, raising the number of places on offer to 35.

Training and student programmes: Once again in 2010 EnBW will offer a large number of school-leavers an opportunity to complete vocational training in a qualified profession. At 334, the number of placements for trainees and students from universities of cooperative education and universities of applied sciences will remain at the same level as in prior years. Cooperation with universities is a key success factor in winning talent for the company early in their respective careers. For this reason, it will be necessary to continue expanding our activities in this area.

Analysis of the appeal of EnBW as an employer: The attractiveness of EnBW as an employer is going to be assessed once again in 2010 in the external "Germany's Top Employers " study. We will also survey how closely our employees identify with EnBW again in 2010/2011.

Development of headcount and expenses: The number of employees will increase over the following years in line with EnBW's strategic objectives. This covers both organic and external areas of growth and targeted expansion of personnel capacities in the light of demographic changes.

International employee mobility: There has been cooperation between EnBW and EDF for many years involving the employees of the two companies often working at the respective partner company or at one of EnBW's foreign subsidiaries for several years. There are also opportunities for short-term exchanges (twinning programmes) between EDF and EnBW and projects with new, jointly recruited employees (co-recruitments).

Development of research and innovation

R&D expenditure in 2010 and 2011 is expected to come to € 32.0 million, the same level as in 2009. Similarly, headcount will remain unchanged to a great extent. Over the next two years, EnBW will press forward with the existing projects relating to the focal points of its innovation strategy. New projects centre particularly on those relevant to climate protection. Now that testing of a method to capture CO_2 in the power station with membrane filters has come to a conclusion, the next step will be to develop larger-scale membranes. This is intended to make it possible to properly assess the possibilities of simpler methods of capturing CO_2. We are expanding our activities in the field of electromobility. EnBW's focus concentrates on development of an open, customer-friendly system for charging and invoicing. Investigations to this end started in 2009 as part of the government-sponsored projects MeRegio mobile and Stuttgart as a model region. Potential new fields of business are being increasingly analysed with regard to the use of electric vehicles powered by fuel cells as part of the H_2 Mobility initiative. In addition, research activities relating to exploiting offshore wind energy are being intensified.

FURTHER INFORMATION
Research and development › p. 84ff.

Overall assessment of the anticipated development

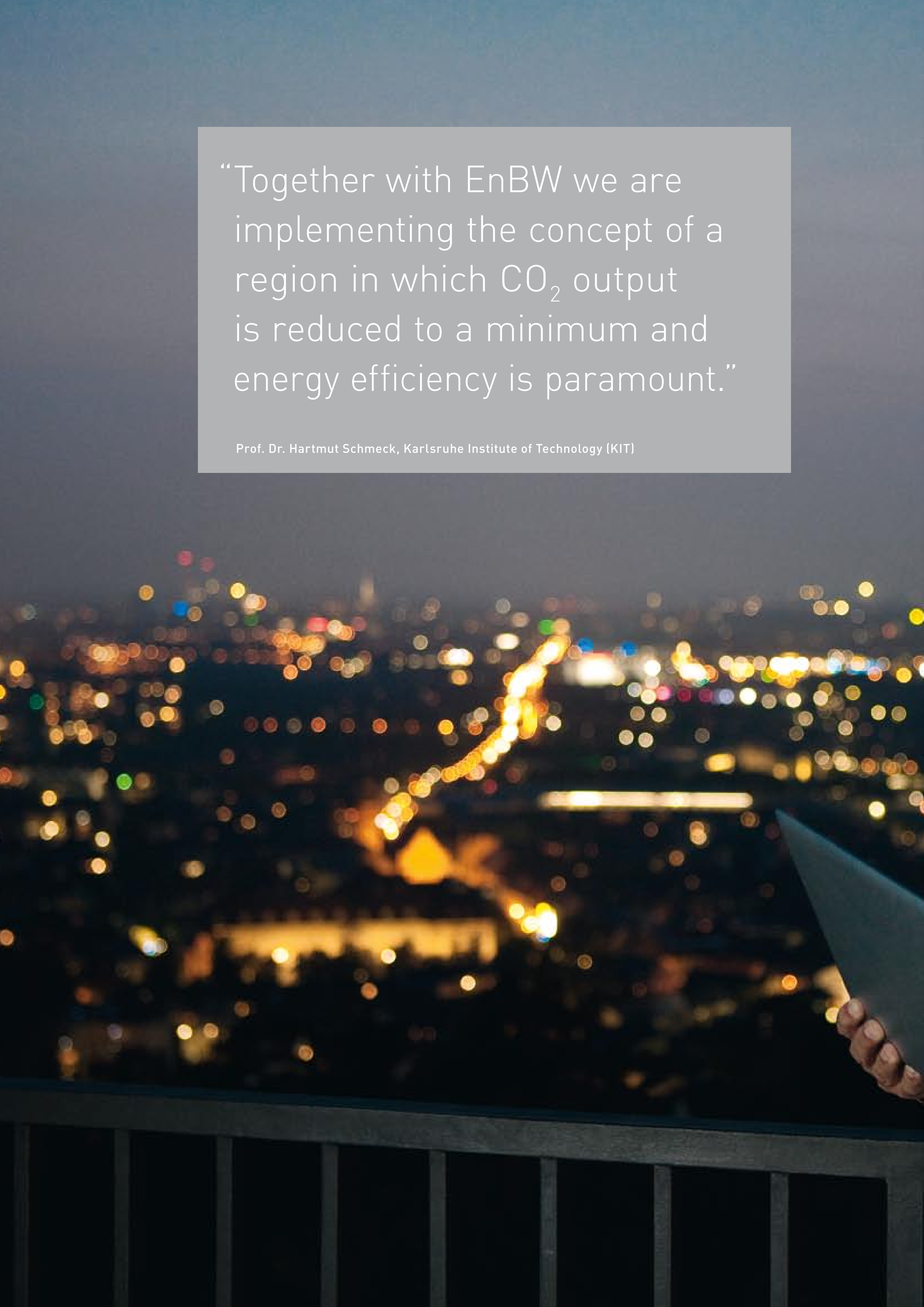
Due to the uncertain political environment and the prevailing agreement on the use of nuclear power, we anticipate that adjusted EBIT in 2010 will remain at the level of the prior year. In the medium term, we anticipate sustainable profitable growth. We plan to make net investments of some € 5 billion in our business segments by 2012 within the framework of our investment programme. We will finance this investment volume from the company's cash flow; net financial liabilities are expected to fall significantly as a result. EnBW will thus further improve its sound financial position. Ratings in the A category remain our target.

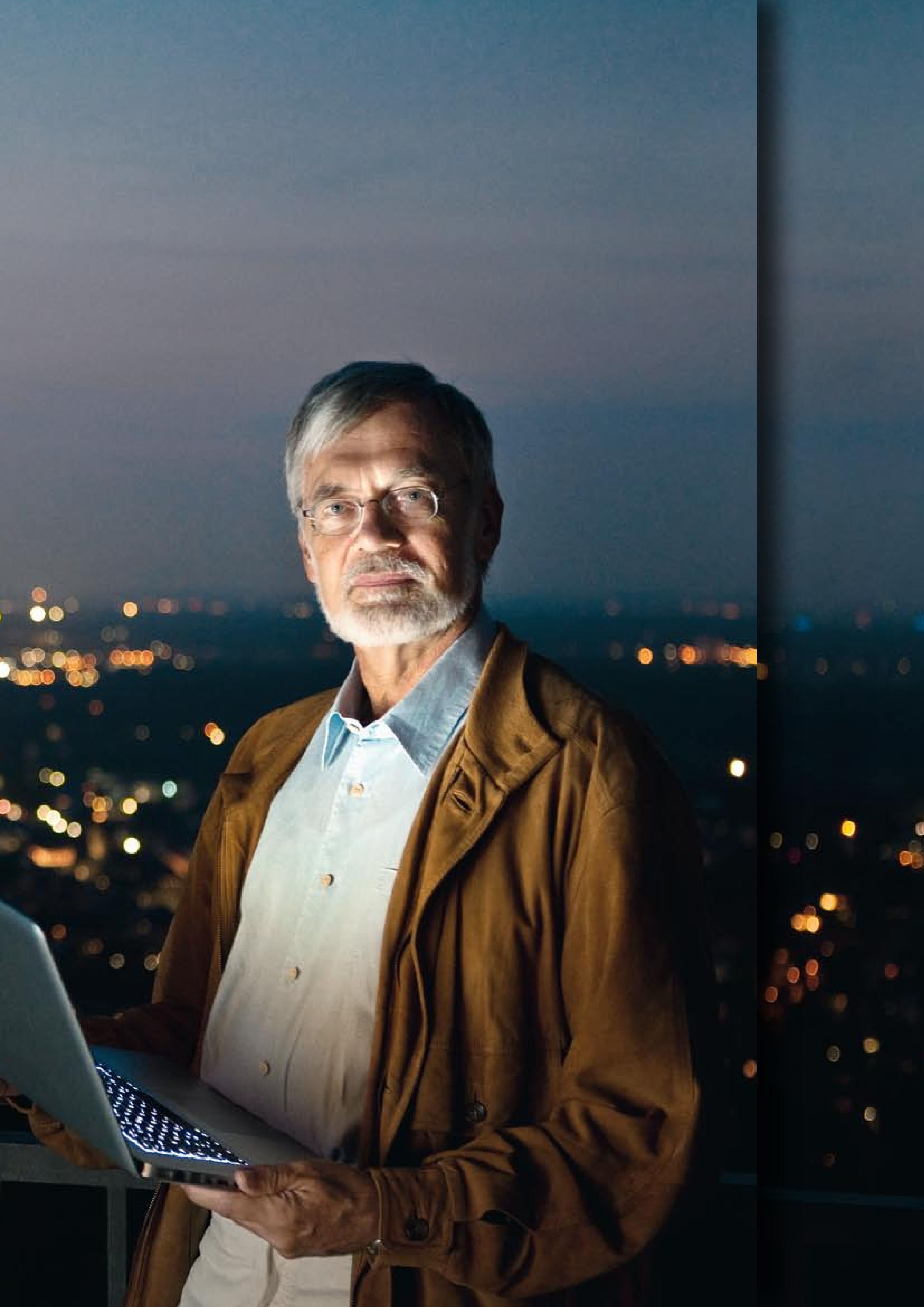
Future-oriented statements

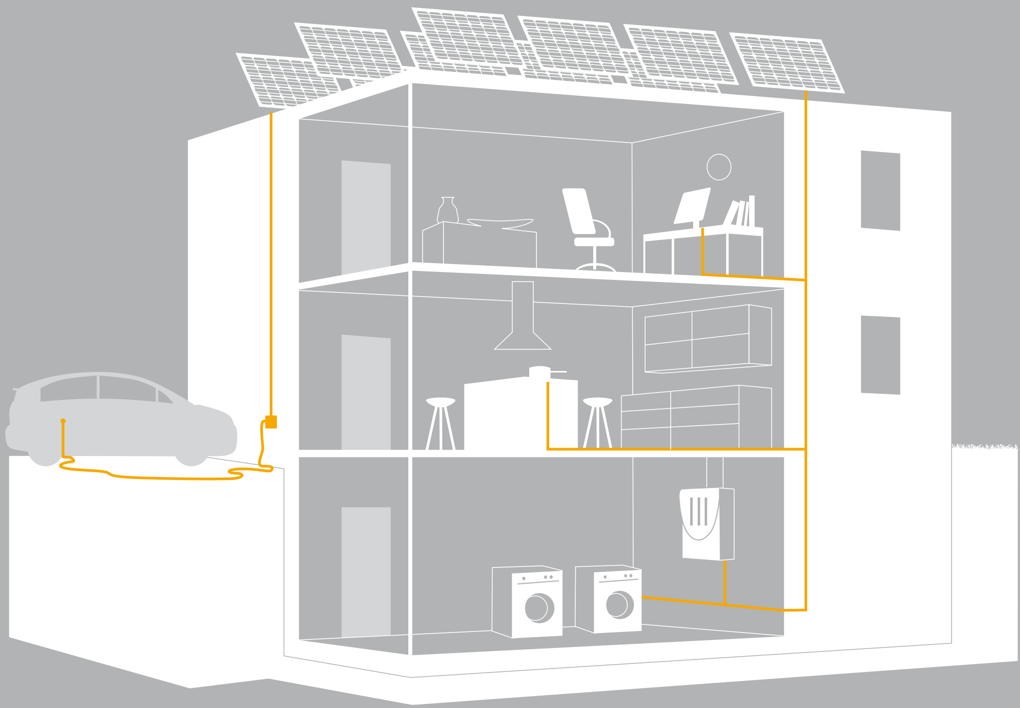
This report contains statements relating to the future that are based on current assumptions and projections of the management of EnBW. Such statements are subject to risks and uncertainties. These and other factors mean that the actual results, financial position, developments or performance of the 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.

"Together with EnBW we are implementing the concept of a region in which CO_2 output is reduced to a minimum and energy efficiency is paramount."

Prof. Dr. Hartmut Schmeck, Karlsruhe Institute of Technology (KIT)







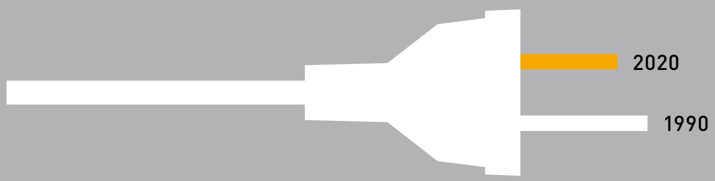
Smart grids reach consumers' homes. In future, consumers will be able to boost energy efficiency in their home with automatic controls.

The smart grid

The aim of the MeRegio research project is to use smart grids to link up local generation of electricity, storage media and consumers, enabling energy to be employed so efficiently that the CO_2 emissions of an entire region can be reduced. In its role as project coordinator, EnBW cooperates with powerful partners from the business and scientific communities.

20 %

European Union target: Reduction in primary energy consumption by 2020



Tomorrow's supply systems are networked. The electricity system of the future will automatically manage supply and demand and coordinate private and industrial electricity generation. The first hundred of a total of one thousand retail and business customers have already started using the "network of the future" in a model region in Baden-Württemberg (the Minimum Emission Region – MeRegio). Prices are variable, which means that energy is cheaper in low-demand periods than periods of peak demand. The interlinked networks will revolutionise the role of electricity customers. Each and every customer will become their own energy manager. A key role is played by the intelligent electricity meter. EnBW was the first energy company to introduce such devices.

The next step is to electronically interlink all stages from electricity generation, distribution to consumption. The idea is to link up and manage all the components in the system, from solar power installations through to an end consumer's freezer. To do this, a central system platform helps optimise efficiency, environmental compatibility and supply reliability of electricity supplies. Ideally, this will ultimately culminate in a self-regulating system.

FOR FURTHER INFORMATION:
www.meregio.de

Financial statements

of the EnBW group

Income statement of the EnBW group

€ millions[1]	Notes	2009	2008
Revenue including electricity and natural gas tax		16,537.5	17,367.5
Electricity and natural gas tax		-973.3	-1,062.1
Revenue	(1)	**15,564.2**	**16,305.4**
Changes in inventories		-2.1	16.2
Own work capitalised		69.6	53.6
Other operating income	(2)	1,014.2	815.8
Cost of materials	(3)	-11,121.1	-12,099.1
Personnel expenses	(4)	-1,617.6	-1,480.4
Other operating expenses	(5)	-1,159.0	-1,071.4
EBITDA		**2,748.2**	**2,540.1**
Amortisation and depreciation	(6)	-858.9	-1,071.9
Earnings before interest and taxes (EBIT)		**1,889.3**	**1,468.2**
Investment result	(7)	82.3	251.3
of which net profit from entities accounted for using the equity method		(80.7)	(142.8)
of which other income from investments		(1.6)	(108.5)
Financial result	(8)	-714.4	-473.1
of which finance revenue		(374.3)	(457.8)
of which finance costs		(-1,088.7)	(-930.9)
Earnings before tax (EBT)		**1,257.2**	**1,246.4**
Income tax	(9)	-432.8	-338.3
Group net profit		**824.4**	**908.1**
of which profit shares attributable to minority interests		(56.2)	(28.8)
of which profit shares attributable to equity holders of EnBW AG		(768.2)	(879.3)
Shares outstanding (millions), weighted average		**244.257**	**244.257**
Earnings per share from continuing operations (€)[2]		**3.15**	**3.60**
Earnings per share from group net profit (€)[2]		**3.15**	**3.60**

[1] Prior-year figures restated.
[2] Basic and diluted; in relation to the profit shares attributable to the equity holders of EnBW AG.

Statement of comprehensive income of the EnBW group

€ millions[1]	2009	2008
Group net profit	**824.4**	**908.1**
Difference from currency translation	1.5	-25.1
Cash flow hedge	11.5	-314.8
Available-for-sale financial assets	347.9	-531.8
Entities accounted for using the equity method	-108.0	22.3
Income taxes on other comprehensive income	23.2	49.1
Other comprehensive income	**276.1**	**-800.3**
Total comprehensive income	**1,100.5**	**107.8**
of which profit shares attributable to minority interests	(67.8)	(23.8)
of which profit shares attributable to equity holders of EnBW AG	(1,032.7)	(84.0)

[1] Prior-year figures restated.

Balance sheet of the EnBW group

€ millions[1]	Notes	31/12/2009	31/12/2008	1/1/2008
Assets				
Non-current assets				
Intangible assets	(10)	1,806.4	1,702.6	1,666.7
Property, plant and equipment	(11)	11,925.2	11,585.3	11,417.2
Investment properties	(12)	70.3	86.6	87.7
Entities accounted for using the equity method	(13)	3,756.7	1,932.2	1,856.5
Other financial assets	(14)	5,691.4	4,960.3	5,734.4
Trade receivables	(15)	425.9	400.7	372.6
Income tax refund claims	(16)	215.9	228.2	253.8
Other non-current assets	(17)	203.8	204.1	179.8
Deferred taxes	(23)	29.2	28.7	6.0
		24,124.8	**21,128.7**	**21,574.7**
Current assets				
Inventories	(18)	944.8	862.9	732.7
Financial assets	(19)	771.7	584.7	727.6
Trade receivables	(15)	2,807.5	3,147.0	2,073.6
Income tax refund claims	(16)	241.2	305.0	255.1
Other current assets	(17)	2,639.5	3,642.1	1,557.8
Cash and cash equivalents	(20)	1,470.8	3,084.5	1,317.8
		8,875.5	**11,626.2**	**6,664.6**
Assets held for sale	(25)	1,698.0	4.0	3.4
		10,573.5	**11,630.2**	**6,668.0**
		34,698.3	**32,758.9**	**28,242.7**
Equity and liabilities				
Equity	(21)			
Group shares				
Subscribed capital		640.0	640.0	640.0
Capital reserve		22.2	22.2	22.2
Revenue reserves		4,596.9	4,319.7	3,788.4
Revaluation reserve in accordance with IFRS 3		49.6	49.6	49.6
Treasury shares		-204.1	-204.1	-204.1
Other comprehensive income		225.2	-39.3	756.0
		5,329.8	**4,788.1**	**5,052.1**
Minority interests		1,077.9	803.4	950.3
		6,407.7	**5,591.5**	**6,002.4**
Non-current liabilities				
Provisions[2]	(22)	9,399.8	9,307.8	8,989.1
Deferred taxes	(23)	1,677.0	1,634.8	1,617.1
Financial liabilities	(24)	6,737.0	4,925.1	3,364.2
Other liabilities and subsidies	(24)	1,993.0	2,091.9	2,127.0
		19,806.8	**17,959.6**	**16,097.4**
Current liabilities				
Provisions[3]	(22)	1,006.2	1,109.1	1,131.3
Financial liabilities	(24)	447.3	394.7	588.3
Trade payables	(24)	2,803.4	3,241.1	2,155.5
Income tax liabilities	(24)	27.1	12.3	6.3
Other liabilities and subsidies	(24)	3,431.7	4,450.6	2,253.6
		7,715.7	**9,207.8**	**6,135.0**
Liabilities directly associated with assets classified as held for sale and discontinued operations	(25)	768.1	0.0	7.9
		8,483.8	**9,207.8**	**6,142.9**
		34,698.3	**32,758.9**	**28,242.7**

[1] Prior-year figures restated.
[2] Of which non-current income tax provisions: € 143.3 million (31 December 2008: € 127.2 million; 1 January 2008: € 37.3 million).
[3] Of which current income tax provisions: € 84.2 million (31 December 2008: € 139.8 million; 1 January 2008: € 192.6 million).

Cash flow statement of the EnBW group

€ millions[1, 2]	2009	2008
1. Operating activities		
EBITDA	2,748.2	2,540.1
Change in non-current provisions	-393.0	-228.9
Gain/loss on disposal of non-current assets	-14.6	-3.2
Other non-cash expenses/income	87.1	17.6
Funds from operations (FFO) before taxes and financing	**2,427.7**	**2,325.6**
Change in assets and liabilities from operating activities	212.7	-536.1
Inventories	(-64.1)	(-164.4)
Net balance of trade receivables and payables	(-194.6)	(-55.9)
Net balance of other assets and liabilities	(513.1)	(-309.5)
Current provisions	(-41.7)	(-6.3)
Income tax paid	-197.0	-265.6
Cash flow from operating activities	**2,443.4**	**1,523.9**
2. Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-1,309.4	-1,256.6
Cash received from disposals of intangible assets and property, plant and equipment	93.0	58.2
Cash received from construction cost and investment subsidies	65.1	79.0
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method	-3,016.7	-104.0
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method	45.0	60.2
Cash paid for investments in other financial assets	-1,227.5	-616.4
Cash received from the sale of other financial assets	572.2	973.5
Cash received/paid for investments in connection with short-term finance planning	-229.8	26.5
Interest received	235.8	265.7
Dividends received	142.7	147.5
Cash flow from investing activities	**-4,629.6**	**-366.4**

[1] Prior-year figures restated.
[2] Further disclosures are presented in the notes to the consolidated financial statements under "Other notes".

€ millions[1,2]	2009	2008
3. Financing activities		
Interest paid for financing activities	-357.4	-246.0
Dividends paid	-542.3	-436.5
Proceeds from financial liabilities	2,084.9	1,956.7
Repayment of financial liabilities	-506.6	-667.8
Capital reduction for minority interests	0.0	-7.8
Cash flow from financing activities	**678.6**	**598.6**
Net change in cash and cash equivalents	**-1,507.6**	**1,756.1**
Net foreign exchange difference	2.0	10.6
Change in cash and cash equivalents	**-1,505.6**	**1,766.7**
Cash and cash equivalents at the beginning of the period	3,084.5	1,317.8
Cash and cash equivalents at the end of the period	**1,578.9**	**3,084.5**
of which cash and cash equivalents recognised as current assets	(1,470.8)	(3,084.5)
of which cash and cash equivalents of assets held for sale	(108.1)	(0.0)

[1] Prior-year figures restated.
[2] Further disclosures are presented in the notes to the consolidated financial statements under "Other notes".

€ millions[1]	2009	2008
Interest paid for investing activities (capitalised borrowing costs)	-22.7	-10.6
Interest paid for financing activities	-357.4	-246.0
Total interest paid in the period	**-380.1**	**-256.6**

[1] Prior-year figures restated.

Statement of changes in equity of the EnBW group

€ millions[1]	Subscribed capital	Capital reserve	Revenue reserves	Revaluation reserve in accordance with IFRS 3	Treasury shares
As of 1 January 2008	**640.0**	**22.2**	**3,787.7**	**49.6**	**-204.1**
Changes in accounting policy			0.7		
As of 1 January 2008 after changes in accounting policy	**640.0**	**22.2**	**3,788.4**	**49.6**	**-204.1**
Other comprehensive income					
Group net profit[2]			879.3		
Total comprehensive income	**0.0**	**0.0**	**879.3**	**0.0**	**0.0**
Dividends paid			-368.8		
Other changes			20.8		
As of 31 December 2008	**640.0**	**22.2**	**4,319.7**	**49.6**	**-204.1**
Other comprehensive income					
Group net profit			768.2		
Total comprehensive income	**0.0**	**0.0**	**768.2**	**0.0**	**0.0**
Dividends paid			-491.0		
Other changes					
As of 31 December 2009	**640.0**	**22.2**	**4,596.9**	**49.6**	**-204.1**

[1] Prior-year figures restated.
[2] Group net profit includes a retroactive restatement of € 7.5 million for 1 January 2008 to 31 December 2008.
[3] Of which other comprehensive income directly associated with assets classified as held for sale amounting to € 22.1 million as of 31 December 2009 (of which profit shares attributable to equity holders of EnBW AG: € 19.0 million and profit shares attributable to minority interests: € 3.1 million).

Other comprehensive income[3]						
Difference from currency translation	Cash flow hedge	Available-for-sale financial assets	Entities accounted for using the equity method	Group shares	Minority interests	Total
21.9	**75.6**	**549.0**	**109.5**	**5,051.4**	**950.3**	**6,001.7**
				0.7		0.7
21.9	**75.6**	**549.0**	**109.5**	**5,052.1**	**950.3**	**6,002.4**
-25.1	-260.3	-532.2	22.3	-795.3	-5.0	-800.3
				879.3	28.8	908.1
-25.1	**-260.3**	**-532.2**	**22.3**	**84.0**	**23.8**	**107.8**
				-368.8	-67.7	-436.5
				20.8	-103.0	-82.2
-3.2	**-184.7**	**16.8**	**131.8**	**4,788.1**	**803.4**	**5,591.5**
-1.1	54.4	319.2	-108.0	264.5	11.6	276.1
				768.2	56.2	824.4
-1.1	**54.4**	**319.2**	**-108.0**	**1,032.7**	**67.8**	**1,100.5**
				-491.0	-51.3	-542.3
				0.0	258.0	258.0
-4.3	**-130.3**	**336.0**	**23.8**	**5,329.8**	**1,077.9**	**6,407.7**

Notes to the 2009 financial statements of the EnBW group

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 (IFRSs) the adoption of which is mandatory in the European Union at the balance sheet date. In addition, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) are observed. IFRSs and IFRICs whose application is not yet mandatory are not early adopted. The consolidated financial statements comply with those IFRSs and IFRICs issued by the International Accounting Standards Board (IASB) which have been endorsed by the EU.

The consolidated financial statements are presented in millions of euros (€ millions). The income statement as well as statement of comprehensive income, the balance sheet, the cash flow statement and the 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.

EnBW's principal activities are described in the segment reporting.

EnBW's Board of Management authorised the consolidated financial statements for issue on 5 February 2010.

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, liabilities and contingent 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 further review of their calculation.

When consolidating minority interests acquired in entities that are already fully consolidated, the net assets are not revalued. Any positive difference between the consideration and the carrying amount of the additional share of the net assets acquired is recognised in goodwill. Any negative difference is recognised in profit or loss.

Receivables, liabilities, provisions and contingent liabilities 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 included in the carrying amount of the investment. Negative differences are recognised in profit or loss via investment income.

Consolidated companies

Under the full consolidation method, all subsidiaries are included over whose financial and business policy control can be 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.

Shares in subsidiaries, jointly controlled entities or entities accounted for using the equity method which are immaterial from the group's perspective are accounted for according to IAS 39.

The shareholdings of the EnBW group are given in a separate list in accordance with Sec. 313 (4) German Commercial Code (HGB) that will be published in the Electronic German Federal Gazette (elektronischer 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 and number	31/12/2009	31/12/2008
Full consolidation	99	90
Proportionate consolidation (joint ventures)	36	10
Associates	17	17

Changes in the consolidated companies

Of the companies fully consolidated in the consolidated financial statements, 11 (prior year: 3) German companies and 1 (prior year: 2) foreign company were consolidated for the first time in the reporting year. There were 0 (prior year: 7) deconsolidations and 3 (prior year: 3) mergers. All 7 companies deconsolidated in the prior year were German companies, 6 of them due to immateriality.

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 2 German companies (prior year: 0) were consolidated for the first time in the reporting year. In addition, the foreign entity Borusan EnBW Enerji yatırımları ve Üretim A. Ş. was included for the first time as a subgroup by way of proportionate consolidation. The subgroup includes 24 foreign subsidiaries of Borusan EnBW Enerji yatırımları ve Üretim A. Ş.

Of the associates, 0 (prior year: 0) foreign companies and 1 (prior year: 1) German company were consolidated for the first time in the reporting year. One (prior year: 1) German company and 0 (prior year: 0) foreign companies were deconsolidated.

Acquisitions

Onshore wind farms

Effective as of 31 March 2009 and 21 April 2009, respectively, EnBW acquired 100% of the shares in Plambeck Neue Energien Windpark Fonds LX GmbH & Co. KG, Cuxhaven, Plambeck Neue Energien Windpark Fonds CI GmbH & Co. KG, Cuxhaven, and Plambeck Neue Energien Windpark Fonds CIV GmbH & Co. KG, Cuxhaven for a purchase price of € 33.1 million. The entities' wind power plants were completed at the end of March and mid-April, respectively. In the 2009 financial statements, the entities contributed € –1.7 million to earnings after tax. The effect of including the entities in the 2009 financial statements from the beginning of the year on group revenue and earnings after tax is immaterial. The following assets and liabilities were assumed in the acquisition:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Intangible assets	0.0	0.4
Property, plant and equipment	77.5	86.3
Current assets	12.6	12.6
Total assets	**90.1**	**99.3**
Non-current liabilities	48.1	49.0
Current liabilities	19.6	19.6
Total liabilities	**67.7**	**68.6**
Net assets	22.4	30.7
Cost		33.1
Goodwill		2.4

Lippendorf and Bexbach power stations (E.ON's share)

As of 29 May 2009, EnBW acquired a 100% share in Gesellschaft für die Beteiligung an dem Kraftwerk Lippendorf mbH, Hanover. The company holds a 50% shareholding in Unit S of Lippendorf coal power station. At the same time, EnBW acquired all the shares in Kraftwerk Bexbach mbH, Hanover, which holds 8.3% of the shares in Bexbach coal power station. The purchase price totalled € 906.7 million. In the 2009 financial statements, the newly acquired shares in the power stations contributed € -2.2 million to earnings after income tax, excluding borrowing costs. If the new share in the power stations had already been consolidated since the beginning of the year, group revenue would have increased by € 77.9 million to € 15,642.1 million and earnings after income tax would have increased by € 1.0 million to € 825.4 million. The following assets and liabilities were assumed in the acquisition:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Intangible assets	0.0	225.1
Property, plant and equipment	109.7	528.4
Current assets	58.5	197.0
Total assets	**168.2**	**950.5**
Non-current liabilities	2.0	4.5
Current liabilities	20.0	40.2
Total liabilities	**22.0**	**44.7**
Net assets	146.2	905.8
Cost		906.7
Goodwill		0.9

Bexbach power station (STAWAG's shares)

Effective as of 1 October 2009, EnBW acquired a further 16.7% shareholding in Bexbach coal power station. The purchase price amounted to € 83.6 million. In the 2009 financial statements, the newly acquired shares in the power station contributed € -1.0 million to earnings after income tax. If the new share in the power station had already been consolidated since the beginning of the year, group revenue would have increased by € 48.9 million to € 15,613.1 million and earnings after income tax would have increased by € 0.7 million to € 825.1 million. The following assets and liabilities were assumed in the acquisition:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Property, plant and equipment	6.3	68.7
Current assets	0.0	19.4
Total assets	**6.3**	**88.1**
Non-current liabilities	0.0	5.3
Current liabilities	0.0	0.0
Total liabilities	**0.0**	**5.3**
Net assets	6.3	82.8
Cost		83.6
Goodwill		0.8

Acquisition of entities accounted for using the equity method and of joint ventures

EWE Aktiengesellschaft

The German Federal Anti-Trust Office approved the acquisition of a 26% shareholding in EWE Aktiengesellschaft on 6 July 2009 subject to certain conditions. The conditions stipulate that EnBW will have to divest its subsidiary GESO Beteiligungs- und Beratungs-AG or EWE's investment in VNG – Verbundnetz Gas Aktiengesellschaft will have to be sold to a third party. The acquisition takes the form of a share purchase and a capital increase. The total transaction volume amounts to around € 2 billion. EWE Aktiengesellschaft is accounted for as an associate in the consolidated financial statements using the equity method. Headquartered in Oldenburg, EWE Aktiengesellschaft specialises in the areas of electricity and gas supply, gas transmission as well as telecommunications and information technology. For the purposes of segment reporting, EWE Aktiengesellschaft is allocated to the holding segment.

Joint venture with Borusan Holding A. Ş.

On 31 July 2009, EnBW acquired a 50% shareholding in Borusan EnBW Enerji yatırımları ve Üretim A. Ş., a joint venture with Borusan Holding A. Ş. The objective of the joint venture is to build up generation capacities over the next few years primarily in the field of renewable energies. The joint venture is based in Istanbul and is consolidated proportionately in the consolidated financial statements.

Acquisitions after the end of the reporting period

Rostock power station

As of 1 January 2010, EnBW acquired a 100% share in Gesellschaft für die Beteiligung an dem Kraftwerk Rostock mbH, Hanover. The company holds a 50.4% shareholding in Rostock power station. The purchase price amounted to € 320.9 million. The following assets and liabilities were assumed in the acquisition:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Intangible assets	0.0	164.2
Property, plant and equipment	11.2	116.7
Current assets	0.0	52.0
Total assets	**11.2**	**332.9**
Non-current liabilities	0.0	0.0
Current liabilities	0.0	12.0
Total liabilities	**0.0**	**12.0**
Net assets[1]	11.2	320.9
Cost		320.9
Goodwill		0.0

[1] The calculation of the fair value of the assets and liabilities has not been finalised yet. As a result, provisional values were recognised pursuant to IFRS 3.62.

Changes in accounting policy

The IASB and the IFRIC have issued the following new standards and interpretations, the adoption of which is mandatory as of the fiscal year 2009:

- **Omnibus of amendments to various IFRSs (2008) "Improvements to International Financial Reporting Standards":** The amendments are the product of the IASB's first annual improvements process and affect a number of IFRSs. The amendments are intended to clarify the wording of the standards and remove any unintended inconsistencies between them. First-time adoption of these amendments did not have any effect on EnBW's consolidated financial statements.
- **Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – amendments to IFRS 1 (2008) "First-time Adoption of International Financial Reporting Standards" and IAS 27 (2008) "Consolidated and Separate Financial Statements":** The amendments provide for exemptions relating to the measurement of investments in the separate financial statements of first-time adopters of IFRSs. First-time adoption did not have any effect on EnBW's consolidated financial statements.
- **Vesting Conditions and Cancellations – amendments to IFRS 2 (2008) "Share-based Payment":** The amendment to IFRS 2 clarifies the definition of "vesting conditions" for share-based payments. It also clarifies that all cancellations of share-based payment plans are to be accounted for in the same way, regardless of the party making the cancellation. First-time adoption of the amended IFRS 2 did not have any effect on EnBW's consolidated financial statements.
- **Improving Disclosures about Financial Instruments – amendments to IFRS 7 (2009) "Financial Instruments: Disclosures":** The amendments concern disclosures about fair value measurements and liquidity risk. Fair values are presented using a fair value hierarchy with three levels; this presentation is now in line with the wording of the US-American Statement of Financial Accounting Standards (SFAS) 157. In addition, the disclosures required on the liquidity risk are clarified and extended. The disclosures of the maturity analysis for non-derivative financial liabilities must also include issued financial guarantee contracts. A maturity analysis for derivative financial liabilities must include remaining contractual maturities for those derivative financial liabilities for which they are essential for an understanding of the timing of the cash flows. The amendments led to more extensive disclosures on financial instruments in EnBW's notes to the consolidated financial statements.
- **IFRS 8 (2006) "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 SFAS 131. IFRS 8 requires operating segments to be identified using the management approach. As a result of the first-time adoption of IFRS 8, the electricity segment is broken down into "electricity generation and trading" and "electricity grid and sales". Adoption of IFRS 8 did not have any other effects on segmentation.

- **IAS 1 (2007) "Presentation of Financial Statements":** This standard requires changes in equity arising from transactions with equity holders acting as owners and other changes in equity to be presented separately. Accordingly, the statement of changes in equity only includes details on transactions with equity holders, while all other changes in equity are presented in a single line. In addition, the standard introduces a statement of comprehensive income, which includes all line items of income and expenses recognised in the income statement as well as all components of other comprehensive income recognised directly in equity, either in one statement or in two linked statements. These amendments mainly affect the financial statements, which now include a statement of comprehensive income presented in two separate statements – the income statement and a statement reconciling group net profit with total comprehensive income. In addition, the amendments to IAS 1 gave rise to more extensive disclosures in the notes.
- **IAS 23 (2007) "Borrowing Costs":** The amendment of IAS 23 eliminates the allowed alternative treatment of expensing any borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets in the period in which they are incurred. In future, such borrowing costs must be capitalised as part of the cost of the asset. EnBW has adopted the standard in fiscal year 2009 with retroactive effect as of 1 January 2007. Because it is applied with retroactive effect, the prior-year figures were restated accordingly. The effects on the consolidated financial statements are as follows:

Income statement in € millions	**2008**
Finance costs	10.6
Earnings before tax (EBT)	**10.6**
Income tax	-3.1
Group net profit	**7.5**
of which profit shares attributable to equity holders of EnBW AG	(7.5)
Earnings per share from group net profit (€)	**0.03**

Balance sheet in € millions	**31/12/2008**	**1/1/2008**
Property, plant and equipment	11.6	1.0
Revenue reserves	8.2	0.7
Deferred taxes	3.4	0.3

Cash flow statement in € millions	**2008**
Capital expenditures on intangible assets and property, plant and equipment	-10.6
Interest paid for financing activities	10.6

- **Puttable Financial Instruments and Obligations Arising on Liquidation – amendments to IAS 32 (2008) "Financial Instruments: Presentation" and IAS 1 (2008) "Presentation of Financial Statements":** The main changes relate to the disclosure of certain puttable financial instruments and of obligations which only arise on liquidation. Some financial instruments which currently qualify as financial liabilities will therefore be classified as equity. First-time adoption did not have any effect on EnBW's consolidated financial statements.
- **Reclassification of Financial Assets – amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures":** The IASB has issued editorial corrections to the amendments to IAS 39 and IFRS 7 originally issued on 13 October 2008. These editorial corrections clarify the effective date of the amendments issued on 13 October 2008. The amendments to IAS 39 and IFRS 7 did not have any effect on EnBW's consolidated financial statements.

- **Embedded Derivatives – amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement":** The amendments to IFRIC 9 and IAS 39 clarify that embedded derivatives reclassified out of the "at fair value through profit or loss" category must be reassessed and potentially separated from the host contract. First-time adoption did not have any effect on EnBW's consolidated financial statements.
- **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. The interpretation did not have any effect on EnBW's consolidated financial statements.
- **IFRIC 14 "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 further obligation as long as the minimum funding contribution is repaid to the entity. First-time adoption of IFRIC 14 did not have any material effect on EnBW's consolidated financial statements.

Effects of new accounting standards that are not yet mandatory

The IASB and IFRIC have published the following standards and interpretations whose adoption is not yet mandatory for the fiscal year 2009. Their application in the future is subject to their endorsement by the EU into European law.

- **Omnibus of amendments to various IFRSs (2009) "Improvements to International Financial Reporting Standards":** The amendments are the product of the IASB's annual improvements project and affect a number of IFRSs. The amendments are intended to clarify the wording of the standards and remove any unintended inconsistencies between them. Unless stipulated otherwise in the respective standard, the amendments are effective for the first time for fiscal years beginning on or after 1 January 2010. The amendments have not yet been endorsed into European law. The effects on EnBW's consolidated financial statements are currently being assessed.
- **IFRS 1 (2008) "First-time Adoption of International Financial Reporting Standards":** The amendments to IFRS 1 only relate to the formal structure of the standard. The amended IFRS 1 is effective for the first time for fiscal years beginning on or after 1 January 2010. The amendments to IFRS 1 are not expected to have any effect on EnBW's consolidated financial statements.
- **Additional Exemptions for First-time Adopters – amendment to IFRS 1 (2009) "First-Time Adoption of International Financial Reporting Standards":** The amendments concern the retrospective application of IFRSs in special situations and are designed to ensure that first-time adopters do not incur unreasonably high costs when transitioning to IFRS. The amendments are effective for the first time for fiscal years beginning on or after 1 January 2010. The amendments have not yet been endorsed by the EU into European law. The amendments are not expected to have any effect on EnBW's consolidated financial statements.
- **Group Cash-settled Share-Based Payment Transactions – amendments to IFRS 2 (2009) "Share-based Payment":** The amendments are intended to clarify the accounting for cash-settled share-based payment transactions within the group. The amended standard is effective for fiscal years beginning on or after 1 January 2010. The amendments have yet to be endorsed into European law. The effects on EnBW's consolidated financial statements are currently being assessed.

- **IFRS 3 (2008) "Business Combinations":** The main changes relate to the scope and accounting for business combinations achieved in stages. The standard also introduces an option: Minority interests can either be measured at fair value or at the proportionate share of the net identifiable assets. Depending on how the option is used, any goodwill arising in the course of the business combination is either disclosed in full or on a pro rata basis. The revised standard also contains new provisions regarding the recognition and measurement of acquired assets and liabilities. IFRS 3 is to be applied for the first time to fiscal years beginning on or after 1 July 2009. The amendments to IFRS 3 will have an effect on the accounting for future business combinations in the EnBW group.
- **IFRS 9 (2009) "Financial Instruments":** Publication of IFRS 9 by the IASB represents the completion of the first part of a three-part project to reform accounting for financial instruments. The IASB intends to fully replace the existing IAS 39 "Financial instruments: Recognition and Measurement" with IFRS 9 by the end of 2010. In the first part, the standard addresses the classification and measurement of financial assets. IFRS 9 reduces the existing four measurement categories to two: at amortised cost and at fair value through profit or loss. In addition, the standard contains rulings on reclassification, embedded derivatives and fair value options in particular. IFRS 9 does not provide any guidance on the classification and measurement of financial liabilities. The standard is effective for the first time for fiscal years beginning on or after 1 January 2013. IFRS 9 has not yet been endorsed into European law. The effects on the consolidated financial statements are currently being assessed.
- **IAS 24 (2009) "Related Party Disclosures":** IAS 24 was revised initially to simplify disclosure requirements for state-related entities. Certain related party relationships arising from an interest held by government have been excluded from the scope of IAS 24. In addition, the definition of related parties was reworked completely. The revised standard is effective for the first time for fiscal years beginning on or after 1 January 2011. It has yet to be endorsed into European law. The effects on the consolidated financial statements are currently being assessed.
- **IAS 27 (2008) "Consolidated and Separate Financial Statements":** The amended IAS 27 contains in particular amended rules on accounting for changes in ownership interests. In future, the transactions by which a parent company has changed its ownership interest in a subsidiary without losing control of the subsidiary will be recorded directly in equity. The amended standard is effective for the first time for fiscal years beginning on or after 1 July 2009. The amendments to IAS 27 will have an effect on the future accounting for changes in ownership interests of subsidiaries in the EnBW group.
- **Classification of Rights Issues – amendment to IAS 32 (2009) "Financial Instruments: Presentation":** The amendment governs the accounting by the issuing entity for foreign currency denominated rights issues as well as options and warrants to acquire the entity's own equity instruments. In future, such rights should be accounted for as equity and not as liabilities. The revised standard is effective for the first time for fiscal years beginning on or after 1 February 2010. The amendments are not expected to have any effect on EnBW's consolidated financial statements.
- **Eligible hedged items – amendment to IAS 39 (2008) "Financial Instruments: Recognition and Measurement":** The amendment to IAS 39 clarifies how the principles of hedge accounting should be applied in the designation of inflation as a hedged risk and the designation of a one-sided risk in a hedged item. The amendments are effective for the first time for fiscal years beginning on or after 1 July 2009. The amendments are not expected to have any effect on EnBW's 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 such as airports, prisons, utilities, etc. In order to perform these duties, the operator uses infrastructure which continues to be controlled by the grantor. Nevertheless, the operator is responsible for construction, operation and maintenance. This interpretation is effective for the first time for fiscal years beginning after 29 March 2009. The amendments are not expected to have any significant effect on EnBW's consolidated financial statements.

- **Prepayments of a Minimum Funding Requirement – amendment to IFRIC 14 (2009) "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction":** The amendment to IFRIC 14 is relevant in cases where an entity has minimum funding requirements and makes prepayments to meet such minimum funding requirements. The amendment allows entities to recognise the economic benefit from such prepayment as an asset. IFRIC 14 is effective for the first time for fiscal years beginning on or after 1 January 2011. The amendments to IFRIC 14 have not yet been endorsed into European law. The effects on EnBW's consolidated financial statements are currently being assessed.
- **IFRIC 15 "Agreements for the Construction of Real Estate":** IFRIC 15 addresses the accounting treatment for the sale of real estate where an agreement is reached with a third party before the construction of the real estate is completed. IFRIC 15 clarifies when IAS 11 "Construction Contracts" or IAS 18 "Revenue" apply. In addition, the interpretation determines the timing of revenue recognition. This interpretation is effective for fiscal years beginning on or after 31 December 2009. The interpretation is not expected to have any effect on EnBW's consolidated financial statements.
- **IFRIC 16 "Hedges of a Net Investment in a Foreign Operation":** IFRIC 16 provides guidance on identifying the risks that qualify for hedge accounting in the hedge of a net investment in a foreign operation and on where within the group the hedging instruments can be held in the hedge of a net investment. This interpretation is effective for fiscal years beginning on or after 30 June 2009. The interpretation is not expected to have any effect on EnBW's consolidated financial statements.
- **IFRIC 17 "Distributions of Non-cash Assets to Owners":** This interpretation addresses the accounting treatment for distributions of non-cash assets in the financial statements, prepared in accordance with IFRSs, of the entity making the distribution. The obligation arising from a distribution of non-cash assets is measured in accordance with IAS 37. It is recognised when the distribution is appropriately authorised and is no longer at the discretion of the entity. This interpretation is effective for the first time for fiscal years beginning on or after 1 November 2009. The interpretation is not expected to have any effect on EnBW's consolidated financial statements.
- **IFRIC 18 "Transfers of Assets from Customers":** This interpretation applies to the accounting for assets that an entity receives from a customer and must use to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. IFRIC 18 is effective for the first time for fiscal years beginning on or after 1 November 2009. The interpretation is not expected to have any effect on EnBW's consolidated financial statements.
- **IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments":** IFRIC 19 illustrates the requirements set forth in IFRSs when an entity issues shares or other equity instruments to extinguish all or part of a financial liability. This interpretation is effective for the first time for fiscal years beginning on or after 1 July 2010. It has yet to be endorsed into European law. The effects on EnBW's consolidated financial statements are currently being assessed.

Changes in presentation

To enhance presentation of the results of operations, financial position and net assets, we have presented the assets and liabilities from electricity supplies and under the German Renewable Energies Act (EEG) on a net basis in the 2009 reporting period. The prior-year figures were restated accordingly:

Balance sheet in € millions	31/12/2008	1/1/2008
Trade receivables	-34.5	-35.1
Other current assets	-158.1	-167.8
Trade payables	-159.4	-167.8
Other liabilities and subsidies	-33.2	-35.1

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 acquired software ranges from three to five years; the amortisation period of franchises is based on their respective contractual terms. Customer relationships are amortised over their contractual term, water rights and the underlying franchises are amortised over 30 years. The useful lives and amortisation methods are reviewed annually.

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 and 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 are measured at cost. Items that are subject to wear and tear are depreciated using the straight-line method over the expected useful life of their individual components. Depreciation is recorded pro rata temporis in the year of addition.

If an asset necessarily takes a substantial period of time (more than twelve months) to get ready for its intended use, the borrowing costs incurred until it is ready for its intended use that are directly attributable to its acquisition or production are capitalised as part of the respective asset. Where there are specific debt financing arrangements, the respective borrowing costs incurred are used. Where the debt financing arrangements are not specific, borrowing costs are capitalised using a uniform rate within the group of 5.0% (prior year: 5.2%). Borrowing costs totalling € 22.7 million (prior year: € 10.6 million) were recognised as an asset in the fiscal year.

Maintenance and repair costs are recorded as expenses. Renewal or maintenance expenses which lead to future economic benefits of an asset are capitalised.

Investment grants or subsidies are not deducted from the cost of the asset concerned, but recognised on the liabilities' side of the balance sheet.

The nuclear power plants also contain the present value, net of depreciation, of the estimated cost of the closure and dismantling of the contaminated plants.

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 stations	15 - 50
Electricity distribution plants	25 - 45
Gas distribution plants	15 - 55
Water distribution plants	20 - 40
Other equipment, furniture and fixtures	5 - 14

The useful lives and depreciation methods are reviewed annually.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. This also applies for agreements that do not explicitly describe the conveyance of such a right. Leases are classified either as finance leases or as operating leases.

Leases where the EnBW group as lessee retains substantially all the risks and rewards of ownership of the asset are classified as finance leases. The leased asset is recognised at the lower of fair value and the present value of the minimum lease payments and a corresponding liability is recognised. The recognised leased asset is depreciated over the shorter of its estimated useful life and the lease term. The liability is repaid in subsequent periods and recognised using the effective interest method. All other leases where the EnBW group is the lessee are classified as operating leases. Lease payments and instalments from operating leases are recognised immediately as an expense in the income statement.

Leases where the EnBW group as lessor transfers substantially all the risks and rewards of ownership of the asset to the lessee are recognised as finance leases at the lessor. A receivable is recognised for the amount of the net investment in the lease. The payments made by the lessee are recognised as repayments on the principal or interest income using the effective interest method. All other leases where the EnBW group is the lessor are classified as operating leases. The leased asset remains in the consolidated balance sheet and is depreciated. The payments made by the lessee are recognised as income on a straight-line basis over the term of the lease.

Investment property

Investment property includes land and buildings held to earn rentals or for capital appreciation and not used by EnBW itself. Investment property that is subject to wear and tear is 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 methods and disclosed in the notes to the financial statements.

Impairment

The carrying amounts of intangible assets, property, plant and equipment, and investment property 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. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups 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 in 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). An impairment loss recognised for goodwill may not be reversed in a subsequent period. Accordingly, impairment losses on goodwill are not reversed.

Entities accounted for using the equity method

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, dividends paid or other changes in equity. Goodwill is included in the carrying amount of the investment.

Financial assets

Investments in non-consolidated affiliated entities, in associates not accounted for using the equity method and in other investees, as well as some of the securities, are allocated to the “available-for-sale” measurement category. This measurement category includes all financial assets that are not “held for trading”, “held to maturity” or “loans and receivables”. They are measured at fair value if it can be determined reliably. If the fair value cannot be determined reliably because there is no active market, these financial assets are measured at amortised cost. Unrealised gains and losses are recognised 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 recognised directly in equity are recognised in profit or loss upon sale. Impairment losses are reflected in an allowance account.

Securities classified as “held-to-maturity investments” 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 allocated to the “held for trading” category are measured at fair value through profit or loss. 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).

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. Write-downs are determined in accordance with consumption.

Emission allowances
Emission allowances are recognised under inventories. Emission allowances acquired for no 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 are recognised as other assets at fair value through profit or loss, and any fluctuation in fair value is recognised directly in profit or loss.

The obligation to return CO_2 emission allowances is accounted for under other provisions. The carrying amount of the provision is determined based on the carrying amount of the emission allowances provided free of charge and, if more emission allowances are needed, on the carrying amount of the existing emission allowances. If further emission allowances are needed, they are accounted for at their fair value as of the balance sheet date.

Trade receivables and other assets
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 depends on 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
For defined benefit plans, 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 using the straight-line method. Assets of funds established to cover the pension obligations are deducted from the provision. Service cost is disclosed in personnel expenses, while the interest portion of additions to the provision and the return on plan assets are recorded in the financial result.

Payments for defined contribution plans are expensed as incurred and presented under personnel expenses.

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.

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 netted with each other by consolidated tax group or entity if the conditions to do so have been satisfied.

Financial liabilities
Financial liabilities are recorded at fair value upon initial recognition. After initial recognition, they are measured at amortised cost. 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.

Trade payables and other liabilities
Trade payables and other liabilities are recognised at the amount repayable.

The construction cost subsidies recorded as liabilities are released to other operating income in accordance with the use of the subsidised item of property, plant and equipment. As a rule, the period of release for construction cost subsidies is between 40 and 45 years. Investment cost subsidies and grants are released over the depreciation period of the subsidised assets. The amount released is offset against depreciation in the balance sheet.

Assets held for sale and liabilities directly associated with assets classified as held for sale and discontinued operations
Assets held for sale are individual non-current assets and groups of assets 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 directly associated with assets held for sale and discontinued operations” includes liabilities that are part of a group of assets held for sale or a discontinued operation.

Assets that meet the criteria to be classified as 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 profit or loss from continuing operations until they are finally sold.

Income and expenses from discontinued operations as well as gains and losses from their measurement at fair value less costs to sell are disclosed as profit/loss 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 in accordance with IAS 39. They are recognised under other assets and other liabilities and subsidies.

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 fair 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 (other comprehensive income) 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 the probability of an outflow of resources is remote or the amount cannot be determined reliably. Contingent liabilities are not recognised.

Revenue recognition

Revenue is generally recognised when the risk has been transferred to the customer. Substantially all the risks and rewards are transferred to the customer together with the transfer of title or ownership. Revenue is measured at the fair value of the consideration received or receivable for goods or services. Revenue is recognised net of any sales deductions such as price discounts and rebates and VAT as well as after elimination of intercompany sales. Most of the revenue is generated from the sale of electricity and gas, the distribution of electricity and gas as well as waste disposal, energy services and water supply.

Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Exercise of judgement and estimates when applying accounting policies

The preparation of the consolidated financial statements requires judgements and estimates to be made in applying the accounting policies that affect the reported amounts of assets and liabilities, revenue and expenses and the disclosure of contingent liabilities.

The following judgements in particular were made in the process of applying the accounting policies:

- Judgement is required with respect to certain commodity futures contracts to determine whether they are derivatives as defined by IAS 39 or an uncertain future event in accordance with the provisions of IAS 37.
- Financial assets are allocated to the measurement categories in accordance with IAS 39: "held for trading", "available for sale", "held-to-maturity investments" and "loans and receivables".
- IAS 19 allows different methods for the measurement of pension provisions with regard to the recognition of actuarial gains and losses. The EnBW group uses the corridor method.

These estimates are based on assumptions and forecasts which, by their very nature, are uncertain and may be subject to change. 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 future cash inflows. To determine the recoverable amount, an appropriate discount rate must be chosen. Future changes in the overall economic, industry or company situation may reduce cash inflows or the discount rate and thus potentially 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.

Impairment of available-for-sale financial assets: Changes in the value of financial assets in the "available for sale" measurement category are recognised directly in equity. Permanent impairments are recognised in the profit or loss for the period. A significant or prolonged decline in the fair value of an investment in an equity instrument below its amortised cost is objective evidence of impairment. In the fiscal year 2009, impairment losses of € 57.0 million (prior year: € 89.1 million) were recognised in the income statement for available-for-sale financial assets.

Determination of fair value of financial assets and financial liabilities: The fair value of financial assets and financial liabilities is determined by reference to quoted market prices or using valuation techniques such as the discounted cash flow method. Where the parameters used in the valuation techniques are not supported by observable market data, assumptions need to be made which can affect the fair value of financial assets and financial liabilities.

Trade receivables and other assets: Bad debt allowances are recognised for doubtful debts in order to account for the credit risk. The amount of the allowance includes estimates and judgements concerning individual receivables, based on the age structure of the receivables, the customers' credit rating, past experience relating to the derecognition of receivables and changes in payment terms. As of 31 December 2009, bad debt allowances on trade receivables and other assets totalled € 70.1 million (prior year: € 82.8 million).

Pension provisions: When calculating pension provisions, differences compared to the actual obligations incurred over time may arise from the selection of underlying assumptions such as the imputed interest rate or trends, use of demographic probabilities based on the 2005 G Heubeck mortality tables and accepted approximation methods when determining the pension from the statutory pension insurance fund. Bonds with special terms and conditions were not considered when determining the interest rate for 2009.

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 obligation. The uncertainty inherent in the estimates is primarily due to changes in the scope of the obligations, 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 and buildings as well as 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 an independent external valuation appraisal.

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.

Joint ventures

The share of joint ventures in the consolidated balance sheet and the consolidated income statement breaks down as follows:

Balance sheet in € millions	31/12/2009	31/12/2008
Non-current assets	378.1	338.4
Current assets	138.8	140.2
Assets held for sale	151.0	0.0
Non-current liabilities	139.9	97.6
Current liabilities	107.8	80.9
Liabilities directly associated with the assets classified as held for sale	17.3	0.0

Income statement in € millions	2009	2008
Revenue	443.9	369.7
Cost of materials	-319.9	-257.2
Operating profit	69.0	57.1
Investment and financial result	5.5	8.0
Earnings before tax	74.5	65.1
Income tax	-15.3	-11.9
Earnings after tax	59.2	53.2

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, which is also the functional currency, is the euro (€). The financial statements of the group entities are translated to euros. 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 entities that do not report in euros are translated at the mean rate prevailing on the balance sheet date, while expenses and income are translated at the average annual rate. The entities concerned are foreign entities, whose functional currency generally is the respective local currency. 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 other comprehensive income. The same procedure is applied by analogy for foreign entities accounted for using the equity method.

The entities of the EnBW group mainly operate in the euro area. As in the prior year, the provisions of IAS 29 on financial reporting in hyperinflationary economies were not relevant in the fiscal year. No major group entities are domiciled in a hyperinflationary economy.

Currency translation was based on the following exchange rates, among others:

	Closing rate		Average rate	
€ 1	**2009**	**2008**	**2009**	**2008**
Swiss franc	1.48	1.49	1.51	1.59
Pound sterling	0.89	0.95	0.89	0.80
US dollar	1.44	1.39	1.39	1.47
Hungarian forint	270.42	266.70	280.48	251.78
Czech koruna	26.47	26.88	26.45	24.96
Japanese yen	133.16	126.14	130.28	152.45

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.

In the interest of a more accurate presentation of the business development, 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 2009, the net energy trading revenue came to € 6,301.7 million (prior year: € 7,810.1 million).

The segment reporting contains a breakdown of revenue by business segment and geographical segment.

(2) Other operating income

€ millions	2009	2008
Rent and lease income	28.3	35.1
Income from the release and reduction of specific bad debt allowances	15.5	7.3
Gains on disposal of non-current assets	36.3	27.7
Exchange rate gains	11.7	20.9
Income from the reversal of provisions	383.1	166.1
Income from the release and retirement of construction cost subsidies	110.7	90.3
Income from derivatives	100.3	99.1
Sundry	328.3	369.3
Total	**1,014.2**	**815.8**

Disposals of assets contain income of € 3.0 million (prior year: € 5.8 million) from the disposal of real property held for sale.

Reversals of impairment losses on property, plant and equipment and investment properties amounted to € 3.4 million in the reporting period (prior year: € 1.8 million).

In addition, sundry other operating income mainly includes income from the reversal of accruals and income from insurance claims.

(3) Cost of materials

€ millions	2009	2008
Cost of materials and supplies and of purchased merchandise	8,834.6	9,818.2
Cost of purchased services	2,286.5	2,280.9
Total	**11,121.1**	**12,099.1**

Cost of materials and supplies and of purchased merchandise comprises in particular electricity and gas procurement costs as well as the necessary increases – other than that due to the passage of time – in provisions for the decommissioning of nuclear power plants unless they are required to be recognised as part of the cost of the asset. This item also includes costs for the disposal of irradiated fuel rods and radioactive waste as well as the consumption of nuclear fuel rods, nuclear fuels and fuels for 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 franchise fees. In addition, other expenses directly attributable to services rendered are shown under this heading.

(4) Personnel expenses

€ millions	2009	2008
Wages and salaries	1,253.9	1,183.9
Social security, pension and other benefit costs	363.7	296.5
of which for post-employment benefits	(152.4)	(100.0)
Total	**1,617.6**	**1,480.4**

Average headcount for the year	2009	2008
Electricity generation and trading	4,671	4,493
Electricity grid and sales	6,444	7,226
Gas	727	914
Energy and environmental services	8,487	7,130
Holding	585	594
Employees	**20,914**	**20,357**
Apprentices and trainees in the group	1,262	1,247

Expenses for post-employment benefits arising from the increase in the benefit obligation amount to € 47.9 million (prior year: € 56.2 million). The other expenses for post-employment benefits mainly contain other social benefits that can be recognised as a provision and contributions to the pension guarantee association.

The total figure includes 712 employees (prior year: 678) from entities included on a proportionate basis based on their EnBW share.

(5) Other operating expenses

€ millions	2009	2008
Rent and lease expenses	72.9	74.7
Expense from specific bad debt allowances	52.3	40.3
Loss on the disposal of non-current assets	21.7	24.5
Exchange rate losses	14.2	15.8
Other personnel expenses	80.7	71.9
Advertising expenses	103.6	125.5
Administrative and selling expenses	121.9	127.3
Audit, legal and consulting fees	185.7	161.8
Expenses from derivatives	36.6	138.2
Insurance	44.8	41.8
Dues and levies	7.5	7.0
Other taxes	26.1	13.4
Write-down of inventories and other current assets	116.5	0.0
Sundry	274.5	229.2
Total	**1,159.0**	**1,071.4**

(6) Amortisation and depreciation

€ millions	2009	2008
Amortisation of intangible assets	115.0	97.1
Depreciation of property, plant and equipment	748.3	973.9
Depreciation of investment property	1.8	7.2
Release of investment cost subsidies	-6.2	-6.3
Total	**858.9**	**1,071.9**

As in the prior year, there were no impairment losses on goodwill from capital consolidation in the reporting year. The impairment losses recognised on other intangible assets, property, plant and equipment and investment property amounted to € 37.5 million (prior year: € 270.2 million). The prior-year impairment losses were mostly recognised on the electricity and gas grids as a result of a further reduction in the network user charges imposed by the Federal Network Agency.

(7) Investment result

€ millions	2009	2008
Share of profit of entities accounted for using the equity method	175.9	142.8
Write-downs of entities accounted for using the equity method	-102.0	0.0
Write-ups of entities accounted for using the equity method	6.8	0.0
Net profit from entities accounted for using the equity method	**80.7**	**142.8**
Investment income[1]	55.0	58.8
of which non-consolidated affiliated entities	(6.2)	(8.2)
Write-downs of investments	-63.4	-4.4
of which non-consolidated affiliated entities	(-1.2)	(-2.5)
Income from the sale of investments	10.0	54.1
Other income from investments	**1.6**	**108.5**
Investment result	**82.3**	**251.3**

[1] Of which € 0.0 million (prior year: € 6.6 million) stems from investments held as financial assets.

The net profit from entities accounted for using the equity method includes impairment losses recognised on EWE Aktiengesellschaft (€ 95.0 million). It became necessary after expected earnings declined on account of the poor state of the economy as a whole. The reversal of impairment losses relates to a foreign entity.

Write-downs of investments include impairment losses on investments of € 62.2 million (prior year: € 1.9 million) that mainly relate to an investment held as a financial asset. The impairment losses on shares in affiliates amount of € 1.2 million (prior year: € 2.5 million).

(8) Financial result

€ millions	2009	2008
Interest and similar income	252.3	302.6
of which non-consolidated affiliated entities	(0.3)	(0.5)
Other finance revenue	122.0	155.2
Finance revenue	**374.3**	**457.8**
Borrowing costs[1]	-332.2	-232.4
Other interest and similar expenses	-47.0	-32.7
of which non-consolidated affiliated entities	(-0.1)	(-0.3)
Interest portion of increases in provisions	-511.2	-488.7
Personnel provisions	(-230.8)	(-218.8)
Provisions relating to nuclear power	(-272.7)	(-254.8)
Other non-current provisions	(-7.7)	(-15.1)
Other finance costs	-198.3	-177.1
Finance costs[1]	**-1,088.7**	**-930.9**
Financial result[1]	**-714.4**	**-473.1**

[1] Prior-year figures restated.

Interest and similar income contains interest income from interest-bearing securities and loans, dividends and other profit shares.

Interest income of € 28.0 million was offset against economically related interest expenses in the 2009 reporting period (prior year: € 0.0 million).

Borrowing costs include expenses for bank interest and bonds of € 263.2 million (prior year restated: € 158.2 million), the interest portion for finance leases of € 38.0 million (prior year: € 42.2 million) and other borrowing costs of € 31.0 million (prior year: € 32.0 million).

Other interest and similar expenses principally consist of interest on put options of minority interests of entities that have already been fully consolidated amounting to € 31.7 million (prior year: € 23.8 million). The interest portion from the increase in provisions relates to the annual increase of the non-current provisions due to the passage of time.

Other finance costs comprise expenses of € 57.0 million in the 2009 reporting period for impairment losses recognised on our investments in the available-for-sale category on account of the general credit crisis on the capital markets (prior year: € 89.1 million). In addition, the other finance costs comprise impairment losses of € 14.8 million on loans (prior year: € 0.0 million) and exchange rate losses on the disposal of securities of € 90.6 million (prior year: € 69.6 million). Other finance revenue contains, among other items, realised exchange rate gains from the sale of securities of € 82.8 million (prior year: € 92.4 million).

(9) Income taxes

€ millions	2009	2008
Current income tax		
Domestic corporate income tax	150.6	187.4
Domestic trade tax	82.2	71.3
Foreign income taxes	37.4	29.1
Total	**270.2**	**287.8**
Deferred taxes[1]		
Germany	168.0	57.3
Abroad	-5.4	-6.8
Total	**162.6**	**50.5**
Income tax (-income/+expense)[1]	**432.8**	**338.3**

[1] Prior-year figures restated.

Current income tax contains net expenses of € 69.6 million (prior year: € 32.8 million) that relate to prior periods. Deferred tax contains net income of € 26.4 million (prior year: € 46.3 million) that relates to prior periods.

The corporate income tax rate came to 15.0% in the fiscal year plus a solidarity surcharge of 5.5%. The trade tax rate was 13.2%. This represents a tax rate of 29.0%. For the foreign entities, the tax rate applicable in their country of residence is used to calculate income taxes. Deferred tax assets and liabilities are measured at the tax rates expected to apply when the asset is realised or the liability is settled.

In 2009, the deferred tax expense was reduced by € 2.5 million by recognising previously unused tax losses (prior year: € 6.7 million). On the other hand, the deferred tax expense was increased by € 27.3 million on account of the adjustment of unused tax losses (prior year: decrease of € 0.6 million).

The reconciliation from the theoretical income tax expense to the current income tax expense is presented below:

€ millions[1]	2009	%	2008	%
Earnings before tax	**1,257.2**		**1,246.4**	
Applicable tax rate		29.0		29.0
Theoretical income tax expense	**364.6**		**361.5**	
Tax effects				
Differences in foreign tax rates and tax rate differences	-14.0	-1.1	0.3	0.0
Tax-free income	-50.9	-4.0	-56.6	-4.5
Non-deductible expenses	82.5	6.6	63.7	5.1
Addbacks and reductions for trade tax purposes	21.9	1.7	21.8	1.7
Measurement of associates using the equity method	-23.4	-1.9	-41.6	-3.3
Change in deferred tax assets relating to unused tax losses	24.8	2.0	-3.3	-0.3
Zero-rated disposals of investments	-16.8	-1.3	-2.1	-0.2
Taxes relating to other periods	43.2	3.4	-13.5	-1.1
Other	0.9	0.0	8.1	0.7
Current income tax (-income/+expense)	**432.8**		**338.3**	
Effective tax rate		**34.4**		**27.1**

[1] Prior-year figures restated.

(10) Intangible assets

€ millions[1]	Franchises, industrial rights, licences and similar rights	Internally generated intangible assets	Goodwill	Other	Total
Cost					
As of 1 January 2009	1,579.1	69.3	702.1	20.2	2,370.7
Increase/decrease due to changes in the consolidated companies[2]	268.1	0.0	97.0	0.0	365.1
Additions	29.0	2.8	0.0	8.4	40.2
Reclassifications	10.7	6.1	0.0	-9.8	7.0
Reclassification to assets held for sale	-56.4	0.0	-112.1	-3.2	-171.7
Currency adjustments	0.9	0.0	1.6	0.0	2.5
Disposals	-14.4	0.0	-38.6	-1.4	-54.4
As of 31 December 2009	1,817.0	78.2	650.0	14.2	2,559.4
Accumulated amortisation					
As of 1 January 2009	623.3	30.8	14.0	0.0	668.1
Additions	96.0	10.3	0.0	0.0	106.3
Reclassifications	2.2	-0.1	0.0	0.0	2.1
Reclassification to assets held for sale	-20.5	0.0	0.0	0.0	-20.5
Currency adjustments	0.3	0.0	0.0	0.0	0.3
Disposals	-12.0	0.0	0.0	0.0	-12.0
Impairment losses	8.7	0.0	0.0	0.0	8.7
As of 31 December 2009	698.0	41.0	14.0	0.0	753.0
Carrying amounts					
As of 31 December 2009	1,119.0	37.2	636.0	14.2	1,806.4
Cost					
As of 1 January 2008	1,474.8	68.8	684.8	17.1	2,245.5
Increase/decrease due to changes in the consolidated companies[2]	0.3	0.0	16.1	0.1	16.5
Additions	124.5	0.4	0.0	7.2	132.1
Reclassifications	3.2	0.1	0.0	-4.2	-0.9
Currency adjustments	21.1	0.0	1.2	0.0	22.3
Disposals	-44.8	0.0	0.0	0.0	-44.8
As of 31 December 2008	1,579.1	69.3	702.1	20.2	2,370.7
Accumulated amortisation					
As of 1 January 2008	544.0	20.8	14.0	0.0	578.8
Decrease due to changes in the consolidated companies	-0.2	0.0	0.0	0.0	-0.2
Additions	86.1	10.0	0.0	0.0	96.1
Reclassifications	-1.4	0.0	0.0	0.0	-1.4
Currency adjustments	3.5	0.0	0.0	0.0	3.5
Disposals	-9.7	0.0	0.0	0.0	-9.7
Impairment losses	1.0	0.0	0.0	0.0	1.0
As of 31 December 2008	623.3	30.8	14.0	0.0	668.1
Carrying amounts					
As of 31 December 2008	955.8	38.5	688.1	20.2	1,702.6

[1] Prior-year figures restated.
[2] Including increases in equity holdings.

Finance leases account for € 189.0 million (prior year: € 223.8 million) of the carrying amount of intangible assets. They mainly refer to an electricity procurement right of € 185.3 million (prior year: € 217.5 million). The contract expires in 2015. The carrying amount of intangible assets also includes operating licences for power stations of € 626.8 million (prior year: € 393.1 million) and customer relationships of € 105.8 million (prior year: € 139.7 million).

In 2009, a total of € 32.0 million (prior year: € 28.9 million) was spent on research and 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 2009.

Goodwill totalled € 636.0 million as of 31 December 2009 (prior year restated: € 688.1 million). Of this figure, 84.1% (prior year: 86.0%) 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[1]	After-tax discount rates (%)		Goodwill in € millions	
	2009	2008	2009	2008
Electricity sales and distribution	4.9 – 7.4	4.9 - 7.8	151.4	207.0
Gas sales and distribution	4.9 – 7.4	4.9 – 7.8	45.4	101.6
Stadtwerke Düsseldorf AG subgroup	4.9 – 7.4	4.9 – 7.8	127.4	165.3
Energiedienst Holding AG subgroup (without EnAlpin AG)	4.9 – 7.4	4.9 – 7.8	117.8	117.8
Borusan EnBW Enerji yatırımları ve Üretim A. Ş. subgroup	11.9	-	92.9	-

[1] Prior-year figures restated.

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 € 101.1 million (prior year: € 96.4 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.

Key assumptions underlying the determination of fair value less costs to sell include projections of future electricity and gas prices, materials prices, company-specific investing activities, the regulatory framework as well as growth and discount rates.

The discount rates applied to the cash flows are determined on the basis of market data and range from 4.9% to 11.9% after tax and 7.0% to 15.0% before tax (prior year: 4.9% to 7.8% after tax and 7.0% to 10.9% before tax).

Constant growth rates of 1.0% and 1.5% (prior year: 1.0% and 1.5%) are used to extrapolate the cash flows beyond the detailed planning period, taking into account expected price and volume-related growth.

At € 45.7 million, the amount by which the recoverable amount of goodwill exceeds its carrying amount is the lowest at the subgroup in Turkey, Borusan EnBW Enerji yatırımları ve Üretim A. Ş. The recoverable amount of Borusan EnBW Enerji yatırımları ve Üretim A. Ş. was determined using a discount rate of 11.9%. An increase in the discount rate by 1.5% would reduce the excess of recoverable amount over carrying amount to zero.

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 2008. This led to an increase in goodwill of € 14.8 million.

Goodwill by segment developed as follows:

€ millions[1]	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Total
Carrying amounts as of 1 January 2009	151.5	340.2	140.2	56.2	688.1
Increase/decrease due to changes in the consolidated companies[2]	97.0	0.0	0.0	0.0	97.0
Reclassification to assets held for sale	0.0	-56.0	-56.1	0.0	-112.1
Other changes	-16.5	-1.0	-8.9	-10.6	-37.0
Carrying amounts as of 31 December 2009	232.0	283.2	75.2	45.6	636.0
Carrying amounts as of 1 January 2008	149.4	322.9	141.1	57.4	670.8
Increase/decrease due to changes in the consolidated companies[2]	-0.3	17.7	-0.9	-0.4	16.1
Other changes	2.4	-0.4	0.0	-0.8	1.2
Carrying amounts as of 31 December 2008	151.5	340.2	140.2	56.2	688.1

1 Prior-year figures restated.
2 Including increases in equity holdings.

(11) Property, plant and equipment

€ millions[1]	Land and buildings	Power plants	Distribution plants	Other equipment	Assets under construction	Total
Cost						
As of 1 January 2009	3,674.5	11,731.7	14,764.9	1,516.3	802.1	32,489.5
Increase/decrease due to changes in the consolidated companies	50.4	643.0	0.0	0.2	74.7	768.3
Additions	22.7	220.1	266.6	87.6	759.2	1,356.2
Reclassifications	68.0	40.4	112.2	18.3	-249.4	-10.5
Reclassification to assets held for sale	-181.5	-63.5	-1,136.2	-60.2	-15.9	-1,457.3
Currency adjustments	3.2	2.0	3.1	0.3	0.1	8.7
Disposals	-34.9	-85.6	-188.5	-78.2	-9.5	-396.7
As of 31 December 2009	3,602.4	12,488.1	13,822.1	1,484.3	1,361.3	32,758.2
Accumulated depreciation						
As of 1 January 2009	1,361.4	9,794.4	8,785.9	957.1	5.4	20,904.2
Additions	62.8	258.9	300.6	97.6	0.0	719.9
Reclassifications	6.8	-10.0	-0.8	-0.6	34.3	29.7
Reclassification to assets held for sale	-43.5	-38.1	-460.6	-45.4	0.0	-587.6
Currency adjustments	0.5	1.0	1.1	0.1	0.0	2.7
Disposals	-26.0	-25.0	-132.8	-74.0	-3.3	-261.1
Impairment losses	2.7	17.8	7.8	0.1	0.0	28.4
Reversal of impairment losses	0.0	-0.1	-3.1	0.0	0.0	-3.2
As of 31 December 2009	1,364.7	9,998.9	8,498.1	934.9	36.4	20,833.0
Carrying amounts						
As of 31 December 2009	2,237.7	2,489.2	5,324.0	549.4	1,324.9	11,925.2
Cost						
As of 1 January 2008	3,558.7	11,602.5	14,414.3	1,506.1	481.1	31,562.7
Changes in accounting policy	0.0	0.0	0.0	0.0	1.0	1.0
As of 31 December 2008[2]	3,558.7	11,602.5	14,414.3	1,506.1	482.1	31,563.7
Increase/decrease due to changes in the consolidated companies	2.0	-12.6	14.3	-1.0	1.8	4.5
Additions[3]	131.0	109.8	308.7	110.9	543.5	1,203.9
Reclassifications	21.1	69.9	94.0	-17.1	-216.3	-48.4
Reclassification to assets held for sale	-1.9	0.0	-7.1	-0.3	0.0	-9.3
Currency adjustments	-0.4	13.9	3.4	1.0	0.2	18.1
Disposals	-36.0	-51.8	-62.7	-83.3	-9.2	-243.0
As of 31 December 2008	3,674.5	11,731.7	14,764.9	1,516.3	802.1	32,489.5
Accumulated depreciation						
As of 1 January 2008	1,351.8	9,564.7	8,261.5	961.5	7.0	20,146.5
Decrease due to changes in the consolidated companies	0.0	-6.4	0.0	-1.6	0.0	-8.0
Additions	59.9	242.7	316.1	91.6	0.0	710.3
Reclassifications	-39.4	18.5	13.4	-19.4	0.0	-26.9
Reclassification to assets held for sale	-1.6	0.0	-6.8	-0.3	0.0	-8.7
Currency adjustments	-0.2	8.3	2.1	0.8	0.0	11.0
Disposals	-14.2	-34.2	-51.4	-75.7	-7.0	-182.5
Impairment losses	5.1	1.1	251.8	0.2	5.4	263.6
Reversal of impairment losses	0.0	-0.3	-0.8	0.0	0.0	-1.1
As of 31 December 2008	1,361.4	9,794.4	8,785.9	957.1	5.4	20,904.2
Carrying amounts						
As of 31 December 2008	2,313.1	1,937.3	5,979.0	559.2	796.7	11,585.3

[1] Prior-year figures restated.
[2] The carrying amount of assets under construction as of 1 January 2008 totals € 475.1 million.
[3] Additions under assets under construction include retroactive restatements of € 10.6 million for the period from 1 January 2008 to 31 December 2008.

Items of property, plant and equipment are encumbered by property liens totalling € 46.7 million (prior year: € 19.5 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 € 12.9 million (prior year: € 15.7 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 in 2015 when the contract expires.

The carrying amounts of the finance leases recognised as non-current assets are summarised below:

€ millions	31/12/2009	31/12/2008
Franchises, industrial rights and similar rights and assets	189.0	223.8
Land, land rights and buildings including buildings on third-party land	12.9	15.7
Total	**201.9**	**239.5**

Group capital expenditures on intangible assets and property, plant and equipment of € 1,309.4 million (prior year restated: € 1,256.6 million) are derived as follows from the statement of changes in non-current assets:

€ millions[1]	31/12/2009	31/12/2008
Additions to intangible assets and property, plant and equipment according to the statement of changes in non-current assets	1,396.4	1,336.0
Additions to assets recognised under finance leases	0.0	-13.8
Additions to the provision recognised for the decommissioning and dismantling of nuclear power plants	-136.6	-65.6
Additions to intangible assets and property, plant and equipment of assets held for sale	49.6	0.0
Capital expenditures on intangible assets and property, plant and equipment	**1,309.4**	**1,256.6**

[1] Prior-year figures restated.

(12) Investment property

€ millions	
Cost	
As of 1 January 2009	150.5
Additions	0.1
Reclassifications	5.1
Reclassification to assets held for sale	-26.3
Disposals	-6.0
As of 31 December 2009	123.4
Accumulated depreciation	
As of 1 January 2009	63.9
Additions	1.4
Reclassifications	2.9
Reclassification to assets held for sale	-10.6
Disposals	-4.7
Impairment losses	0.4
Reversal of impairment losses	-0.2
As of 31 December 2009	53.1
Carrying amount	
As of 31 December 2009	70.3
Cost	
As of 1 January 2008	150.1
Additions	0.1
Reclassifications	14.3
Disposals	-14.0
As of 31 December 2008	150.5
Accumulated depreciation	
As of 1 January 2008	62.4
Additions	1.6
Reclassifications	4.3
Disposals	-9.3
Impairment losses	5.6
Reversal of impairment losses	-0.7
As of 31 December 2008	63.9
Carrying amount	
As of 31 December 2008	86.6

As of the balance sheet date, the market value of the real estate that is classified as investment property was € 87.4 million (prior year: € 103.2 million). The market value was determined either using the discounted cash flow method or from current market prices. About half of the investment property was valued by external valuers. Rent income totalled € 9.2 million (prior year: € 10.9 million). The directly allocable operating expenses amounted to € 2.8 million (prior year: € 1.4 million). Operating expenses that were not offset by rent income totalled € 0.4 million (prior year: € 0.4 million).

As in the prior year, there are no obligations to purchase investment property.

Gains on disposal of € 1.6 million were generated in the fiscal year 2009 from the sale of investment property (prior year: € 7.8 million).

The EnBW group's receivables from non-cancellable operating leases of € 76.4 million (prior year: € 89.4 million) mainly stem from the rental of business and residential properties. Contingent rent of € 1.2 million was recognised in income in the reporting period (prior year: € 0.9 million).

The minimum lease payments receivable are as follows:

€ millions	2009	2008
Due within 1 year	21.6	21.1
Due in 1 to 5 years	21.7	31.9
Due in more than 5 years	33.1	36.4
Total	**76.4**	**89.4**

(13) Entities accounted for using the equity method

€ millions	
Cost	
As of 1 January 2009	1,939.0
Increase/decrease due to changes in the consolidated companies	2,138.1
Increase/decrease due to profits/losses	175.9
Increase/decrease due to amounts recognised directly in equity	-108.0
Reclassification to assets held for sale	-201.6
Currency adjustments	2.3
Decrease due to dividend distributions	-87.6
Other additions/disposals	0.6
As of 31 December 2009	3,858.7
Accumulated impairment	
As of 1 January 2009	6.8
Impairment losses	102.0
Reversal of impairment losses	-6.8
As of 31 December 2009	102.0
Carrying amount	
As of 31 December 2009	3,756.7
Cost	
As of 1 January 2008	1,863.3
Increase/decrease due to changes in the consolidated companies	53.6
Increase/decrease due to profits/losses	142.8
Increase/decrease due to amounts recognised directly in equity	22.3
Reclassification to assets held for sale	-43.6
Currency adjustments	-20.0
Decrease due to dividend distributions	-88.6
Other additions/disposals	9.2
As of 31 December 2008	1,939.0
Accumulated impairment	
As of 1 January 2008	6.8
Decrease due to changes in the consolidated companies	0.0
As of 31 December 2008	6.8
Carrying amount	
As of 31 December 2008	1,932.2

The table below shows the key items of the income statements and balance sheets of the entities accounted for using the equity method:

Profit/loss of the entities accounted for using the equity method in € millions	2009	2008
Revenue	11,088.4	8,163.8
Profit for the year	476.8	490.1
Adjustment for EnBW's interest and equity measurement	-396.1	-347.3
Net profit from entities accounted for using the equity method	80.7	142.8

Balance sheet figures of the entities accounted for using the equity method in € millions	31/12/2009	31/12/2008
Assets	21,415.7	11,925.0
Liabilities	13,124.9	6,548.0
Equity	8,290.8	5,377.0
Adjustment for EnBW's interest and equity measurement	-4,534.1	-3,444.8
Carrying amount of entities accounted for using the equity method	3,756.7	1,932.2

The EnBW group's share of the contingent liabilities of entities accounted for using the equity method came to € 510.2 million as of 31 December 2009 (prior year: € 609.3 million).

The market value of those investments for which there are published price quotations amounts to € 1,010.3 million (prior year: € 851.9 million). The carrying amount of these investments is € 1,175.6 million (prior year: € 1,236.8 million). Because of their higher value in use, there is no need to recognise an impairment loss.

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 2009:

- Elektrizitätswerk Rheinau AG, Rheinau/Switzerland
- EVN AG, Maria Enzersdorf/Austria

(14) Other financial assets

€ millions	Shares in affiliated entities	Other investments[1,2]	Long-term investments[3]	Loans	Total
Cost					
As of 1 January 2009	79.4	941.2	4,030.5	119.3	5,170.4
Increase/decrease due to changes in the consolidated companies	0.0	1.1	-0.1	8.7	9.7
Additions	5.0	50.2	3,049.4	28.2	3,132.8
Reclassifications	15.2	-14.4	-242.3	-9.6	-251.1
Reclassification to assets held for sale	-1.0	-22.1	-177.2	-0.5	-200.8
Currency adjustments	0.0	0.2	0.0	-0.3	-0.1
Disposals	-13.3	-23.1	-1,835.0	-24.2	-1,895.6
As of 31 December 2009	85.3	933.1	4,825.3	121.6	5,965.3
Accumulated impairment					
As of 1 January 2009	10.9	85.5	104.8	8.9	210.1
Impairment losses	1.2	62.2	48.5	0.3	112.2
Reclassifications	15.0	-14.8	0.0	-2.4	-2.2
Reclassification to assets held for sale	-0.3	0.0	-5.8	0.0	-6.1
Disposals	0.0	-1.5	-32.6	-6.0	-40.1
As of 31 December 2009	26.8	131.4	114.9	0.8	273.9
Carrying amounts					
As of 31 December 2009	58.5	801.7	4,710.4	120.8	5,691.4
Cost					
As of 1 January 2008	63.6	912.9	4,831.6	145.7	5,953.8
Increase/decrease due to changes in the consolidated companies	1.0	0.0	0.0	0.0	1.0
Additions	14.0	161.8	2,654.5	32.1	2,862.4
Reclassifications	1.6	-2.1	-304.6	-3.1	-308.2
Currency adjustments	0.0	4.5	0.0	1.3	5.8
Disposals	-0.8	-135.9	-3,151.0	-56.7	-3,344.4
As of 31 December 2008	79.4	941.2	4,030.5	119.3	5,170.4
Accumulated impairment					
As of 1 January 2008	8.1	140.4	16.8	54.1	219.4
Impairment losses	2.5	1.9	89.1	0.0	93.5
Reclassifications	0.0	-0.3	0.3	-0.1	-0.1
Currency adjustments	0.0	0.1	-0.1	0.0	0.0
Additions/disposals	0.3	-56.6	0.0	-45.1	-101.4
Reversal of impairment losses	0.0	0.0	-1.3	0.0	-1.3
As of 31 December 2008	10.9	85.5	104.8	8.9	210.1
Carrying amounts					
As of 31 December 2008	68.5	855.7	3,925.7	110.4	4,960.3

[1] Of the additions in the "cost" section, € 0.1 million (prior year: € 1.2 million) stems from market valuation and of the disposals in the "cost" section € 13.4 million (prior year: € 3.1 million).
[2] Of the carrying amount of cost, € 152.1 million (prior year: € 195.3 million) relates to investments held as financial assets.
[3] Of the additions in the "cost" section, € 368.0 million (prior year: € 103.2 million) stems from market valuation and of the disposals in the "cost" section € 81.1 million (prior year: € 642.2 million).

The investments 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 € 0.6 million (prior year: € 1.3 million), loans to other investees and investors of € 21.2 million (prior year: € 21.0 million) and other loans of € 99.0 million (prior year: € 88.1 million).

Impairment losses of financial assets are recorded on a separate allowance account and presented in the statement of changes in non-current assets.

(15) Trade receivables

€ millions			31/12/2009			31/12/2008
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables[1]	2,807.5	425.9	3,233.4	3,147.0	400.7	3,547.7
of which from affiliated entities	(21.2)	(10.0)	(31.2)	(21.9)	(14.5)	(36.4)
of which from other investees	(26.2)	(1.9)	(28.1)	(48.5)	(4.9)	(53.4)
of which from entities accounted for using the equity method	(24.1)	(0.0)	(24.1)	(12.8)	(0.0)	(12.8)

[1] As of 1 January 2008, current trade receivables amounted to € 2,073.6 million. They include retroactive restatements as of 31 December 2008 of € -34.5 million (as of 1 January 2008: € -35.1 million).

Non-current trade receivables principally include receivables relating to electricity supplies, whose term to maturity does not match the customary business cycle.

Write-downs on trade receivables break down as follows:

€ millions	2009	2008
As of 1 January	47.3	56.1
Reclassification to assets held for sale	-5.0	0.0
Utilisation	-32.6	-34.6
Net additions	27.1	25.8
As of 31 December	**36.8**	**47.3**

The credit risks inherent in trade receivables are presented below:

€ millions[1]	31/12/2009	31/12/2008
Not past due and not impaired	3,118.0	3,437.1
Past due, but not impaired		
Due within 3 months	38.8	37.9
Due in between 3 and 6 months	4.1	3.8
Due in between 6 months and 1 year	5.9	3.7
Due in more than 1 year	12.8	7.3
Impaired	53.8	57.9
Total	**3,233.4**	**3,547.7**

[1] As of 1 January 2008, trade receivables that were not past due nor impaired amounted to € 2,318.3 million. They include retroactive restatements as of 31 December 2008 of € -34.5 million (as of 1 January 2008: € -35.1 million).

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) of 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

€ millions			31/12/2009			31/12/2008
	Current	Non-current	Total	Current	Non-current	Total
Other tax refund claims	63.4	0.0	63.4	122.4	0.0	122.4
Derivatives	2,027.2	37.7	2,064.9	2,732.2	32.8	2,765.0
of which without hedges	(1,951.1)	(11.0)	(1,962.1)	(2,551.0)	(6.2)	(2,557.2)
of which cash flow hedge	(53.7)	(0.0)	(53.7)	(165.5)	(3.0)	(168.5)
of which fair value hedge	(22.4)	(26.7)	(49.1)	(15.7)	(23.6)	(39.3)
Finance lease receivables	7.0	34.6	41.6	7.5	37.6	45.1
Payments on account[1]	91.9	42.7	134.6	122.0	40.5	162.5
Prepaid expenses	17.5	57.1	74.6	25.2	62.3	87.5
Sundry assets	432.5	31.7	464.2	632.8	30.9	663.7
Total[1]	**2,639.5**	**203.8**	**2,843.3**	**3,642.1**	**204.1**	**3,846.2**

[1] As of 1 January 2008, current payments on account amounted to € 85.8 million. They include retroactive restatements as of 31 December 2008 of € –158.1 million (as of 1 January 2008: € –167.8 million).

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	31/12/2009	31/12/2008
Total lease instalments	51.6	55.9
Interest portion of outstanding lease instalments	10.0	10.8
Present value of outstanding lease instalments	**41.6**	**45.1**

The terms to maturity of the nominal value of the outstanding lease instalments are as follows:

€ millions	31/12/2009	31/12/2008
Due within 1 year	9.3	10.3
Due in 1 to 5 years	25.3	30.8
Due in more than 5 years	17.0	14.8
Total	**51.6**	**55.9**

The present value of the outstanding lease instalments splits up as follows:

€ millions	31/12/2009	31/12/2008
Due within 1 year	8.3	8.8
Due in 1 to 5 years	20.7	25.3
Due in more than 5 years	12.6	11.0
Total	**41.6**	**45.1**

As in the prior year, no impairment losses or reversals of impairment losses had to be recognised on outstanding finance lease receivables.

Payments on account contain prepayments for electricity procurement agreements of € 74.8 million (prior year: € 54.0 million). Of the total amount of prepaid expenses, € 28.5 million (prior year: € 33.4 million) relates to deferred lease instalments.

Other assets comprise security deposits for over-the-counter transactions of € 142.8 million (prior year: € 239.5 million).

Bad debt allowances on other assets measured at amortised cost developed as follows:

€ millions	2009	2008
As of 1 January	35.5	28.7
Reclassification to assets held for sale	-0.5	0.0
Utilisation	-11.4	-0.4
Net additions	9.7	7.2
As of 31 December	**33.3**	**35.5**

The credit risks of financial instruments disclosed under other assets break down as follows:

€ millions	31/12/2009	31/12/2008
Not past due and not impaired	2,566.7	3,464.5
Past due, but not impaired		
Due within 3 months	0.2	0.1
Due in between 3 and 6 months	0.1	0.0
Due in between 6 months and 1 year	0.0	0.0
Due in more than 1 year	0.1	0.1
Impaired	0.3	0.4
Total	**2,567.4**	**3,465.1**

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	31/12/2009	31/12/2008
Materials and supplies	566.0	380.9
Nuclear fuel rods (incl. payments on account)	291.7	386.5
Work in progress	41.0	46.9
Finished goods and merchandise	30.3	34.0
Payments on account	15.8	14.6
Total	**944.8**	**862.9**

No inventories have been assigned as collateral. There are no significant long-term construction contracts which would require accounting for as long-term construction contracts.

In the reporting year, write-downs of € 80.1 million (prior year: € 28.3 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 € 3.5 million in the fiscal year (prior year: € 3.7 million) and impairment losses to € 0.8 million (prior year: € 3.1 million).

In the 2009 reporting year, impairment losses of € 23.0 million (prior year: € 0.0 million) were recognised on other financial assets. An amount of € 8.5 million thereof is attributable to the available-for-sale category (prior year: € 0.0 million).

€ millions	2009	2008
Profit participation rights, funds and shares	686.5	502.9
Other current financial assets	85.2	81.8
Total	**771.7**	**584.7**

Current financial assets totalling € 102.2 million (prior year: € 95.6 million) were provided as collateral. The collateral was mainly provided for stock exchange transactions fluctuating according to the development of the trading volume. 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 entered into 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.

Of the cash and cash equivalents, an amount of € 77.5 million (prior year: € 64.2 million) is attributable to proportionately consolidated entities.

Cash was not subject to any significant restrictions on disposal.

(21) Equity

The development of equity and profit for the year is presented separately in the statement of changes in equity. The components of comprehensive income are presented on an aggregated basis in the statement of comprehensive income.

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) no-par value bearer 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).

E.D.F. INTERNATIONAL SA and OEW Energie-Beteiligungs GmbH each directly hold 45.01% of the capital stock of EnBW AG as of 31 December 2009 (prior year: E.D.F. INTERNATIONAL SA and Zweckverband Oberschwäbische Elektrizitätswerke (OEW) 45.01% each).

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 acquisition accounting. Revenue reserves include retroactive restatements as of 31 December 2008 of € 8.2 million (as of 1 January 2008: € 0.7 million) on account of the capitalisation of borrowing costs.

Retained earnings of EnBW AG

Taking account of the profit carryforward of € 124.1 million (prior year: € 38.1 million) and after transferring € 100.0 million to other revenue reserves (prior year: € 576.4 million), retained earnings come to € 480.3 million (prior year: € 615.1 million). We will propose to the annual general meeting on 29 April 2010 that a dividend of € 1.53 (prior year: € 2.01) per share be distributed from the retained earnings of EnBW AG. As of 31 December 2009, a total of 244,256,523 shares were entitled to dividends (prior year: 244,256,523 shares). If the annual general meeting approves this proposal, the amount distributed by EnBW AG for fiscal 2009 will total € 373.7 million (prior year: € 491.0 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 Gas- und Wärmeservice GmbH. The reserve 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 2009, 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 treasury shares at € 35.79). They account for 2.3% (prior year: 2.3%) of the capital stock.

The company has no rights or 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 in the balance sheet.

Other comprehensive income

Other comprehensive income comprises changes in the market value of available-for-sale financial assets, 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 recognised directly in equity on available-for-sale financial assets and of cash flow hedges, we refer to the section on “Accounting for financial instruments”.

Presentation of the components of other comprehensive income:

€ millions	2009	2008
Unrealised gains (prior year: losses) arising during the year	1.5	-25.1
Difference from currency translation	**1.5**	**-25.1**
Unrealised gains (prior year: losses) arising during the year	51.7	-224.0
Reclassification adjustments included in the income statement	55.4	27.3
Reclassification to cost of hedged items	-95.6	-118.1
Cash flow hedge	**11.5**	**-314.8**
Unrealised gains (prior year: losses) arising during the year	283.1	-539.5
Reclassification adjustments included in the income statement	64.8	7.7
Available-for-sale financial assets	**347.9**	**-531.8**
Unrealised losses (prior year: gains) arising during the year	-108.0	22.3
Entities accounted for using the equity method	**-108.0**	**22.3**
Other comprehensive income before tax	**252.9**	**-849.4**
Income tax	23.2	49.1
Other comprehensive income	**276.1**	**-800.3**

Presentation of the tax effect relating to unrealised gains and losses in equity:

€ millions	2009			2008		
	Before tax	Tax expense/ income	After tax	Before tax	Tax expense/ income	After tax
Difference from currency translation	1.5	1.0	2.5	-25.1	2.7	-22.4
Cash flow hedge	51.7	19.8	71.5	-224.0	24.4	-199.6
Available-for-sale financial assets	283.1	-25.7	257.4	-539.5	-5.0	-544.5
Entities accounted for using the equity method	-108.0	0.0	-108.0	22.3	0.0	22.3
Other comprehensive income	**228.3**	**-4.9**	**223.4**	**-766.3**	**22.1**	**-744.2**

Presentation of reclassification adjustments in the income statement and the cost of hedged items:

€ millions	2009			2008		
	Before tax	Tax expense/ income	After tax	Before tax	Tax expense/ income	After tax
Cash flow hedge	-40.2	23.3	-16.9	-90.8	27.8	-63.0
Available-for-sale financial assets	64.8	4.8	69.6	7.7	-0.8	6.9
Other comprehensive income	**24.6**	**28.1**	**52.7**	**-83.1**	**27.0**	**-56.1**

Minority interests

Minority interests relate to shares in group entities held by third parties. The minority interests relate in particular to ENSO Energie Sachsen Ost AG, 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 in the notes to the financial statements.

€ millions			31/12/2009			31/12/2008
	Current	Non-current	Total	Current	Non-current	Total
Provisions for pensions and similar obligations	223.3	3,952.0	4,175.3	216.0	3,913.7	4,129.7
Tax provisions	86.3	143.7	230.0	141.6	127.5	269.1
Provisions relating to nuclear power	215.2	4,965.3	5,180.5	147.9	4,735.5	4,883.4
Provisions for non-contractual nuclear obligations	(138.2)	(3,740.8)	(3,879.0)	(81.4)	(3,629.3)	(3,710.7)
Provisions for contractual nuclear obligations	(77.0)	(1,224.5)	(1,301.5)	(66.5)	(1,106.2)	(1,172.7)
Other provisions	481.4	338.8	820.2	603.6	531.1	1,134.7
Other electricity provisions	(177.9)	(35.0)	(212.9)	(221.7)	(24.3)	(246.0)
Personnel provisions	(48.2)	(136.6)	(184.8)	(73.0)	(169.1)	(242.1)
Provisions for onerous contracts	(62.0)	(127.0)	(189.0)	(43.7)	(306.2)	(349.9)
Other provisions	(193.3)	(40.2)	(233.5)	(265.2)	(31.5)	(296.7)
Total	**1,006.2**	**9,399.8**	**10,406.0**	**1,109.1**	**9,307.8**	**10,416.9**

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. In addition, the employees are granted energy price reductions after reaching retirement age.

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 provisions for defined benefit obligations reflect 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 German companies are presented below:

	31/12/2009	31/12/2008
Discount rate	5.75%	6.00%
Future expected wage and salary increases	3.00%	3.00%
Future expected pension increase	2.20%	2.40%
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	2009	2008
Net benefit expense		
Current service cost	46.7	55.4
Past service cost	0.0	0.1
Actuarial gains (–)/losses (+)	0.8	0.7
Expected return on plan assets	-4.5	-5.2
Interest cost	229.1	210.4
Total	**272.1**	**261.4**

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	31/12/2009	31/12/2008
Defined benefit obligation	4,109.3	3,952.0
of which internally funded benefits	(4,016.0)	(3,748.0)
of which externally funded benefits	(93.3)	(204.0)
Fair market value of plan assets	-78.2	-91.7
Plan surplus	0.0	1.7
Unrecognised actuarial gains (+)/losses (-)	144.2	267.7
Provisions for pensions and similar obligations	**4,175.3**	**4,129.7**

Statement of changes in plan assets in € millions	2009	2008
Fair market value of plan assets at the beginning of the fiscal year	91.7	105.4
Expected return on plan assets	4.5	5.2
Transfer of assets	-11.7	0.2
Benefits paid	-7.7	-8.0
Actuarial gains (+)/losses (–)	1.4	-11.1
Fair market value of plan assets at the end of the fiscal year	**78.2**	**91.7**

The actual return on plan assets amounted to € 5.9 million (prior year: € -5.9 million). As in the prior year, there are no plans to make future payments to plan assets.

Experience adjustments in € millions	2009	2008	2007	2006	2005
Defined benefit obligation	-17.3	-53.1	-31.9	-22.7	29.6
Fair market value of plan assets	1.4	-11.1	-0.8	-1.8	-0.1

The experience adjustments of the defined benefit obligation that were not caused by changes in the underlying assumptions are a component of the actuarial gains and losses arising in the respective period. The experience adjustments of the fair market value of plan assets correspond to the actuarial gains and losses arising in the respective period.

Composition of plan assets (%)	31/12/2009	31/12/2008
Shares	21.4	12.6
Fixed-interest securities	72.8	65.8
Other assets	5.8	21.6
	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 or any owner-occupied property. The investment strategy takes into consideration the maturity structure and volume of benefit obligations. The average return was 7.0% (prior year: -5.7%). 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 general economic data.

Development of the present value of the defined benefit obligation in € millions	2009	2008
Defined benefit obligation at the beginning of the fiscal year	3,952.0	4,244.7
Current service cost	46.7	55.4
Interest cost	229.1	210.4
Benefits paid	-231.5	-214.6
Actuarial gains (–)/losses (+)	125.7	-345.2
Changes in the consolidated companies and currency adjustments	0.0	-0.1
Reclassifications	-12.7	1.4
Present value of the defined benefit obligation at the end of the fiscal year	**4,109.3**	**3,952.0**

The present value of the defined benefit obligation breaks down as follows by funded status:

€ millions	31/12/2009	31/12/2008
Funded benefits	93.3	204.0
Fully funded	(93.3)	(92.3)
Partially funded	(0.0)	(111.7)
Unfunded benefits	4,016.0	3,748.0

The present value of the benefit obligations, the fair market value of plan assets and the plan surplus or deficit have developed as follows since 2005:

€ millions	31/12/2009	31/12/2008	31/12/2007	31/12/2006	31/12/2005
Present value of benefit obligations	4,109.3	3,952.0	4,244.7	4,590.3	4,614.0
Fair market value of plan assets	-78.2	-91.7	-105.4	-105.6	-101.2
Plan surplus or deficit	4,031.1	3,860.3	4,139.3	4,484.7	4,512.8

Multi-employer plans

Multi-employer plans, which are defined benefit plans, are accounted for as defined contribution plans because it is not possible to accurately break down the obligation or the assets by participating employer. The expenses from defined benefit obligations via multi-employer plans amounted to € 12.4 million (prior year: € 12.7 million). Potential future increases in contributions from unfunded obligations will not have a significant effect on the EnBW group.

The employer's contributions to statutory pension insurance amounted to € 100.1 million in 2009 (prior year: € 89.9 million).

Tax provisions

The tax provisions principally contain provisions for income taxes such as corporate income tax, including solidarity surcharge, and 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	31/12/2009	31/12/2008
Decommissioning and restoration	3,126.2	2,933.9
Disposal of spent fuel rods	1,843.1	1,763.1
Waste	211.2	186.4
Total	**5,180.5**	**4,883.4**

The provisions are all based on public law obligations and requirements in the operating licences.

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 power plants, and also 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 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.

Statement of changes in provisions in € millions	As of 1/1/2009	Increases	Reversals	Increase due to the passage of time
Provisions for pensions and similar obligations	4,129.7	47.5	0.0	224.2
Tax provisions	269.1	61.2	11.8	0.0
Provisions relating to nuclear power	4,883.4	122.8	78.0	272.7
Other provisions	1,134.7	329.9	303.4	13.9
Other electricity provisions	(246.0)	(90.1)	(65.3)	(1.1)
Personnel provisions	(242.1)	(45.4)	(12.7)	(6.1)
Provisions for onerous contracts	(349.9)	(64.7)	(201.1)	(4.3)
Other provisions	(296.7)	(129.7)	(24.3)	(2.4)
Total	**10,416.9**	**561.4**	**393.2**	**510.8**

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 € 264.4 million (prior year: € 246.3 million). Changes in estimates due to changes in assumptions concerning the future development of costs were generally recognised without effect on profit or loss by adjusting the appropriate balance sheet items by € 81.4 million (prior year: € 55.2 million). Where such changes in estimates related to discontinued power stations, they were recognised in profit or loss. 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%. Based on the information currently available, the provisions are expected to be utilised mostly in the period from 2020 to 2050.

The payments on account made to reprocessing firms and the Federal Office for Radiation Protection, which are taken into account in the provisions relating to nuclear power, amount to € 462.0 million (prior year: € 451.9 million). The payments to the Federal Office for Radiation Protection relate to construction of the Gorleben and Konrad ultimate repositories and are based on the German Final Storage Advance Payments Ordinance (Endlagervorausleistungsverordnung).

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 phased and early retirement arrangements, long-service awards and restructuring measures.

In the fiscal year 2009, the reversal within provisions for onerous contracts mainly concerns a provision relating to a long-term electricity procurement agreement.

Other provisions are discounted using an interest rate of 3.50% to 4.25% on average (prior year: 4.50% to 4.75%).

	Changes recognised directly in equity	Changes in consolidated companies, currency adjustments, reclassifications	Reclassification to assets held for sale	Utilisation	As of 31/12/2009
	0.0	12.8	-15.0	223.9	4,175.3
	0.0	-3.9	-20.9	63.7	230.0
	81.4	-2.6	0.0	99.2	5,180.5
	0.0	0.7	-78.5	277.1	820.2
	(0.0)	(36.2)	(-9.1)	(86.1)	(212.9)
	(0.0)	(0.7)	(-31.0)	(65.8)	(184.8)
	(0.0)	(-11.9)	(0.0)	(16.9)	(189.0)
	(0.0)	(-24.3)	(-38.4)	(108.3)	(233.5)
	81.4	**7.0**	**-114.4**	**663.9**	**10,406.0**

(23) Deferred taxes

Deferred taxes on measurement differences of continuing operations compared to the tax accounts break down as follows:

€ millions[1]	31/12/2009		31/12/2008	
	Deferred tax assets[2]	Deferred tax liabilities	Deferred tax assets[2]	Deferred tax liabilities
Intangible assets	14.9	67.3	11.2	86.7
Property, plant and equipment[3]	91.9	1,901.1	86.9	2,082.2
Financial assets	23.7	217.8	26.9	162.4
Other assets	9.6	13.3	7.3	9.4
Derivative financial instruments	0.0	10.5	0.0	8.8
Non-current assets	**140.1**	**2,210.0**	**132.3**	**2,349.5**
Inventories	7.4	8.9	0.0	0.0
Financial assets	0.0	8.8	0.0	1.8
Other assets	201.9	631.3	182.5	887.7
Current assets	**209.3**	**649.0**	**182.5**	**889.5**
Provisions	412.8	572.8	585.7	497.0
Liabilities and subsidies	354.1	8.1	419.8	39.6
Non-current liabilities	**766.9**	**580.9**	**1,005.5**	**536.6**
Provisions	67.6	41.0	84.8	92.7
Liabilities and subsidies	745.7	103.8	846.4	43.0
Current liabilities	**813.3**	**144.8**	**931.2**	**135.7**
Unused tax losses	7.3	0.0	53.7	0.0
Deferred taxes before netting	**1,936.9**	**3,584.7**	**2,305.2**	**3,911.3**
Netting	-1,907.7	-1,907.7	-2,276.5	-2,276.5
Deferred taxes after netting	**29.2**	**1,677.0**	**28.7**	**1,634.8**

1 Prior-year figures restated.
2 Deferred tax assets and liabilities prior to netting.
3 As of 1 January 2008, deferred tax liabilities on property, plant and equipment amounted to € 2,080.7 million. They include retroactive restatements as of 31 December 2008 of € 3.4 million (as of 1 January 2008: € 0.3 million).

Deferred tax assets of € 1,907.7 million (prior year: € 2,276.5 million) were netted with deferred tax liabilities in 2009. Deferred taxes are netted with each other by consolidated tax group or entity if the conditions to do so have been satisfied. Net liabilities arising from consolidation-related deferred taxes amount to € 2.5 million (prior year: € 18.6 million).

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 € 21.6 million (prior year: € 110.5 million). Unused tax losses for which no deferred tax assets have been recognised in the balance sheet amounted to € 28.7 million for corporate income tax (CIT) and € 57.0 million for trade tax (prior year: € 40.7 million for CIT and € 71.1 million for trade tax). The existing unused tax losses can be carried forward indefinitely and relate to German entities only. 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	31/12/2009	31/12/2008
Corporate income tax (or comparable foreign tax)	4.2	49.8
Trade tax	3.1	3.9
Total	**7.3**	**53.7**

Presentation of the development of deferred taxes on unused tax losses:

€ millions	31/12/2009	31/12/2008
Opening balance	53.7	156.9
Utilisation of tax losses	-21.6	-110.5
Adjustment of unused tax losses not recognised in prior years (addition)	2.5	6.7
Adjustment of unused tax losses	-27.3	0.6
Closing balance	**7.3**	**53.7**

Deferred taxes on unused tax losses for corporate income tax of € 3.3 million will probably be realised within a year (prior year: € 47.3 million), the remainder of € 0.9 million for corporate income tax and of € 3.1 million for trade tax will be realised within five years (prior year: € 2.5 million and € 3.9 million, respectively).

Deferred tax assets totalling € 41.0 million (prior year: deferred tax assets of € 17.8 million) were credited directly to equity under other comprehensive income as of 31 December 2009.

(24) Liabilities and subsidies

The liabilities and subsidies disclosed separately by maturity in the balance sheet are combined in the notes to the financial statements.

€ millions	31/12/2009	31/12/2008
Non-current liabilities	7,289.3	5,382.7
Current liabilities[1]	6,631.2	8,015.4
Liabilities[1]	**13,920.5**	**13,398.1**
Non-current subsidies	1,440.7	1,634.3
Current subsidies	78.3	83.3
Subsidies	**1,519.0**	**1,717.6**
Non-current liabilities and subsidies	8,730.0	7,017.0
Current liabilities and subsidies[1]	6,709.5	8,098.7
Liabilities and subsidies[1]	**15,439.5**	**15,115.7**

[1] As of 1 January 2008, current liabilities amounted to € 4,919.5 million. They include retroactive restatements as of 31 December 2008 of € -177.8 million (as of 1 January 2008: € -194.1 million).

Liabilities in € millions	31/12/2009	of which due in < 1 year	1 – 5 years	> 5 years
Bonds	5,495.7	217.3	2,024.6	3,253.8
Liabilities to banks	962.5	102.1	221.4	639.0
Other financial liabilities	726.1	127.9	462.9	135.3
Financial liabilities	**7,184.3**	**447.3**	**2,708.9**	**4,028.1**
Payments received on account of orders	182.1	45.8	109.0	27.3
Trade payables	2,808.8	2,803.4	5.4	0.0
of which liabilities to affiliated entities	(11.3)	(11.3)	(0.0)	(0.0)
of which liabilities to investees and investors	(123.6)	(118.2)	(5.4)	(0.0)
of which liabilities to entities accounted for using the equity method	(23.6)	(23.6)	(0.0)	(0.0)
Other deferred income	186.0	32.1	153.9	0.0
Derivatives	2,332.9	2,321.3	7.3	4.3
of which without hedges	(2,041.0)	(2,033.7)	(7.3)	(0.0)
of which cash flow hedge	(291.9)	(287.6)	(0.0)	(4.3)
Other liabilities	1,226.4	981.3	67.8	177.3
of which from income tax	(27.1)	(27.1)	(0.0)	(0.0)
of which interest from back taxes	(1.4)	(0.0)	(1.4)	(0.0)
of which from other taxes	(124.1)	(123.5)	(0.4)	(0.2)
of which relating to social security	(44.0)	(22.1)	(15.8)	(6.1)
Sundry liabilities	**6,736.2**	**6,183.9**	**343.4**	**208.9**
Total	**13,920.5**	**6,631.2**	**3,052.3**	**4,237.0**

Liabilities, prior year in € millions	31/12/2008	of which due in < 1 year	1 – 5 years	> 5 years
Bonds	4,142.9	0.0	2,232.7	1,910.2
Liabilities to banks	556.4	287.5	114.7	154.2
Other financial liabilities	620.5	107.2	349.1	164.2
Financial liabilities	**5,319.8**	**394.7**	**2,696.5**	**2,228.6**
Payments received on account of orders[1]	178.7	70.4	74.9	33.4
Trade payables[2]	3,250.0	3,241.1	8.9	0.0
of which liabilities to affiliated entities	(12.4)	(12.4)	(0.0)	(0.0)
of which liabilities to investees and investors	(122.8)	(113.9)	(8.9)	(0.0)
of which liabilities to entities accounted for using the equity method	(9.8)	(9.8)	(0.0)	(0.0)
Other deferred income	200.7	57.3	143.4	0.0
Derivatives	2,874.4	2,871.5	2.9	0.0
of which without hedges	(2,623.7)	(2,620.8)	(2.9)	(0.0)
of which cash flow hedge	(243.6)	(243.6)	(0.0)	(0.0)
of which fair value hedge	(7.1)	(7.1)	(0.0)	(0.0)
Other liabilities[3]	1,574.5	1,380.4	45.0	149.1
of which from income tax	(13.0)	(12.3)	(0.0)	(0.7)
of which interest from back taxes	(1.0)	(0.0)	(1.0)	(0.0)
of which from other taxes	(151.8)	(151.8)	(0.0)	(0.0)
of which relating to social security	(30.7)	(18.3)	(5.9)	(6.5)
Sundry liabilities[1,2,3]	**8,078.3**	**7,620.7**	**275.1**	**182.5**
Total[1,2,3]	**13,398.1**	**8,015.4**	**2,971.6**	**2,411.1**

[1] As of 1 January 2008, current payments received on account of orders amounted to € 34.7 million. They include retroactive restatements as of 31 December 2008 of € -33.2 million (as of 1 January 2008: € -35.1 million).
[2] As of 1 January 2008, current trade payables amounted to € 2,155.5 million. They include retroactive restatements as of 31 December 2008 of € -159.4 million (as of 1 January 2008: € -167.8 million).
[3] As of 1 January 2008, current sundry liabilities amounted to € 1,212.7 million. They include retroactive restatements as of 31 December 2008 of € 14.8 million (as of 1 January 2008: € 8.8 million).

Financial liabilities rose by € 1,864.5 million in the fiscal year 2009 (prior year: € 1,367.3 million).

In the fiscal year on 1 July 2009 EnBW International Finance B.V. issued two bonds with a total volume of € 1.35 billion, one bond of € 750 million with a six-year term to maturity and another bond of € 600 million with a 30-year term to maturity under the established debt issuance programme.

In the prior year, EnBW International Finance B.V. had refinanced CHF 300 million of the CHF 400 million bond, which matured on 25 February 2008. In addition, on 20 November 2008 EnBW International Finance B.V. issued a public bond of € 750 million with a five-year term to maturity and another public bond of € 750 million with a ten-year term to maturity under the established debt issuance programme. A private placement of JPY 20 billion was issued on 16 December 2008 with a 30-year term to maturity. Upon closing, it was swapped to euros using a currency swap.

Liabilities to banks grew by € 406.1 million on the prior year (prior year: € 9.5 million). This is due to a long-term bilateral bank loan of € 500 million taken out for the construction of the RDK 8 hard coal power station in Karlsruhe. Upon maturity, an amount of € 80 million of a long-term syndicated loan totalling € 172.5 million was refinanced at a subsidiary. In addition, liabilities to banks were reduced by scheduled repayments at EnBW AG and its subsidiaries.

The item "other financial liabilities" includes mainly long-term finance leases that were repaid as scheduled during the year. Other financial liabilities increased by a total of € 105.6 million in the fiscal year 2009 (prior year: decrease of € 107.4 million). This is mainly the result of the (residual) purchase price obligations from acquisitions made.

The maturity structure of our financial liabilities is as follows:

€ millions	Due in 2010	Due in 2011	Due in 2012	Due in 2013	Due in 2014	Due after 2014	Total
Bonds	217.3	0.0	1,065.6	959.0	0.0	3,253.8	5,495.7
Liabilities to banks	102.1	107.3	38.8	25.5	49.8	639.0	962.5
Other financial liabilities	127.9	208.4	91.1	84.7	78.7	135.3	726.1
Financial liabilities	**447.3**	**315.7**	**1,195.5**	**1,069.2**	**128.5**	**4,028.1**	**7,184.3**

Reference is made to the section on "Accounting for financial instruments" for more information on fair values and undiscounted cash flows by year.

The structure of the main bonds is as follows:

Issuer	Issue volume	Carrying amounts	Coupon	Maturity
EnBW International Finance B.V.	€ 150 million	€ 149.9 million	5.000%	6/9/2010
EnBW International Finance B.V.	€ 1,000 million	€ 998.2 million	5.875%	28/2/2012
EnBW International Finance B.V.	CHF 300 million	€ 211.8 million[1]	3.125%	25/2/2013
EnBW International Finance B.V.	€ 750 million	€ 747.2 million	6.000%	20/11/2013
EnBW International Finance B.V.	€ 750 million	€ 753.9 million[1]	4.125%	7/7/2015
EnBW International Finance B.V.	€ 500 million	€ 495.6 million	4.250%	19/10/2016
EnBW International Finance B.V.	€ 750 million	€ 745.7 million	6.875%	20/11/2018
EnBW International Finance B.V.	€ 500 million	€ 505.6 million[1]	4.875%	16/1/2025
EnBW International Finance B.V.	JPY 20 billion	€ 165.0 million	3.880%	16/12/2038
EnBW International Finance B.V.	€ 600 million	€ 588.0 million	6.125%	7/7/2039
Various		€ 134.8 million		
Total bonds		**€ 5,495.7 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 2009. The group also had further free bilateral lines of credit of € 342 million at its disposal (prior year: € 253 million).

The average interest on financial liabilities developed as follows in 2009 compared to the prior year.

Average interest rates (%)	31/12/2009	31/12/2008
Liabilities to banks	3.0	4.1
Bonds	4.9	5.5
Other financial liabilities	4.6	4.6
Total financial liabilities	**4.6**	**5.2**

The average interest on financial liabilities decreased in 2009 compared to the prior year as a result of the positive impact of the lower market interest rate obtained for new borrowings.

The large majority of financial liabilities are still subject to long-term fixed interest agreements.

Of the liabilities to banks, an amount of € 46.7 million (prior year: € 19.5 million) is secured by property liens.

The minimum payments from finance leases included in other financial liabilities have the following maturities:

€ millions	Nominal value		Present value	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Due within 1 year	106.6	106.3	102.3	102.4
Due in 1 to 5 years	413.7	417.0	329.1	334.4
Due in more than 5 years	76.4	179.1	50.4	114.9
Total	**596.7**	**702.4**	**481.8**	**551.7**

Liabilities to affiliated entities relate to non-consolidated affiliated entities. Trade payables include obligations for outstanding invoices amounting to € 2,020.2 million (prior year: € 2,232.2 million). Sundry liabilities mainly consist of the potential purchase obligations from put options of minority interests of entities that have already been fully consolidated of € 28.5 million (prior year restated: € 529.2 million), liabilities from taxes, including interest from back taxes, of € 152.6 million (prior year: € 165.8 million), security deposits for over-the-counter trading (margin calls received) of € 324.7 million (prior year: € 151.9 million) and interest obligations from bonds of € 128.4 million (prior year: € 95.4 million).

Subsidies

Subsidies include investment grants as well as construction cost and investment cost subsidies.

€ millions	31/12/2009	31/12/2008
Investment grants	5.2	12.8
Investment cost subsidies	24.8	31.5
Construction cost subsidies	1,489.0	1,673.3
Total	**1,519.0**	**1,717.6**

The investment grants were awarded in accordance with Sec. 4a German Investment Grant Act (InvZulG).

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.

The subsidies are released over the estimated useful life of the subsidised assets. Of the total amount of subsidies, an amount of € 1,440.7 million (prior year: € 1,634.3 million) will be recognised in profit or loss in more than one year.

(25) Assets held for sale and liabilities directly associated with assets classified as held for sale

Due to conditions imposed by the Federal Anti-Trust Office in connection with the acquisition of the shares in EWE Aktiengesellschaft, EnBW is planning to sell its interest in GESO Beteiligungs- und Beratungs-AG (GESO). In light of this development, the assets and liabilities of GESO and its subsidiaries are recorded as held for sale. It was not necessary to perform any write-downs to lower fair values. Negotiations commenced in October 2009 and the transaction is expected to be closed in the first half of 2010.

In line with the restructuring undertaken at the Czech investments, EnBW plans to sell its investment in Pražská teplárenská Holding a.s. (PT), Prague/Czech Republic in early 2010. Therefore, the assets and liabilities of PT and its subsidiaries are classified as held for sale. It was not necessary to perform any write-downs to lower fair values.

The assets and liabilities of the GESO and PT disposal group as of 31 December 2009 break down as follows:

€ millions	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	31/12/2009
Non-current assets						
Intangible assets	0.3	62.2	89.7	5.4	0.0	157.6
Property, plant and equipment	97.6	443.0	300.2	67.4	0.0	908.2
Other non-current assets	1.1	190.8	0.0	22.7	194.5	409.1
	99.0	**696.0**	**389.9**	**95.5**	**194.5**	**1,474.9**
Current assets	45.2	63.5	7.5	88.7	16.5	221.4
Assets held for sale	**144.2**	**759.5**	**397.4**	**184.2**	**211.0**	**1,696.3**

€ millions	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	31/12/2009
Non-current liabilities						
Provisions	0.3	11.4	1.9	51.7	0.0	65.3
Deferred taxes	7.1	6.2	4.8	86.5	3.5	108.1
Liabilities and subsidies	0.0	150.2	13.3	1.2	0.0	164.7
	7.4	**167.8**	**20.0**	**139.4**	**3.5**	**338.1**
Current liabilities						
Provisions	1.2	22.4	10.5	6.5	0.0	40.6
Liabilities and subsidies	6.8	312.9	39.7	30.0	0.0	389.4
	8.0	**335.3**	**50.2**	**36.5**	**0.0**	**430.0**
Liabilities directly associated with the assets classified as held for sale	**15.4**	**503.1**	**70.2**	**175.9**	**3.5**	**768.1**

The remaining assets held for sale totalling € 1.7 million essentially relate to land and buildings (prior year: € 4.0 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 2009

€ millions	Fair value	Carrying amounts by measurement category			
		Held for trading	Available for sale	Held to maturity	Loans and receivables
Financial assets[1]	6,503.0	419.9	4,734.7	1,102.5	206.0
Trade receivables	3,233.4				3,233.4
Other assets	2,567.4	1,962.1			460.9
Cash and cash equivalents	1,470.8				1,470.8
Total	**13,774.6**	**2,382.0**	**4,734.7**	**1,102.5**	**5,371.1**

Liabilities as of 31 December 2009

€ millions	Fair value	Carrying amounts by measurement category	
		Held for trading	Financial liabilities measured at amortised cost
Financial liabilities	7,668.8		6,702.5
Trade payables	445.4		445.4
Other liabilities and subsidies	3,156.9	2,041.0	824.0
Total	**11,271.1**	**2,041.0**	**7,971.9**

[1] The carrying amount of equity instruments measured at cost is € 554.1 million as of the balance sheet date.

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
			6,463.1	5,691.4	771.7
			3,233.4	425.9	2,807.5
102.8	41.6	275.9	2,843.3	203.8	2,639.5
			1,470.8		1,470.8
102.8	**41.6**	**275.9**	**14,010.6**	**6,321.1**	**7,689.5**

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
	481.8		7,184.3	6,737.0	447.3
		2,363.4	2,808.8	5.4	2,803.4
291.9		2,262.4	5,419.3	1,987.6	3,431.7
291.9	**481.8**	**4,625.8**	**15,412.4**	**8,730.0**	**6,682.4**

Assets as of 31 December 2008

€ millions[1]	Fair value	Carrying amounts by measurement category			
		Held for trading	Available for sale	Held to maturity	Loans and receivables
Financial assets[2]	5,566.8	152.4	4,097.7	1,102.8	192.1
Trade receivables	3,547.7				3,547.7
Other assets	3,465.1	2,557.2			655.0
Cash and cash equivalents	3,084.5				3,084.5
Total	**15,664.1**	**2,709.6**	**4,097.7**	**1,102.8**	**7,479.3**

Liabilities as of 31 December 2008

€ millions[1]	Fair value	Carrying amounts by measurement category	
		Held for trading	Financial liabilities measured at amortised cost
Financial liabilities	5,433.5		4,768.1
Trade payables	592.8		592.8
Other liabilities and subsidies	3,544.5	2,623.7	670.1
Total	**9,570.8**	**2,623.7**	**6,031.0**

[1] Prior-year figures restated.
[2] The carrying amount of equity instruments measured at cost is € 604.8 million as of the balance sheet date.

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 or repurchase 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 or repurchase 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.

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
			5,545.0	4,960.3	584.7
			3,547.7	400.7	3,147.0
207.8	45.1	381.1	3,846.2	204.1	3,642.1
			3,084.5		3,084.5
207.8	**45.1**	**381.1**	**16,023.4**	**5,565.1**	**10,458.3**

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
	551.7		5,319.8	4,925.1	394.7
		2,657.2	3,250.0	8.9	3,241.1
250.7		2,988.4	6,532.9	2,082.3	4,450.6
250.7	**551.7**	**5,645.6**	**15,102.7**	**7,016.3**	**8,086.4**

The financial instruments in the “held to maturity” category are securities listed on the stock exchange. The fair value derived from the market price as of the balance sheet date totalled € 1,142.4 million as of 31 December 2009 (prior year: € 1,124.6 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 amount. For long-term loans, the market value is determined by discounting the expected future cash flows. If these loans 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

Derivatives are measured at fair value.

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 amount. For long-term sundry other assets, the market value is determined by discounting the expected future cash flows. If these assets 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 current financial liabilities, it is assumed that fair value approximates the carrying amount. For non-current financial liabilities, the market value is determined by discounting the expected future cash outflows. If these financial liabilities are subject to floating interest rates, the carrying amount corresponds to fair value. The fair value of bonds amounts to € 5,951.6 million as of 31 December 2009 (prior year: € 4,245.0 million). The fair value of liabilities to banks is € 991.1 million (prior year: € 568.0 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

Derivatives are measured at fair value.

For current liabilities, it is assumed that fair value approximates the carrying amount. For non-current liabilities, the market value is determined by discounting the expected future cash outflows. If these liabilities 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.

The fair value of financial instruments is determined using the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data.

The tables below show the financial instruments measured at fair value.

Assets measured at fair value as of 31 December 2009

€ millions				Input hierarchy
	Fair value	Level 1	Level 2	Level 3
Financial assets	4,600.5	2,756.0	1,844.5	0.0
held for trading	(419.9)	(154.3)	(265.6)	(0.0)
available for sale	(4,180.6)	(2,601.7)	(1,578.9)	(0.0)
Other assets held for trading	1,962.1	32.8	1,929.3	0.0
Derivatives designated as hedging instruments	102.8	1.4	101.4	0.0
Total	**6,665.4**	**2,790.2**	**3,875.2**	**0.0**

Liabilities measured at fair value as of 31 December 2009

€ millions				Input hierarchy
	Fair value	Level 1	Level 2	Level 3
Other liabilities held for trading and subsidies	2,041.0	38.0	2,003.0	0.0
Derivatives designated as hedging instruments	291.9	64.7	227.2	0.0
Total	**2,332.9**	**102.7**	**2,230.2**	**0.0**

Assets measured at fair value as of 31 December 2008

€ millions				Input hierarchy
	Fair value	Level 1	Level 2	Level 3
Financial assets	3,645.3	2,339.6	1,305.7	0.0
held for trading	(152.4)	(152.4)	(0.0)	(0.0)
available for sale	(3,492.9)	(2,187.2)	(1,305.7)	(0.0)
Other assets held for trading	2,557.2	0.0	2,557.2	0.0
Derivatives designated as hedging instruments	207.8	0.0	207.8	0.0
Total	**6,410.3**	**2,339.6**	**4,070.7**	**0.0**

Liabilities measured at fair value as of 31 December 2008

€ millions				Input hierarchy
	Fair value	Level 1	Level 2	Level 3
Other liabilities held for trading and subsidies	2,623.7	50.9	2,572.8	0.0
Derivatives designated as hedging instruments	250.7	40.6	210.1	0.0
Total	**2,874.4**	**91.5**	**2,782.9**	**0.0**

Measurement of the financial instruments held as of 31 December at fair value gave rise to the following total gains and losses.

Total gains and losses from assets measured at fair value

€ millions	2009	2008
Recognised in profit or loss	**1,488.1**	**2,374.8**
Held-for-trading financial assets	6.6	4.4
Available-for-sale financial assets	-54.4	-89.1
Other assets held for trading	1,503.4	2,398.8
Derivatives designated as hedging instruments	32.5	60.7
Recognised in equity	**261.2**	**-452.8**
Available-for-sale financial assets	267.8	-539.5
Derivatives designated as hedging instruments	-6.6	86.7

Total gains and losses from liabilities measured at fair value

€ millions	2009	2008
Recognised in profit or loss	**-1,467.6**	**-2,431.2**
Other liabilities held for trading and subsidies	-1,467.6	-2,441.7
Derivatives designated as hedging instruments	0.0	10.5
Recognised in equity	**-74.4**	**-185.7**
Derivatives designated as hedging instruments	-74.4	-185.7

Gains and losses from measuring held-for-trading financial assets at fair value are presented in the financial result. This also applies to gains and losses from measuring available-for-sale financial assets at fair value, which are recognised in the income statement. Gains and losses from measuring other assets held for trading and sundry liabilities and subsidies at fair value are presented either under other operating income/expenses or in the financial result. Gains and losses from derivatives designated as hedging instruments, which are recognised in the income statement, are presented under other operating income/expenses or in the financial result.

Net gains or losses by measurement category

€ millions	2009	2008
Financial assets and liabilities held for trading	81.0	-9.0
Available-for-sale financial assets	-137.7	-29.5
Held-to-maturity investments	0.0	0.0
Loans and receivables	-39.5	-35.8
Financial liabilities measured at amortised cost	-8.1	0.0

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 gain (prior year: net loss) posted in the "financial assets and liabilities held for trading" measurement category includes gains from marking to market as well as interest and currency effects.

The net loss recorded in the "available-for-sale financial assets" measurement category includes impairment losses as well as realised losses on disposal and currency effects.

The net loss in the "loans and receivables" measurement category principally concerns currency effects, impairment losses and reversals of impairment losses.

The net loss on financial liabilities measured at amortised cost is principally attributable to commitment fees for the credit lines.

Gains of € 267.8 million from changes in the market value of available-for-sale financial assets were recognised directly in equity in the fiscal year 2009 (prior year: € -539.5 million).[1] An amount of € 64.8 million (prior year: € 7.7 million) of these changes in market value recognised directly in equity was reclassified to the income statement where it reduced the profit.

Impairment losses recognised on financial assets classified as "available for sale" and "loans and receivables" came to € 120.4 million (prior year: € 93.5 million) and € 0.3 million (prior year: € 0.0 million) respectively. Trade receivables were written down by € 34.8 million (prior year: € 32.9 million). In the fiscal year 2009, impairment losses of € 17.4 million (prior year: € 13.0 million) were recorded on other assets measured at amortised cost.

Total interest income and expenses

€ millions[1]	2009	2008
Total interest income	248.1	330.4
Total interest expenses	-317.0	-229.8

[1] Prior-year figures restated.

The total interest income and expenses arose from financial instruments that are not measured at fair value through profit or loss. 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 € 0.5 million received on impaired financial assets (prior year: € 0.1 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. They are measured at fair value.

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.

[1] This does not take account of the gain of € 15.3 million from marking to market available-for-sale financial assets, which are held for sale.

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 forecast 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, to limit the currency risk from liabilities denominated in foreign currency as well as to limit the risk of interest rate fluctuation of floating-rate 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 2009, unrealised losses from derivatives came to € 194.6 million (prior year: losses of € 206.2 million). The effective portion of the cash flow hedges of € 51.7 million (prior year: € -224.0 million) was recognised directly in equity in the reporting period. The ineffective portion of cash flow hedges resulted in income of € 4.9 million as of 31 December 2009 (prior year: expenses of € 6.9 million) and reclassifications from other comprehensive income resulted in expenses of € 55.4 million (prior year: € 27.3 million). The reclassifications were made to revenue (increase of € 318.6 million, prior year decrease of € 123.5 million), cost of materials (increase of € 316.1 million, prior year decrease of € 121.9 million), other operating income (decrease of € 42.7 million, prior year: € 25.7 million) and financial result (decrease of € 15.2 million, prior year: € 0.0 million).

In the prior year, the amounts reclassified included the dedesignation of cash flow hedges of € 25.7 million, as the forecast transaction was no longer highly probable. There were no such cases in the reporting year.

An amount of € 95.6 million (prior year: € 118.1 million) was reclassified from other comprehensive income for the decrease in costs of purchase for inventories.

As of 31 December 2009, existing hedged transactions are covered by cash flow hedges for foreign currencies with terms of up to 29 years (prior year: up to 30 years). 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 € 9.8 million was recognised in profit or loss in the reporting period (prior year: € 52.4 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 € 9.6 million were recognised in the reporting year (prior year: € -54.2 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 2009, € -0.9 million (prior year: € 2.4 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 period for which the current replacement and selling risk has been calculated. In addition, these risks are analysed with reference to the current rating by the rating agency Moody's. An internal rating procedure is used for trading partners that do not have such an external rating.

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 in € millions	31/12/2009		31/12/2008	
Moody's	< 1 year	1 – 5 years	< 1 year	1 – 5 years
up to A1	48.8	32.1	380.0	26.3
up to A3	324.3	328.9	168.9	65.7
Baa1	31.2	4.6	25.0	7.0
up to Baa3	19.9	0.5	51.8	11.1
below Baa3	1.6	1.2	0.0	0.0
Total	**425.8**	**367.3**	**625.7**	**110.1**

The nominal volume of the derivatives presented below has not been netted. 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 hedged items with risks that run counter to that of the derivative. Collateral is provided or obtained for derivatives that are traded on the stock exchange.

€ millions	Derivatives designated as hedging instruments			
	Nominal volume		Market value	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Forward exchange transactions				
< 1 year	374.5	300.6	0.5	2.6
1 - 5 years	738.3	665.4	-33.5	14.9
> 5 years	150.2	159.2	-4.5	3.0
Electricity options and futures				
< 1 year	1,863.0	1,822.4	-0.2	-0.9
1 - 5 years	2,220.1	2,125.0	-64.6	-39.7
Forward electricity transactions				
< 1 year	0.0	0.0	0.0	0.0
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	527.0	330.6	-90.6	94.9
1 - 5 years	731.3	664.8	-45.4	-149.3
Derivatives for emission rights				
< 1 year	0.0	0.0	0.0	0.0
1 - 5 years	0.0	0.0	0.0	0.0
Interest rate swaps				
Fixed interest paying				
< 1 year	0.0	190.0	0.0	-0.6
> 1 year	0.0	0.0	0.0	0.0
Fixed interest bearing				
< 1 year	0.0	0.0	0.0	-3.6
> 1 year	1,250.2	495.2	49.2	36.8
Other futures and derivatives				
< 1 year	0.0	33.8	0.0	-1.0
1 - 5 years	0.0	0.0	0.0	0.0
Total	**7,854.6**	**6,787.0**	**-189.1**	**-42.9**
of which derivatives with a positive fair value			(102.8)	(207.8)
of which derivatives with a negative fair value			(291.9)	(250.7)

Derivatives that are not part of a hedge				Total derivatives			
Nominal volume		Market value		Nominal volume		Market value	
31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
709.5	700.5	-31.4	0.5	1,084.0	1,001.1	-30.9	3.1
202.1	459.3	1.2	-20.0	940.4	1,124.8	-32.3	-5.1
0.0	0.0	0.0	0.0	150.2	159.2	-4.5	3.0
1,530.6	578.3	1.4	-1.4	3,393.6	2,400.7	1.2	-2.3
1,034.5	760.3	17.4	-2.1	3,254.6	2,885.3	-47.2	-41.8
18,633.2	18,960.7	-36.7	40.5	18,633.2	18,960.7	-36.7	40.5
5,098.0	4,859.5	-22.3	-69.6	5,098.0	4,859.5	-22.3	-69.6
402.6	145.3	3.0	-13.0	402.6	145.3	3.0	-13.0
266.6	1.6	-7.5	0.0	266.6	1.6	-7.5	0.0
2,017.8	1,612.2	17.1	-37.3	2,544.8	1,942.8	-73.5	57.6
807.2	993.8	0.7	17.8	1,538.5	1,658.6	-44.7	-131.5
527.6	856.4	-3.8	26.9	527.6	856.4	-3.8	26.9
399.2	703.5	-18.2	-34.0	399.2	703.5	-18.2	-34.0
0.0	44.8	0.0	-0.5	0.0	234.8	0.0	-1.1
0.0	3.8	0.0	-0.1	0.0	3.8	0.0	-0.1
0.4	0.0	0.0	0.0	0.4	0.0	0.0	-3.6
0.0	0.0	0.0	0.0	1,250.2	495.2	49.2	36.8
165.7	97.1	1.1	30.3	165.7	130.9	1.1	29.3
40.3	24.3	-0.9	-4.5	40.3	24.3	-0.9	-4.5
31,835.3	**30,801.4**	**-78.9**	**-66.5**	**39,689.9**	**37,588.5**	**-268.0**	**-109.4**
		(1,962.1)	(2,557.2)			(2,064.9)	(2,765.0)
		(2,041.0)	(2,623.7)			(2,332.9)	(2,874.4)

Reconciliation of derivatives used for hedging purposes to other comprehensive income (cash flow hedge) in equity

€ millions	31/12/2009	31/12/2008	Variance
Derivatives used in cash flow hedges with a positive fair value	53.7	168.5	-114.8
Derivatives used in cash flow hedges with a negative fair value	291.9	243.6	48.3
	-238.2	**-75.1**	**-163.1**
Deferred tax on changes recognised directly in equity in derivatives used in cash flow hedges	64.7	20.6	44.1
Hedge ineffectiveness	4.4	7.2	-2.8
Cascading effects	38.8	-137.6	176.4
Minority interests	0.0	0.2	-0.2
Cash flow hedge (recognised in equity)	**-130.3**	**-184.7**	**54.4**

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	31/12/2009	31/12/2008	Variance
Derivatives with a positive fair market value	1,962.1	2,557.2	-595.1
Derivatives with a negative fair market value	2,041.0	2,623.7	-582.7
Changes in the consolidated companies and hedge accounting designation	8.0	-4.0	12.0
Transfer to assets and liabilities held for sale	2.6	0.0	2.6
Option premium paid	9.9	-4.0	13.9
Change in fair value of the derivatives	**-58.4**	**-74.5**	**16.1**

The loss from derivatives disclosed in the income statement breaks down as follows:

€ millions	2009	2008
Fair value adjustment	16.1	-101.4
Income recognised	49.9	96.7
Hedge ineffectiveness	4.9	-6.9
Loss from derivatives	**70.9**	**-11.6**
of which other operating income	(100.3)	(99.1)
of which other operating expenses	(36.6)	(138.2)
of which finance revenue	(24.7)	(49.7)
of which finance costs	(17.5)	(22.2)

When the derivatives are sold the income/loss 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/loss 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 derivatives.

The derivatives used to hedge against financial risks are subject to the assessment criteria defined in the risk management guidelines. These include value at risk ratios and position limit and loss limit. 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 contained in 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 such as EFET, ISDA or IETA. 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 high enough to give rise to a significant concentration of risks.

Financial investments are only made with the investment limits and counterparties defined 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 € 13,734.7 million as of 31 December 2009 (prior year restated: € 15,642.3 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 at all times.

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 at short notice (prior year: € 3.3 billion). 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 2009 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. For financial instruments subject to floating interest, the interest rates last fixed prior to 31 December 2009 were used.

Financial instruments denominated in foreign currency are translated using the spot rate as of 31 December 2009.

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 2009

€ millions	Total	2010	2011	2012	2013	Cashflows > 2013
Non-derivative financial liabilities						
Debt instruments issued	8,274.4	441.7	282.8	1,348.4	1,174.2	5,027.3
Liabilities to banks	1,191.4	129.7	132.0	91.0	101.1	737.6
Finance lease liabilities	596.7	106.6	105.8	102.3	102.3	179.7
Other financial liabilities	274.1	23.6	107.9	14.9	14.9	112.8
Trade payables	445.4	440.0	1.2	1.2	1.2	1.8
Other financial obligations	824.0	631.5	47.1	1.2	1.1	143.1
Derivative financial assets	949.0	331.6	442.6	163.0	11.8	0.0
Derivative financial liabilities	11,008.8	7,935.8	2,598.1	440.7	34.2	0.0
Total	**23,563.8**	**10,040.5**	**3,717.5**	**2,162.7**	**1,440.8**	**6,202.3**

Undiscounted cash flows as of 31 December 2008

€ millions[1]	Total	2009	2010	2011	2012	Cashflows > 2012
Non-derivative financial liabilities						
Debt instruments issued	5,946.7	225.4	441.9	215.4	1,280.9	3,783.1
Liabilities to banks	608.2	294.4	40.2	58.5	24.8	190.3
Finance lease liabilities	702.5	106.3	106.8	106.4	102.9	280.1
Other financial liabilities	112.0	7.9	7.0	7.0	6.6	83.5
Trade payables	592.8	583.9	8.9	0.0	0.0	0.0
Other financial obligations	670.1	530.2	0.0	0.0	0.0	139.9
Derivative financial assets	950.5	749.1	178.9	21.1	1.1	0.3
Derivative financial liabilities	9,916.8	6,968.4	2,457.1	418.0	64.0	9.3
Total	**19,499.6**	**9,465.6**	**3,240.8**	**826.4**	**1,480.3**	**4,486.5**

[1] Prior-year figures restated.

The increase recorded for derivative financial assets and liabilities compared to the prior year is essentially due to a higher volume of forward transactions to purchase electricity. 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 as part of our risk management activities are not included here either, which means that the derivatives do not directly reflect EnBW's actual liquidity risk.

Market risks

Currency risks

EnBW has exposure to foreign currency risk from procurement and hedging of prices for fuel needs, as well as gas and oil trading. In addition, EnBW has currency risks arising from liabilities denominated in foreign currency. The currency risk is hedged with the help of appropriate financial instruments – in the reporting period forward exchange contracts in particular – on the basis of continuously monitored exchange rate forecasts. Foreign exchange risks are hedged centrally. EnBW principally has exposure to risks from US dollars and Swiss francs.

The net assets tied up at foreign group entities outside the euro area and the translation risks 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 rates, 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 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 2009 would reduce (increase) the profit for the year by € 5.2 million (prior year: € 21.9 million). This hypothetical change in profit is attributable to the EUR/USD and EUR/CHF currency sensitivities (€ -1.5 million and € 6.7 million respectively; prior year: € 16.1 million and € 5.8 million respectively).

Equity would increase (decrease) by € 127.5 million as of 31 December 2009 in the event of a 10% revaluation (devaluation). In the prior year, a 10% revaluation (devaluation) of the euro would have reduced (raised) equity by € 40.5 million. This hypothetical change in equity is attributable to the EUR/USD and EUR/CHF currency sensitivities (€ 94.1 million and € 33.4 million respectively; prior year: € -70.9 million and € 30.4 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.

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.

A change in the level of interest rates in the euro area by 50 base points as of the balance sheet date 31 December 2009 in relation to the nominal volume (prior year: 70 base points) would reduce (raise) the profit for the year by € 6.3 million. In the prior year, a change would have raised (reduced) the profit for the year by € 4.5 million. The hypothetical change in profit comprises potential effects from interest derivatives of € 6.3 million (prior year: € 2.2 million), floating-rate bank balances of € -3.3 million (prior year: € -8.4 million) and primary financial liabilities subject to floating-rate interest of € 3.3 million (prior year: € 1.7 million).

Commodity price risks

In the context of our energy trading activities, energy trading contracts are entered into to manage price risks, optimise power stations, offset burdens and optimise 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, the procurement of coal, gas and oil as fuels and the procurement 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 the price of electricity, coal, oil, gas and emission allowances is analysed below. The analysis was made assuming that all other parameters remain unchanged. It 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. 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 solely to satisfy the disclosure requirements of IFRS 7.

Sensitivity to the electricity price

A decrease (increase) in the market price by 25% as of the balance sheet date 31 December 2009 (prior year: 25%) would raise (reduce) the profit for the year by € 130.4 million (prior year: € 73.3 million).

A decrease (increase) in the market price by 25% as of the balance sheet date 31 December 2009 (prior year: 25%) would reduce (raise) equity by € 192.2 million. In the prior year, a decrease (increase) would have raised (reduced) equity by € 10.8 million.

Sensitivity to the coal price

A decrease (increase) in the market price by 30% as of the balance sheet date 31 December 2009 (prior year: 45%) would reduce (raise) the profit for the year by € 16.0 million (prior year: € 36.8 million).

A decrease (increase) in the market price by 30% as of the balance sheet date 31 December 2009 (prior year: 45%) would reduce (raise) equity by € 295.4 million (prior year: € 252.9 million).

Sensitivity to the oil price

A decrease (increase) in the market price by 40% as of the balance sheet date 31 December 2009 (prior year: 40%) would reduce (raise) the profit for the year by € 9.2 million (prior year: € 16.6 million).

Sensitivity to the gas price

A decrease (increase) in the market price by 30% as of the balance sheet date 31 December 2009 (prior year: 30%) would reduce (raise) the profit for the year by € 16.9 million (prior year: € 6.0 million).

Sensitivity to the price for emission allowances

A decrease (increase) in the market price by 50% as of the balance sheet date 31 December 2009 (prior year: 40%) would reduce (raise) the profit for the year by € 44.8 million (prior year: € 37.3 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 pose price risks for the company.

When selecting securities, the company always attaches particular importance to high marketability and good credit rating. As of the balance sheet date 31 December 2009, shares, share-based investment funds and fixed-interest securities of € 4,600.5 million (prior year: € 3,645.3 million) were exposed to market price risks.

The effects of price 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 currency, 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. 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 18% (prior year: 15%) for shares and share-based investment funds and 2% (prior year: 3%) for interest-bearing securities.

With the risk scenario given, profit for the year would increase (decrease) by € 16.0 million (prior year: € 5.6 million). The hypothetical change in profit for the year is primarily due to shares and fixed-interest securities.

With the risk scenario given, equity would increase (decrease) by € 359.4 million (prior year: € 273.8 million). Of the hypothetical change in equity, an amount of € 310.3 million (prior year: € 211.3 million) is attributable to shares and share-based investment funds and € 49.1 million (prior year: € 62.5 million) to fixed-interest securities.

Other notes

Earnings per share

		2009	2008
Profit from continuing operations[1]	€ millions	824.4	908.1
of which profit shares attributable to equity holders of EnBW AG[1]	€ millions	(768.2)	(879.3)
Group net profit[1]	€ millions	824.4	908.1
of which profit shares attributable to equity holders of EnBW AG[1]	€ millions	(768.2)	(879.3)
Number of shares outstanding (weighted average)	thousand shares	244.257	244.257
Earnings per share from continuing operations[1, 2]	€	3.15	3.60
Earnings per share from continuing operations before amortisation of goodwill from capital consolidation[1, 2]	€	3.15	3.60
Earnings per share from group net profit[1, 2]	€	3.15	3.60
Dividends per share for fiscal year 2008 of EnBW AG	€	-	2.01
Proposed dividends per share for fiscal year 2009 of EnBW AG	€	1.53	-

1 Prior-year figures restated.
2 In relation to the profit shares attributable to the equity holders of EnBW AG.

Earnings per share is determined by dividing the profit shares 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 other financial commitments

The disclosures on contingent liabilities and other financial commitments relate to the nominal values.

Contingent liabilities

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 plants, 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 claim, EnBW Energie Baden-Württemberg AG 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 Energie Baden-Württemberg AG has to bear a 24.921% share of the liability as of 31 December 2009 and 24.921% as of 1 January 2010 plus 5% for costs to settle the claims. Sufficient liquidity has been provided for in the liquidity plan.

In addition, the EnBW group has the following other contingent liabilities.

€ millions	31/12/2009	of which due in			31/12/2008
		< 1 year	1–5 years	> 5 years	
Guarantees and collateral	233.8	219.5	8.0	6.3	138.0
Guarantees for third-party services	115.7	105.1	0.3	10.3	122.3
Contingent liabilities from pending litigation	133.2	132.8	0.4	0.0	166.4
Total	**482.7**	**457.4**	**8.7**	**16.6**	**426.7**

Guarantees and collateral, guarantees for third-party services and contingent liabilities from pending litigation include an amount of € 8.2 million (prior year restated: € 2.8 million) from joint ventures. No provisions were set up for pending litigation because the counterparty is unlikely to win the case. In addition, various court cases, investigations by authorities or proceedings and other claims are pending against EnBW. The chances of their being successful is, however, remote and they are therefore not reported under contingent liabilities.

Other financial commitments

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 total volume of these commitments amounts to € 19.5 billion (prior year: € 23.1 billion).

Sundry other financial commitments break down as follows:

€ millions	31/12/2009	of which due in < 1 year	of which due in 1–5 years	of which due in > 5 years	31/12/2008
Financial commitments from rent and lease agreements	274.1	30.6	122.5	121.0	199.9
Purchase commitments	453.3	288.7	116.1	48.5	425.9
Capital commitments for property, plant and equipment	886.7	633.3	253.4	0.0	1,473.7
Capital commitments for intangible assets	1.6	1.6	0.0	0.0	1.4
Financial commitments from business acquisitions[1]	1,137.2	758.2	294.8	84.2	2,758.2
Other financial commitments	119.4	65.2	51.7	2.5	93.7
Total	**2,872.3**	**1,777.6**	**838.5**	**256.2**	**4,952.8**

[1] Financial commitments from business acquisitions < 1 year include investments held as financial assets amounting to € 80.1 million (prior year: € 98.2 million).

Sundry other financial commitments include obligations from joint ventures totalling € 392.1 million (prior year: € 17.4 million). An amount of € 310.0 million thereof (prior year: € 0.0 million) is attributable to future business acquisitions.

Audit fees

The group audit fees recorded as an expense break down as follows:

€ millions	2009	2008
Statutory audit	2.2	2.7
Other attest services	1.1	1.0
Tax advisory services	0.6	0.5
Other services	0.2	0.2
Total	**4.1**	**4.4**

Exemption pursuant to Sec. 264 (3) HGB and Sec. 264b HGB

In the reporting period 2009 the following German subsidiaries made use of the exemption afforded by Sec. 264 (3) No. 1 German Commercial Code (HGB) and Sec. 264b German Commercial Code (HGB) regarding the duty to publish financial statements in accordance with Secs. 325 to 329 German Commercial Code:

Exemption pursuant to Sec. 264 (3) HGB

- EnBW Akademie Gesellschaft für Personal und Managemententwicklung mbH, Stuttgart
- EnBW EnHol Beteiligungsgesellschaft mbH, Karlsruhe
- EnBW Erneuerbare Energien GmbH, Stuttgart
- EnBW Etzel Speicher GmbH, Karlsruhe
- EnBW Gas GmbH, Stuttgart
- EnBW Gasnetz GmbH, Stuttgart
- EnBW Gas Midstream GmbH, Stuttgart (formerly: EnBW Waste Management GmbH, Stuttgart)
- 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 Technische Dienste und kaufmännische Leistungen GmbH, Karlsruhe
- EnBW Transportnetze AG, Stuttgart
- EnBW Vertriebs- und Servicegesellschaft mbH, Stuttgart

- EnBW Windpark Alt Zeschdorf GmbH, Cuxhaven
- EnBW Windpark Buchholz GmbH, Cuxhaven
- EnBW Windpark Schwienau II GmbH, Cuxhaven
- Kernkraftwerk Obrigheim GmbH, Obrigheim
- MSE Mobile Schlammentwässerungs GmbH, Karlsbad-Ittersbach
- Neckarwerke Stuttgart GmbH, Stuttgart
- NWS Energiehandel GmbH, Stuttgart
- NWS REG Beteiligungsgesellschaft mbH, Stuttgart
- OSD SCHÄFER GmbH, Karlsruhe (formerly: Objektschutzdienst Schäfer GmbH, 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

- EnBW City GmbH & Co. KG, Stuttgart
- EnBW Grundstücks- und Gebäudemanagement GmbH & Co. KG Karlsruhe, Karlsruhe
- EnBW Grundstücks- und Gebäudemanagement GmbH & Co. KG Stuttgart, Stuttgart
- EnBW Real Estate Two GmbH & Co. KG, Stuttgart
- EnSüdWest Energiebeteiligungen AG & Co. KG, Karlsruhe
- EVGA Grundstücks- und Gebäudemanagement GmbH & Co. KG, Obrigheim
- Facilma Grundbesitzmanagement und -service GmbH & Co. Besitz KG, Obrigheim
- KMS Kraftwerke Grundbesitzmanagement und -service GmbH & Co. KG, Karlsruhe
- NWS Grundstücksmanagement GmbH & Co. KG, Obrigheim
- 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 Corporations Act (AktG) on 10 December 2009 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.

Share deals and shareholdings of key management personnel

The company did not receive any notices in the fiscal year 2009 of transactions with EnBW shares or related financial instruments of persons in managerial positions and persons closely related to them in accordance with Sec. 15a German Securities Trading Act (Wertpapierhandelsgesetz). The EnBW shares held by all members of the Board of Management and the Supervisory Board total 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 2009 of € -1,507.6 million (prior year: € 1,756.1 million).

Cash and cash equivalents relate almost exclusively to bank balances, largely in the form of time and call deposits. Cash and cash equivalents include the cash attributable to assets held for sale.

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.

In the fiscal year 2009, the cash flow from operating activities was € 2,443.4 million (prior year: € 1,523.9 million).

Other non-cash expenses and income break down as follows:

€ millions	2009	2008
Income from the disposal and release of construction cost subsidies	-110.7	-90.3
Income and expenses from changes in specific bad debt allowances	36.8	33.0
Reversal of impairment losses on property, plant, equipment and intangible assets	-3.4	-1.8
Fair value adjustment from derivatives[1]	46.2	69.8
Write-down of inventories and other current assets	116.5	0.0
Other	1.7	6.9
Total	**87.1**	**17.6**

[1] Derivatives that are not offset by cash received or cash paid from variation margins.

In the fiscal year 2009, € 51.3 million was distributed to minority interests of group entities (prior year: € 67.7 million).

Purchase prices for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method totalled € 3,041.5 million in the reporting year (prior year: € 107.6 million). In the reporting year, cash and cash equivalents of € 24.8 million were acquired in the course of share purchases (prior year: € 3.6 million). The purchase prices were paid in cash and mainly relate to the acquisition of a 26% share in EWE Aktiengesellschaft, shares in the Bexbach and Lippendorf power stations, a 50% share in Borusan EnBW Enerji yatırımları ve Üretim A. Ş. as well as three onshore wind farms.

The cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method totalled € 45.0 million (prior year: € 62.4 million). The cash transferred upon the sale of fully and proportionately consolidated entities and entities accounted for using the equity method totalled € 0.0 million (prior year: € 2.2 million). The cash received in the fiscal year 2009 was attributable to the sale of Gegenbauer Holding SA & Co. KG.

We also refer to the explanations given in the management report on the financial position of EnBW.

Funds from operations (FFO)

Funds from operations (FFO) before tax and financing improved in the reporting year by € 102.1 million to € 2,427.7 million (prior year: € 2,325.6 million). The reason for this is the increase in earnings power in the group. FFO after tax and financing increased by € 24.6 million to € 2,251.8 million (prior year restated: € 2,227.2 million).

Funds from Operations (FFO) in € millions[1]	2009	2008
FFO before taxes and financing	**2,427.7**	**2,325.6**
Income tax paid	-197.0	-265.6
Interest and dividends received	378.5	413.2
Interest paid for financing activities	-357.4	-246.0
FFO after taxes and financing	**2,251.8**	**2,227.2**

[1] Prior-year figures restated.

Additional disclosures on capital management

EnBW's 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, an A category rating implies that it has achieved an optimum capital structure. 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 beyond 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 power provisions. EnBW uses a cash-flow-based model to determine the 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.

EnBW manages the financial assets in such a way that the pensions and nuclear obligations are covered up to 2032.

Segment reporting

by business segment in € millions[1]	Electricity generation and trading		Electricity grid and sales		Gas	
	2009	2008	2009	2008	2009	2008
Revenue						
External revenue	2,357.5	2,541.7	10,031.3	10,194.7	2,453.1	2,881.2
Internal revenue	4,582.5	4,846.9	456.8	452.5	97.7	136.3
Total revenue	6,940.0	7,388.6	10,488.1	10,647.2	2,550.8	3,017.5
Earnings indicators						
Adjusted EBIT	1,590.9	1,461.2	130.9	177.8	152.0	192.7
EBIT	1,630.0	1,394.2	163.6	145.3	151.0	-49.9
Amortisation and depreciation	-352.1	-325.7	-237.7	-242.7	-81.9	-99.2
Impairment losses	-21.1	-4.7	-8.7	-20.2	0.0	-236.3
Adjusted net profit from entities accounted for using the equity method	49.1	14.3	115.5	135.4	2.2	2.9
Net profit from entities accounted for using the equity method	65.8	14.3	115.5	142.1	2.2	2.9
Significant non-cash items	-152.6	-130.3	-0.8	22.6	1.8	6.2
Assets and liabilities						
Capital employed	5,473.7	4,185.8	4,939.1	4,901.9	1,682.1	1,819.5
of which intangible assets, property, plant and equipment and investment property	(5,672.5)	(4,376.1)	(4,432.9)	(4,923.8)	(1,774.8)	(2,237.6)
of which carrying amount of entities accounted for using the equity method	(291.9)	(227.0)	(1,310.0)	(1,544.8)	(36.1)	(36.5)
Other segment information						
Capital expenditures	620.7	538.1	385.7	400.1	62.8	65.3

[1] Prior-year figures restated.

Energy and environmental services		Holding/ consolidation		Total	
2009	2008	2009	2008	2009	2008
722.3	687.8	0.0	0.0	15,564.2	16,305.4
518.9	715.3	-5,655.9	-6,151.0	0.0	0.0
1,241.2	1,403.1	-5,655.9	-6,151.0	15,564.2	16,305.4
86.2	100.1	-166.1	-137.9	1,793.9	1,793.9
87.2	86.3	-142.5	-107.7	1,889.3	1,468.2
-149.2	-132.2	-0.5	-1.9	-821.4	-801.7
-7.7	-9.0	0.0	0.0	-37.5	-270.2
3.9	5.8	-4.7	0.0	166.0	158.4
-3.1	-16.5	-99.7	0.0	80.7	142.8
6.1	1.4	-0.2	0.2	-145.7	-99.9
1,351.0	1,272.0	2,133.8	260.6	15,579.7	12,439.8
(1,907.3)	(1,821.6)	(14.4)	(15.4)	(13,801.9)	(13,374.5)
(77.7)	(123.9)	(2,041.0)	(0.0)	(3,756.7)	(1,932.2)
240.2	253.1	0.0	0.0	1,309.4	1,256.6

As a result of applying IFRS 8 for the first time as of the fiscal year 2009, we split what used to be our electricity segment into the segments electricity generation and trading and electricity grid and sales. Segment reporting comprises the reportable segments of electricity generation and trading, electricity grid and sales, gas and energy and environmental services and is based on the internal reporting structure.

The electricity generation and trading segment comprises the value added stages of generation as well as trading and procurement. The electricity grid and sales segment comprises the value added stages of 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 of thermal disposal, non-thermal disposal, water and other services.

Assets, liabilities, revenue and expenses allocable to EnBW AG, our shareholding in EWE Aktiengesellschaft and other activities not allocable to the segments presented separately are disclosed in the holding/consolidation column together with eliminations. The direct costs of EnBW AG are allocated between the individual segments using allocation keys.

The segment figures have been determined in accordance with the accounting policies used in the consolidated financial statements. Internal revenue shows the level of sales between group companies. Intersegment sales were made at market prices.

One of the key performance indicators is adjusted EBIT. Adjusted EBIT is an earnings ratio adjusted for non-operating effects, which reflects the development of results of operations. The management report describes the development of segments on the basis of adjusted EBIT.

Adjusted EBIT of the reportable segments can be reconciled to earnings before tax (EBT) as follows:

in € millions	2009	2008
Adjusted EBIT[1]	1,960.0	1,931.8
Non-operating EBIT[1]	71.8	-355.9
Holding/consolidation	-142.5	-107.7
Earnings before interest and taxes (EBIT)	**1,889.3**	**1,468.2**
Investment result	82.3	251.3
Financial result	-714.4	-473.1
Earnings before tax (EBT)	**1,257.2**	**1,246.4**

[1] The segment reporting comprises the reportable segments of electricity generation and trading, electricity grid and sales, gas and energy and environmental services.

The significant non-cash items principally comprise expenses from transfers to provisions and income from the release of construction cost subsidies.

Capital employed, which we use as segment assets, comprises all assets from the operating business. Non-interest bearing liabilities – such as trade payables – are deducted. Capital employed is calculated as follows:

Capital employed in € millions[1]	31/12/2009	31/12/2008	1/1/2008
Intangible assets	1,806.4	1,702.6	1,666.7
Property, plant and equipment	11,925.2	11,585.3	11,417.2
Investment property	70.3	86.6	87.7
Investments[2]	4,464.8	2,661.1	2,573.9
Inventories	944.8	862.9	732.7
Current trade receivables[3]	2,786.3	3,125.1	2,062.3
Sundry assets[3]	5,324.0	4,679.8	2,548.7
of which income tax refund claims	(457.1)	(533.2)	(508.9)
of which assets held for sale	(1,698.0)	(4.0)	(3.4)
of which other tax refund claims	(63.4)	(122.4)	(33.7)
of which derivatives	(2,064.9)	(2,765.0)	(1,021.7)
of which payments on account made	(134.6)	(162.5)	(119.6)
of which prepaid expenses	(74.6)	(87.5)	(89.3)
of which sundry assets	(464.2)	(663.7)	(417.1)
of which non-current trade receivables	(415.9)	(386.2)	(358.4)
of which assets attributable to net debt	(-48.7)	(-44.7)	(-3.4)
Non-interest bearing provisions	-1,050.2	-1,403.8	-1,438.6
Non-interest bearing liabilities[4]	-7,464.6	-7,536.1	-4,342.6
of which payments received on account of orders	(-182.1)	(-178.7)	(-129.9)
of which trade payables	(-2,797.5)	(-3,237.6)	(-2,153.0)
of which other deferred income	(-186.0)	(-200.7)	(-173.4)
of which derivatives	(-2,332.9)	(-2,874.4)	(-910.5)
of which other liabilities	(-1,226.4)	(-1,574.5)	(-1,434.1)
of which liabilities directly associated with the assets classified as held for sale	(-768.1)	(0.0)	(0.0)
of which liabilities attributable to net debt	(28.4)	(529.8)	(458.3)
Subsidies	-1,519.0	-1,717.6	-1,733.3
Deferred taxes[5]	-1,647.8	-1,606.1	-1,611.1
Assets and liabilities directly associated with the assets classified as held for sale that are attributable to net debt	-60.5	0.0	0.0
Capital employed	**15,579.7**	**12,439.8**	**11,963.6**

1 Prior-year figures restated.
2 Including entities accounted for using the equity method, investments in affiliated entities and other investments that are allocable to operations.
3 Without affiliated entities.
4 Without affiliated entities, without purchase price obligations from put options.
5 Deferred tax assets and liabilities netted.

As a result of the amendment of IAS 23, EnBW retroactively capitalised borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets in the period in which they are incurred. The prior-year figures have been restated accordingly to take into account the retroactive application. As of 1 January 2008, EnBW recorded an adjustment in property, plant and equipment of € 1.0 million. After capitalisation of borrowing costs, capital employed breaks down by segment:

Capital employed as of 1/1/2008 in € millions	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	Total
Capital employed	3,951.2	4,817.5	1,849.4	1,281.9	63.6	11,963.6
of which intangible assets, property, plant and equipment and investment property	(4,106.1)	(4,804.4)	(2,524.8)	(1,690.4)	(45.9)	(13,171.6)
of which carrying amount of entities accounted for using the equity method	(213.1)	(1,417.0)	(34.6)	(191.8)	(0.0)	(1,856.5)

External revenue by region is determined based on the place of supply. The EnBW group does not generate 10% or more of external revenue with any one external customer.

External revenue by region in € millions	2009	2008
Germany	14,353.9	14,640.9
Economic and Monetary Union without Germany	659.0	1,165.7
Rest of Europe	550.2	498.8
Rest of world	1.1	0.0
	15,564.2	**16,305.4**

Intangible assets, property, plant and equipment and investment property by region in € millions[1]	31/12/2009	31/12/2008	1/1/2008
Germany	12,148.5	11,834.3	11,698.7
Economic and Monetary Union without Germany	0.0	0.0	0.0
Rest of Europe	1,482.7	1,540.2	1,472.9
Rest of world	170.7	0.0	0.0
	13,801.9	**13,374.5**	**13,171.6**

[1] Prior-year figures restated.

Related parties (entities)

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 in € millions	2009	2008
Revenue	1,345.1	903.9
Cost of materials	-1,400.7	-1,052.6

Balance sheet in € millions	31/12/2009	31/12/2008
Receivables	149.7	120.7
Payments on account	47.1	44.6
Liabilities	258.1	43.3
Payments on account received	33.0	38.7

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 in € millions	2009	2008
Revenue	46.0	37.1
Cost of materials	-20.9	-9.7

Balance sheet in € millions	31/12/2009	31/12/2008
Other loans	12.7	6.1
Receivables	6.8	3.5
Liabilities	5.9	2.7
Payments on account received	0.1	0.0

In the course of ordinary business activities, relationships also exist with associates, including among others municipal entities (public utilities, in particular) that are accounted for using the equity method. Transactions with these entities took place at arm's length and had the following impact on the balance sheet and the income statement of the EnBW group:

Income statement in € millions	2009	2008
Revenue	204.2	190.4
Cost of materials	-112.6	-72.3
Financial result	-2.5	0.0

Balance sheet in € millions	31/12/2009	31/12/2008
Other loans	2.4	0.0
Receivables	24.1	12.8
Liabilities	118.8	9.8

Related parties (individuals)

The EnBW group has not entered into any significant transactions with individuals that are related parties.

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, which is part of the combined management report.

Total remuneration paid to the Board of Management for the fiscal year 2009 amounted to € 9.8 million (prior year: € 10.1 million). Short-term benefits amount to € 9.1 million (prior year: € 9.0 million) and long-term benefits to € 0.7 million (prior year: € 1.1 million). The addition to the pension obligations for this group of persons came to € 0.6 million in the fiscal year 2009 (prior year: € 1.1 million) including service and interest cost.

There are pension obligations in accordance with IFRS of € 3.6 million (prior year: € 5.3 million) for the current members of the Board of Management (defined benefit obligation).

Former members of the Board of Management and their surviving dependants received € 7.0 million (prior year: € 5.1 million). There are defined benefit obligations to former members of the Board of Management and their surviving dependants in accordance with IFRS of € 49.1 million (prior year: € 47.6 million).

No new advances (prior year: € 1.2 million) or loans were granted to members of the Board of Management in the fiscal year 2009. Advances of € 0.3 million still exist from 2008.

The remuneration system of the Supervisory Board is also presented in the remuneration report, which is part of the combined management report.

The members of the Supervisory Board will receive total remuneration of € 1.1 million (prior year: € 1.1 million) for the fiscal year 2009. The remuneration includes fixed and variable components, attendance fees and board remuneration of subsidiaries.

No loans or advances were granted to members of the Supervisory Board in the fiscal year 2009.

Disclosures concerning franchises

Franchise agreements in the areas of electricity, gas, district heating and water are in place between the individual entities 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 successor network operator in return for reasonable compensation, unless the franchise agreement is extended.

Subsequent events

Since notifying the Federal Anti-Trust Office of its decision to sell GESO Beteiligungs- und Beratungs-AG, EnBW has in the meantime chosen Technische Werke Dresden (TWD), a wholly owned subsidiary of Dresden, the capital of the German state of Saxony, as preferred bidder. All further negotiations are being held exclusively with TWD with the aim of concluding a purchase agreement in the near future. EnBW and TWD have agreed to maintain secrecy regarding further details of the status of negotiations. Towards the end of January 2010, EnBW AG contributed its 100% shareholding in GESO Beteiligungs- und Beratungs-AG into EnBW International Finance B.V. in return for the issue of new shares in order to strengthen the latter's financing power.

In January EnBW signed an agreement to prematurely terminate a long-term electricity supply agreement with a foreign contracting partner. The agreement is effective subject to conditions precedent. Provided the conditions precedent are satisfied, EnBW will receive an eight-digit compensation payment, which will be recognised as non-recurring income in the fiscal year 2010.

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, 5 February 2010

EnBW Energie Baden-Württemberg AG

Villis　　　　Dr. Beck

Buchel　　　　Dr. Zimmer

Audit opinion

We have audited the consolidated financial statements prepared by EnBW Energie Baden-Württemberg AG, Karlsruhe, comprising the income statement, the statement of comprehensive income, 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 2009. 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 on 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 the 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 and the additional requirements of German commercial law pursuant to Sec. 315a (1) German Commercial Code (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, 5 February 2010

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert	Günnewig
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [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, 5 February 2010

EnBW Energie Baden-Württemberg AG

Villis   Dr. Beck

Buchel   Dr. Zimmer

Major shareholdings

	Footnote	Registered office	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in€ thousands)	Revenue[2] (in€ thousands)
Holding						
EnBW Energie Baden-Württemberg AG		Karlsruhe		2,576,084	456,156	0
EWE Aktiengesellschaft	3, 6	Oldenburg	26.00	1,932,200	207,500	5,327,300
Neckarwerke Stuttgart GmbH		Stuttgart	100.00	1,042,501	35,642	0
Electricity generation and trading segment						
Fully consolidated entities						
1 EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH		Stuttgart	100.00	297,640	-[4]	273,332
2 EnBW Kraftwerke AG		Stuttgart	100.00	1,063,164	-[4]	2,387,891
3 EnBW Trading GmbH		Karlsruhe	100.00	2,560	-[4]	15,979,852
4 Kernkraftwerk Obrigheim GmbH		Obrigheim	100.00	51,130	-[4]	0
5 KMS Kraftwerke Grundbesitzmanagement und -service GmbH & Co. KG		Karlsruhe	100.00	236,884	2,759	13,332
6 TWS Kernkraft GmbH		Gemmrigheim	100.00	149,297	-[4]	248,633
7 EnBW Kernkraft GmbH		Obrigheim	99.80	10,000	-[4]	964,555
8 Energiedienst Holding AG	3	Laufenburg/ Switzerland	81.72[8]	848,600	82,900	735,700
9 Kraftwerk Bexbach Verwaltungs-gesellschaft mbH		Bexbach an der Saar	66.66	23,010	1,151	2,383
Proportionately consolidated entities						
10 Energotrans a.s.	6	Prague/ Czech Republic	100.00	164,056	47,840	152,226
11 Borusan EnBW Enerji yatırımları ve Üretim A. Ş.	3	Istanbul/Turkey	50.00	52,609	-5,404	2,288
12 Fernwärme Ulm GmbH	5	Ulm/Danube	50.00	24,116	4,806	54,820
13 Pražská teplárenská a.s.	6	Prague/Czech Republic	48.45	298,381	56,684	227,401
Entities accounted for using the equity method						
14 Elektrownia Rybnik S.A.	6	Rybnik/Poland	32.44	183,583	27,090	438,802
15 Grosskraftwerk Mannheim AG	6	Mannheim	32.00	114,142	6,647	502,913
16 Mátrai Erömü ZRt. (MATRA)	6	Visonta/Hungary	21.71	241,585	54,086	345,265
Equity investments						
17 Schluchseewerk Aktiengesellschaft	6	Laufenburg/Baden	50.00	59,339	2,809	98,672
18 Kraftwerk Ryburg-Schwörstadt AG	5, 6	Rheinfelden/ Switzerland	38.00	26,061	1,153	6,782

	Electricity grid and sales segment	Footnote	Registered office	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)	Revenue[2] (in € thousands)
Fully consolidated entities							
19	EnBW Regional AG		Stuttgart	100.00	413,925	-[4]	2,421,090
20	EnBW Transportnetze AG		Stuttgart	100.00	177,791	-[4]	2,365,375
21	EnBW Vertriebs- und Servicegesellschaft mbH		Stuttgart	100.00	15,164	-[4]	5,058,495
22	ENSO Netz GmbH		Dresden	100.00	98	-[4]	399,485
23	EVGA Grundstücks- und Gebäudemanagement GmbH & Co. KG		Obrigheim	100.00	60,827	8,705	31,754
24	Facilma Grundbesitzmanagement und -service GmbH & Co. Besitz KG		Obrigheim	100.00	123,977	1,998	23,588
25	GESO Beteiligungs- und Beratungs-AG		Dresden	100.00	112,498	-[4]	493
26	Netzgesellschaft Ostwürttemberg GmbH		Ellwangen	100.00	135	-[4]	258,195
27	NWS Grundstücksmanagement GmbH & Co. KG		Obrigheim	100.00	288,537	28,053	72,165
28	Stadtwerke Düsseldorf Netz GmbH	6	Düsseldorf	100.00	1,000	-[4]	327,159
29	Watt Deutschland GmbH		Frankfurt am Main	100.00	4,896	-47	266,559
30	Yello Strom GmbH		Cologne	100.00	500	-[4]	933,927
31	EnBW Ostwürttemberg DonauRies AG		Ellwangen	99.73	105,442	-[4]	454,243
32	ZEAG Energie AG		Heilbronn	98.26	143,472	19,320	118,147
33	Stadtwerke Düsseldorf AG	6	Düsseldorf	54.95	375,214	66,042	1,882,129
34	ENSO Energie Sachsen Ost AG		Dresden	50.11	336,123	62,297	1,235,751
Proportionately consolidated entities							
35	Pražská energetika a.s.	6	Prague/ Czech Republic	58.03	401,360	98,349	763,327
Entities accounted for using the equity method							
36	EVN AG	3, 5	Maria Enzersdorf/ Austria	35.72	3,127,179	198,009	2,727,018
37	DREWAG-Stadtwerke Dresden GmbH	6	Dresden	35.00	301,902	-[9]	1,022,952
38	Budapesti Elektromos Müvek Nyrt. (ELMÜ)	6	Budapest/Hungary	27.25	960,337	60,429	1,074,435
39	Eszak-Magyarországi Áramszolgáltató Nyrt. (EMASZ)	6	Miskolc/Hungary	26.83	336,217	27,528	453,922
40	FairEnergie GmbH	6	Reutlingen	24.90	90,766	-[9]	220,999
41	Stadtwerke Karlsruhe GmbH	6	Karlsruhe	20.00	165,710	-[9]	1,092,760

		Footnote	Registered office	Capital share[1] (%)	Equity[2] (in€ thousands)	Earnings[2] (in€ thousands)	Revenue[2] (in€ thousands)
Equity investments							
42	e.wa riss GmbH & Co. KG	6	Biberach	50.00	13,740	4,208	43,454
43	Energie- und Wasserwerke Bautzen GmbH	6	Bautzen	49.00	16,630	-[9]	45,027
44	Stadtwerke Weinheim GmbH	6	Weinheim	39.32	26,762	2,488	53,571
45	Elektrizitätswerk Mittelbaden AG & Co. KG	6	Lahr	34.74	39,843	12,093	164,590
46	Stadtwerke Elbtal GmbH	6	Radebeul	30.00	7,417	-[9]	51,571
47	Albwerk GmbH & Co. KG	6	Geislingen an der Steige	25.10	14,994	5,816	74,510
48	Energie- und Wasserversorgung Bruchsal GmbH	6	Bruchsal	25.10	21,993	-[9]	48,821
49	ENRW Energieversorgung Rottweil GmbH & Co. KG	6	Rottweil	25.10	23,329	1,679	70,820
50	Stadtwerke Schwäbisch Gmünd GmbH	6	Schwäbisch Gmünd	25.10	22,701	-[9]	72,211
51	Stadtwerke Sindelfingen GmbH	6	Sindelfingen	25.10	25,314	4,838	68,614
52	Stadtwerke Nürtingen GmbH	6	Nürtingen	25.00	29,732	1,397	40,795
53	Zespół Elektrociepłowni Wrocławskich Kogeneracja S.A.	6	Wroclaw/Poland	15.59	185,507	13,521	122,186
54	MVV Energie AG	5	Mannheim	15.05	859,756	62,313	1,543,279

Gas segment

		Footnote	Registered office	Capital share[1] (%)	Equity[2] (in€ thousands)	Earnings[2] (in€ thousands)	Revenue[2] (in€ thousands)
Fully consolidated entities							
55	EnBW Gas GmbH		Stuttgart	100.00	133,970	-[4]	763,204
56	GasVersorgung Süddeutschland GmbH	7	Stuttgart	100.00	76,694	-[4]	1,647,630
57	GSW Gas- und Wärmeservice GmbH		Dresden	100.00	1,304	-[4]	20,640
58	Erdgas Südwest GmbH		Karlsruhe	79.00	42,904	11,078	181,687
Entities accounted for using the equity method							
59	Stadtwerke Esslingen am Neckar GmbH & Co. KG	6	Esslingen am Neckar	49.98	55,602	3,009	77,111
Equity investments							
60	Heilbronner Versorgungs GmbH	6	Heilbronn	25.10	36,375	-[9]	115,665
61	Technische Werke Schussental GmbH & Co. KG	6	Ravensburg	25.10	23,155	5,631	67,824

	Energy and environmental services segment	Footnote	Registered office	Capital share[1] (%)	Equity[2] (in€ thousands)	Earnings[2] (in€ thousands)	Revenue[2] (in€ thousands)
Fully consolidated entities							
62	EnBW Beteiligungen AG		Kornwestheim	100.00	407,875	31,223	0
63	EnBW City GmbH & Co. KG		Stuttgart	100.00	8,885	9,521	15,486
64	EnBW Energy Solutions GmbH		Stuttgart	100.00	48,998	4,811	97,457
65	EnBW Grundstücks- und Gebäude-management GmbH & Co. KG Karlsruhe		Karlsruhe	100.00	137,390	1,684	14,278
66	EnBW Grundstücks- und Gebäude-management GmbH & Co. KG Stuttgart		Stuttgart	100.00	46,090	1,207	5,591
67	EnBW Kommunale Beteiligungen GmbH		Stuttgart	100.00	995,226	-[4]	3,363
68	EnBW Systeme Infrastruktur Support GmbH		Karlsruhe	100.00	16,500	-[4]	372,071
69	T-plus GmbH		Karlsruhe	100.00	15,000	-[4]	54,198
70	U-plus Umweltservice AG		Karlsruhe	100.00	163,641	3,743	0
71	AWISTA Gesellschaft für Abfallwirtschaft und Stadtreinigung mbH	6	Düsseldorf	51.00	38,784	8,257	155,760
Proportionately consolidated entities							
72	Industriekraftwerke Oberschwaben beschränkt haftende OHG	6	Biberach an der Riss	50.00	9,529	5,876	40,603
Entities accounted for using the equity method							
73	Zweckverband Landeswasserversorgung	6	Stuttgart	27.17	108,228	-39,988	40,867
74	Zweckverband Bodensee-Wasserversorgung	6	Stuttgart	22.35	144,094	-47,516	52,140

1 Shares of the respective parent company calculated pursuant to Sec. 313 (2) HGB (as of 31 December 2009).
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 entity to the consolidated financial statements. For financial statements in foreign currency, equity is translated at the mean rate on the balance sheet date, while earnings and revenue are translated at average annual rates.
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.

"Our alliance with EnBW is a gain for both companies. Customers, employees and municipalities will benefit from this cooperation."

Dr. Werner Brinker, CEO of EWE Aktiengesellschaft, Oldenburg

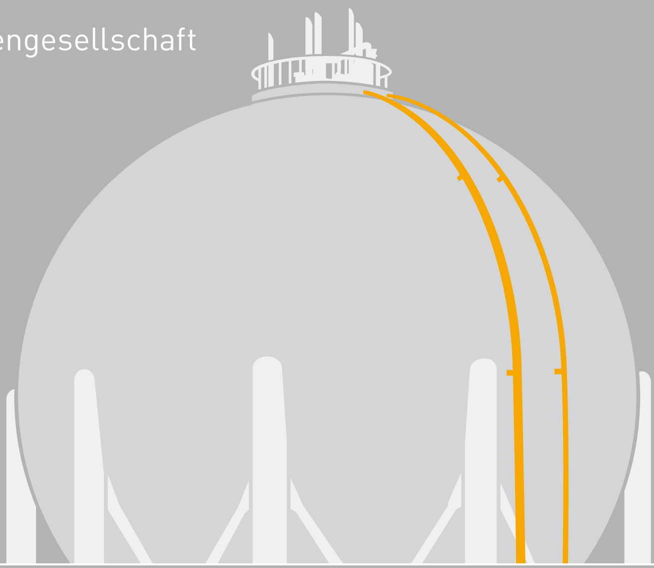
Pipelines belonging to EWE's Huntorf gas storage facilities, Elsfleth

EnBW and EWE form a powerful partnership

Cooperation in the gas business, in the field of wind power and conventional electricity generation: EnBW benefits from EWE's expertise in the storage of natural gas. In return, EWE can make use of EnBW's many years of experience in the management of conventional facilities.

26 %

shareholding in EWE Aktiengesellschaft as a strategic partner



EWE Aktiengesellschaft with registered offices in Oldenburg, supplies electricity, gas and water and operates in the fields of energy and environmental technology, gas transmission and trading as well as tele-communications and information technology. In addition to its traditional business territory in northern Germany, EWE also has operations in eastern Germany, Poland and Turkey. The group has an employee headcount in excess of 5,000. The strategic alliance formed in July 2009, in the course of which EnBW acquired a 26% shareholding in EWE, makes perfect sense: EWE and EnBW are two powerful companies in regions that complement each other perfectly and that have a common understanding of the market and how alliances work.

The alliance opens up the possibility for both companies to continue their sustainable development in the consolidating European energy market. Both sides are dedicated to a long-term and successful alliance.

The partners aim to benefit in core business areas from their experience with renewable energies, in the gas segment and from their international operations.

Corporate governance

Report of the Supervisory Board

In the fiscal year 2009, the Supervisory Board performed its tasks in accordance with the requirements of the law and the articles of incorporation and bylaws. It advised the Board of Management in the management of the company and regularly monitored the management of operations. The Supervisory Board was involved in all decisions of fundamental importance for the company and the group. The Board of Management kept the Supervisory Board informed regularly, without delay and comprehensively of all significant aspects of business development and policy, corporate strategy and planning, the economic position of the company and the group as well as of the risk situation, risk management, the internal control system and compliance. Variances between the actual business development and previously formulated plans and targets were described and explained to the Supervisory Board in detail in each case.

Key topics of the board meetings

At six ordinary meetings held on 26 February, 22 April, 10 June, 9 July, 24 September and 10 December 2009, and three extraordinary meetings on 13 May, 22 October and 30 November 2009, as well as the two circular resolutions, the Supervisory Board dealt in depth with oral and written reports and 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. Discussions and the resolutions focused on the following issues:

- Regular in-depth reports of the Board of Management on the development of business and the profitability of the company and the group, including in particular the development of revenue and earnings as well as the financial position
- Discussions with the Board of Management on EnBW's strategic alignment
- Approval of the agreement with EWE Aktiengesellschaft on the acquisition of a share package of 47.9% of the share capital in VNG-Verbundnetz Gas AG with registered offices in Leipzig (VNG) subject to conditions precedent and the specification right in favour of EnBW to sell GESO Beteiligungs- und Beratungs-AG with registered offices in Dresden or VNG in order to compensate for the acquisition of 26% of the shares in EWE Aktiengesellschaft to satisfy the conditions imposed by the Federal Anti-Trust Office
- Approval of the sale of GESO Beteiligungs- und Beratungs-AG to compensate from an anti-trust law perspective for acquisition of the 26% shareholding in EWE Aktiengesellschaft
- Approval of the acquisition of a further 50% of the shares in Unit S of Lippendorf coal power station (approximately 440 MW) and 8.3% of the shares in Bexbach coal power station (approximately 79 MW) from E.ON AG and approval of the acquisition of a further 16.7% of the shares in Bexbach coal power station (159 MW) from STAWAG Energie GmbH
- Approval of the acquisition of 50.4% of the shares in Rostock power station (256 MW) and of electricity procurement rights from the Buschhaus power station for a volume of 159 MW as well as approval of the exchange of energy in a volume of 800 MW based on EnBW's procurement rights from the French nuclear power plants Cattenom I and II, Fessenheim I and II and a constant supply in return for E.ON's procurement rights from the German nuclear power plants Krümmel, Unterweser and Gundremmingen and a one-off payment to EnBW by E.ON
- Approval of the formation of a strategic alliance between EnBW and the Turkish industrial holding company Borusan Holding A. Ş. by way of acquisition of 50% of the shares in Borusan Enerji Yatırımları ve Üretim A. Ş. and approval of investments by the joint venture in the projects under construction in Yedigöl/Aksu (hydro-electric power) and Bandirma (wind power) with a total output of 110 MW
- Approval of an increase, subject to conditions precedent, in the investment held in Pražská energetika, a. s., Czech Republic, to 69.9% overall by means of a share swap of the indirectly held 24.3% share in Pražská teplárenská a. s., Czech Republic, plus a cash component
- Approval of the acquisition of the three onshore wind farms in Buchholz (36 MW), Schwienau II (10 MW) and Alt Zeschdorf (6 MW) from Plambeck Neue Energien AG (now: PNE Wind AG) by EnBW Renewables GmbH (now: EnBW Erneuerbare Energien GmbH)
- Regular reports and debates on the impact of the economic and financial crisis on EnBW

- Consideration of potential claims relating to commitments made to former CEO Prof. Dr. Claassen, accompanying the litigation pending before Karlsruhe regional court with him for payment of termination benefits and approval of the settlement proposed by the court covering all claims brought in the action
- Regular reports on the progress made in the construction of the new RDK 8 hard coal power station in Karlsruhe and other projects initiated as part of the energy generation strategy
- Consideration of new laws and amendments of laws, in particular relating to the German Accounting Law Modernisation Act (BilMoG), German Act Implementing the Shareholders' Rights Directive (ARUG) and the German Act on the Appropriateness of Management Board Remuneration (VorstAG)
- Status of major legal disputes which include legal action following EnBW's annual general meetings on 26 April 2007, 25 April 2008 and 23 April 2009 filed for the provision of information, contesting resolutions passed by the annual general meeting and petitions for declaratory judgment of the invalidity of the 2006, 2007 and 2008 annual financial statements
- Approval of the budget for the 2010 fiscal year and acknowledgement of the PR1012 mid-term planning comprising the income statement, the balance sheet and the cash flow statement

Between the meetings, the Supervisory Board was informed in writing by the Board of Management about all business events of particular importance for the company. 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, risk management and major individual measures.

The Supervisory Board meetings were all well attended. The only Supervisory Board member unable to attend more than half of the Supervisory Board meetings in fiscal 2009 was Laurent Stricker.

Since 2002 Dr. Claus Dieter Hoffmann, chairman of the Supervisory Board of EnBW, has been a senior advisor in a network of experts that advise the investment company EQT Partners and its portfolio companies; the network currently has over 70 senior advisors. A fund managed by EQT Partners took part as interested party and member of a bidding consortium in an invitation for tender for the acquisition of GESO Beteiligungs- und Beratungs-AG (GESO). Dr. Hoffmann informed the Supervisory Board of his services for EQT at an early stage and of the fact that he is not involved in EQT's bidding activities relating to GESO.

Work of the committees

The committees established by the Supervisory Board met regularly in the fiscal year 2009, assisting it in the efficient performance of its duties. The members of the committee are listed in the annual report on page 243. Reports on the work of the committees were made at the start of each Supervisory Board meeting.

The personnel committee met seven times in the past fiscal year. At its meetings the committee dealt in particular with the performance-related component of board remuneration (short-term incentive) and the long-term incentive, potential claims relating to the commitments made to the former CEO Prof. Dr. Claassen and the litigation pending before Karlsruhe regional court with him, and the need for action arising from the new regulatory framework, above all from the German Act on the Appropriateness of Management Board Remuneration (VorstAG).

"2009 was a difficult year for EnBW but it was also a successful one, nevertheless. Major projects to futureproof the group for the long term have been proposed and the necessary decisions taken."

Dr. Claus Dieter Hoffmann,
chairman of the Supervisory Board

The finance and investment committee met for six ordinary meetings and one extraordinary meeting in the past fiscal year. It took an in-depth look at the financial, liquidity and earnings situation of EnBW as well as at the budget and the PR1012 mid-term planning. It also reviewed current investment plans and prepared decisions on these matters for the Supervisory Board. In addition, the finance and investment committee approved the projects transferred to it for decision-making on behalf of the entire Supervisory Board in accordance with the rules of procedure of the Supervisory Board. These projects included the sale of the 49% share held by EnBW Beteiligungen AG in Gegenbauer Holding SA & Co. KG and the acquisition of a wind farm portfolio comprising a total of seven onshore wind farms and a total rated output of 53.2 MW by EnBW Erneuerbare Energien GmbH acquiring the shares in seven project companies from PNE Wind AG.

In the reporting period, the audit committee discussed issues of financial reporting, risk management and compliance at three ordinary meetings and one extraordinary meeting and dealt with monitoring the accounting process, the statutory audit, additional services rendered by the independent auditor, the effectiveness of the internal control system, the internal risk management system and the internal audit system. After obtaining the independence declaration required by No. 7.2.1 of the German Corporate Governance Code from the auditor, it engaged the auditor to audit the financial statements, negotiated the fee volume and determined the focal points of the audit. In the presence of the auditor, the audit committee discussed the six-monthly financial report in detail with the Board of Management. In addition, it considered the nine-monthly financial report as of 30 September 2009 and discussed it with the Board of Management. In preparation for the Supervisory Board's closing meeting, it also made an in-depth analysis of the annual and consolidated financial statements. The audit committee recommended that the Supervisory Board propose to the annual general meeting that KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, be elected for the fiscal year 2010 as auditor of 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 as of 30 June 2010. The Supervisory Board agreed to this proposal.

At four meetings and in two circular resolutions the nomination committee passed various resolutions in the fiscal year 2009 on the exercising of ownership rights within in the EnBW group as part of the duties assigned to it by the shareholder representatives on the Supervisory Board pursuant to Sec. 32 German Co-determination Act (MitbestG).

There were no events requiring the mediation committee formed in accordance with Sec. 27 (3) German Co-determination Act (MitbestG) to convene in the past fiscal year.

Corporate governance

The Supervisory Board once again scrutinised corporate governance issues in fiscal 2009 and took a look at new developments in corporate governance standards. The corporate governance report details these on pages 231–241 of the annual report.

The annual efficiency inspection of the Supervisory Board was held at its meeting on 9 July 2009. This inspection identified ways of further improving the board and committee work which were then implemented.

The Supervisory Board discussed the amendments to the German Corporate Governance Code as of 18 June 2009 at length at its December meeting. Following the new recommendation in No. 3.8 (3) of the code it was decided, among other things, with respect to the company's existing D&O insurance that a deductible of 10% of the claims, but no more than one and a half times the fixed annual compensation, should also be arranged for the members of the Supervisory Board as of 1 July 2010.

At its meeting on 10 December 2009, 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 German Stock Corporations Act (AktG). The Board of Management had previously issued an identical declaration at its meeting on 24 November 2009. In fiscal 2009, EnBW complied with all the recommendations of the amended code in full and intends to continue to do so in future.

The current declaration of compliance was made permanently accessible to the shareholders on EnBW's website, along with the declarations from prior years. The current declaration is reprinted in full on page 241 of the corporate governance report.

Audit of the separate and consolidated financial statements

The annual general meeting held on 23 April 2009 re-elected Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart (since its reorganisation with change of legal form: Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft), 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 engaged Ernst & Young GmbH for the audits and determined the focal points for the audit of the separate financial statements and the consolidated financial statements.

As requested, Ernst & Young GmbH reviewed the condensed financial statements and interim management report contained in the six-monthly financial report as of 30 June 2009, and issued an unqualified review report thereon in accordance with the provisions of the German Securities Trading Act (WpHG). The auditor reported on the audit work and the results of the audit to the members of the audit committee at their meeting on 29 July 2009 and was available to answer questions. No objections to the report were raised by the committee members.

Based on the audit focus defined by the audit committee and including the accounting records, Ernst & Young GmbH audited the financial statements of EnBW Energie Baden-Württemberg AG as of 31 December 2009 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 (IFRSs) as well as the combined management report for fiscal 2009. 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) German Stock Corporations Act (AktG) and 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 sent to the members of the audit committee well in advance of the committee meeting on 5 February 2010. At that meeting, the auditor reported on the main results of its audit and was available to answer questions from committee members. The auditor reported to the committee members that no material weaknesses had been identified in the financial reporting internal control and risk management system and informed the committee members of the services it had rendered in addition to the audit and that there were no circumstances which could raise independence issues. The audit committee examined in detail the audit documents and drafts of the audit reports and did not have any objections. It recommended the Supervisory Board to approve the financial statements and the combined management report and the proposal from the Board of Management for the appropriation of profit.

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 9 March 2010. At the meeting, the auditor reported on the main results of its audit and that no material weaknesses had been identified in the financial reporting internal control and risk management system and was available to answer questions from board members. The auditor also informed the Supervisory Board of the services it had rendered in addition to the audit and that there were no circumstances which could raise independence issues. 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.

The Supervisory Board then in turn reviewed in depth the annual and consolidated financial statements as of 31 December 2009, the combined management report for fiscal 2009 and the Board of Management's proposal for the appropriation of net profit for fiscal 2009. The Supervisory Board did not have any reservations following its own review. 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 2009 – which have thus been ratified – and the consolidated financial statements as of 31 December 2009 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 German Stock Corporations Act (AktG) on the relations of the company to affiliated companies (dependent company report) was reviewed by Ernst & Young GmbH, which issued the following audit opinion on 5 February 2010:

"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 documents and drafts of the audit report well before their meeting on 5 February 2010. At that meeting, the audit committee discussed the draft dependent company report in detail. The independent auditor provided information on the main results of the audit and was available to answer questions from committee members. Having conducted its own careful review, the audit committee did not raise any objections to the dependent company report. The dependent company report was then 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 9 March 2010, and reported on any significant audit findings. In addition, the chair of the audit committee gave a report on the review of the dependent company report by the audit committee.

Based on the auditor's and the audit committee's findings, the Supervisory Board reviewed in depth the dependent company report for completeness and accuracy, approved the result of the audit and came to the conclusion that no objections have to be made to the declaration of the Board of Management made at the end of the dependent company report.

Personnel changes on the Board of Management and the Supervisory Board

Board of Management

There were personnel changes on the Board of Management in the course of the past fiscal year.

Dr. Rudolf Schulten was appointed to the Board of Management by the Supervisory Board at the recommendation of the personnel committee for a term of five years commencing 1 January 2009. Dr. Schulten had previously been CEO of MVV Energie AG and assumed the position of Chief Financial Officer (CFO) on EnBW's Board of Management. Since the previous CFO, Dr. Christian Holzherr, left the company as of 30 April 2008, the finance portfolio had been managed by CEO Hans-Peter Villis. As it is anticipated that the health-related absence of CFO, Dr. Rudolf Schulten, will continue for some time, the functions and group companies assigned to the finance portfolio have been under the temporary management of the remaining four members of the Board of Management since 22 December 2009.

Pierre Lederer, member of the Board of Management since 1 June 2000 and deputy chairman since 1 October 2007, resigned effective as of 31 January 2009 to take up a new position as Senior Executive Vice President, Customers, at Electricité de France. At the recommendation of the personnel committee, the Supervisory Board appointed Christian Buchel to the Board of Management for a term of three years commencing 1 February 2009. Mr. Buchel had previously been director general of Electricité de Strasbourg and assumed the position of Chief Operating Officer (COO) on EnBW's Board of Management.

The Supervisory Board thanked Pierre Lederer, acknowledging his many years of successful service to the company, with which he made a considerable contribution to EnBW's development, including in particular its improved position along the value added chain and also to its success with optimisation drives.

Supervisory Board

There were no personnel changes on the Supervisory Board in the fiscal year 2009.

The Supervisory Board would like to thank the members of the Board of Management and all employees for their great personal commitment and the successful work in the fiscal year 2009.

Karlsruhe, 9 March 2010

The Supervisory Board

Dr. Claus Dieter Hoffmann
Chairman

Declaration of compliance and corporate governance report

Observing the principles of the social market economy, EnBW's Board of Management and Supervisory Board make sure that the company is able to continue as a going concern and generate sustainable value added. We are convinced that responsible and transparent management builds the trust placed in the company by investors, customers, employees and the general public and leads to sustainable added value. Good corporate governance is an important component of the corporate culture at EnBW. EnBW is therefore in compliance with all recommendations of the German Corporate Governance Code as amended on 18 June 2009.

As in past years, the corporate governance officer on the Board of Management, Dr. Bernhard Beck, monitored compliance at EnBW with the German Corporate Governance Code and reported extensively on current 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 that is reprinted in full at the end of this report.

Board of Management and Supervisory Board

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 that is made up of five persons manages the company jointly at its own responsibility. More information on the members of the Board of Management and the allocation of responsibilities on the board can be found on pages 8 and 9 of the annual report and in the "Management and control" section of the management report on pages 40 and 41 of the annual report.

The Board of Management is responsible for the strategic management of the EnBW group and its investments. Key aspects of the work on the Board of Management are set forth in the board's rules of procedure. They govern the regular weekly board meetings chaired by the CEO and stipulate that all issues of relevance for the management of the group and cross-functional matters be addressed at those meetings. In addition, the rules of procedure regulate that resolutions are taken according to the majority principle on the Board of Management, with the CEO casting the decisive vote in accordance with Art. 7 (2) of the articles of incorporation and bylaws in the event of a tie.

There is an age limit of 63 years for members of the Board of Management at EnBW. There was again no conflict of interests regarding members of the Board of Management in the fiscal year 2009. The members of EnBW's Board of Management did not sit on any supervisory boards of listed companies outside the group. EnBW thereby complies with the respective previous recommendation and also the revised recommendation of the code.

The Supervisory Board has 20 members, and is made up of an equal number of shareholder and employee representatives. More information on the members of the Supervisory Board can be found on page 242 of the annual report and in the "Management and control" section of the management report on page 41 of the annual report.

In line with the dual management and control structure prescribed by the German Stock Corporations Act (AktG), the basic duty of the Supervisory Board is to advise and monitor the Board of Management in its management of the company on an ongoing basis. All members of the Supervisory Board generally have the same rights and duties. They are not bound by orders or instructions. Key aspects of the work on the Supervisory Board are also set forth in rules of procedure. They provide for the Supervisory Board to be convened as necessary for meetings that are led by the chairman of the Supervisory Board. The meetings are generally attended by the members of the Board of Management. The Board of Management keeps the Supervisory Board informed regularly, without delay and comprehensively, in accordance with the Supervisory Board's rules of procedure, especially of any matters pursuant to Sec. 90 German Stock Corporations Act, all key financial indicators and risks of the company and the group as well as their development, of risk management, the internal control system, compliance and any other significant events. The reports are usually issued in writing, but the Board of Management does also provide oral reports at the Supervisory Board meetings. The Supervisory Board's rules of procedure specify certain transactions and measures that the Board of Management may only take subject to the approval of the Supervisory Board. With reference to the group the list ranges from the determination of the annual corporate planning as well as various transactions in the course of ordinary operations such as capital expenditures, financial transactions and important operational agreements to extraordinary activities such as investment transactions, which are subject to the approval of the Supervisory Board if they exceed certain thresholds. In addition, the Supervisory Board's rules of procedure regulate that resolutions are taken according to the majority principle, with the chairman of the Supervisory Board casting the decisive vote in accordance with Art. 12 (4) of the articles of incorporation and bylaws in the event of a tie. At the request of the chairman of the Supervisory Board, resolutions may also be taken between meetings unless the majority of the Supervisory Board members object. The Supervisory Board provides detailed information about the focus of its work and deliberations in fiscal 2009 in its report on pages 225–230 of the annual report.

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. There is a personnel committee, a finance and investment committee, a nomination committee, an audit committee and the mediation committee required pursuant to Sec. 27 (3) German Co-determination Act (MitbestG). A list of the Supervisory Board committees and their members can be found on page 243 of the annual report. The chairman of a committee or a designated member reports to meetings of the full Supervisory Board on the resolutions, recommendations and conclusions reached by that committee. The Supervisory Board committees do not have any rules of procedure; the rules contained in the Supervisory Board's rules of procedure apply to them by analogy.

The audit committee is chaired by Dr. Daniel Camus who, as the CFO of Electricité de France (EDF) and acknowledged finance expert, possesses specific knowledge and experience with the application of accounting principles and internal control systems. Dr. Camus is independent and not a former member of EnBW's Board of Management. EnBW thus already complies with the suggestion of the German Corporate Governance Code that will be relevant for the next election of the audit committee chair, i.e. that the latter should be independent and should not be a former member of the Board of Management whose appointment ended less than two years ago.

In light of the amendments to Secs. 100 (5) and 107 (4) German Stock Corporations Act made by the German Accounting Law Modernisation Act (BilMoG) and the amendments of the German Corporate Governance Code, the Supervisory Board again dealt with the independence criteria set forth therein. It reached the conclusion that these are satisfied as in the past. In addition, there were no consulting or other service agreements between members of the Supervisory Board and the company in the reporting year.

When proposing candidates for Supervisory Board members to the annual general meeting, the Supervisory Board makes sure that the candidates are no older than 70 at the time of their election. None of the members of EnBW's Supervisory Board were previously on the Board of Management.

Our actions are governed by compliance with the provisions of the law and regulations as well as voluntary principles and group policy (compliance), which makes an important contribution to the success of the company. Over the past year, the Board of Management debated compliance issues on an ongoing basis and discussed them in depth with the Supervisory Board and the audit committee. Further details are provided in the section below. It also gives an overview of relevant key corporate governance practices that go beyond the legal requirements and the recommendations and suggestions of the German Corporate Governance Code.

More information on the procedures of the Board of Management and of the Supervisory Board, including its committees, can be found in the "Management and control" section in the management report on pages 40 and 41 of the annual report, the report of the Supervisory Board on pages 225–230 of the annual report and also in Art. 7 to 13 and 19 of the company's articles of incorporation and bylaws that can be accessed on EnBW's website (www.enbw.com) under "Corporate governance" in the "Investors" section.

Prior to the annual general meeting, EnBW publishes the agenda and all reports and documents of relevance for an assessment, including the current annual report, in readily accessible form on its internet pages at www.enbw.com. Countermotions to the annual general meeting's agenda received before the deadline are also made available on the website together with a statement by management. Our shareholders also 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. In the past few years, the annual general meeting has been broadcast live via the internet until the end of the CEO's speech.

Compliance

Compliance with legal requirements and corporate policies has gained in importance in recent years. This development is driven by an ever-more complex legal and regulatory framework and increasing public interest in the way companies act. As part of its strategy to prevent risks, EnBW has realigned and intensified its activities with regard to compliance. The Board of Management launched some central measures in this respect in early 2009. All group activities – whether anti-corruption measures, measures to avoid infringements of anti-trust law or breaches of confidentiality – are now centralised within the new corporate compliance function. In addition, there are interfaces with the risk and crisis management function. Other topics on the agenda of the corporate compliance function include the protection of employees, customers, the general public as well as environment and nature. In view of the company's international expansion, relations with international business associates are also considered from a compliance perspective. EnBW's compliance management system is responsible for the following tasks:

- Protective function: Avoiding any action that could have a detrimental economic effect, liability risks or damage to the company's reputation
- Orientation and advisory function: Providing certainty for the Board of Management, executives and employees in a regulatory environment that is becoming ever-more complex
- Minimising risks: Identifying compliance issues and tracking defined countermeasures
- Enhancing efficiency: Coordinating existing compliance activities

In detail, EnBW's compliance organisation is structured as follows:

- Overall responsibility for compliance rests with the Board of Management of EnBW. It is the highest instance for all questions and decisions.
- The corporate compliance function is in charge of installing and refining the methodology underlying the compliance management system. The head of this function reports directly to the member of the holding company's Board of Management responsible for personnel, law and IT. In addition, it keeps the Supervisory Board and the audit committee informed about compliance topics in regular reports.
- The heads of the group's 15 key compliance functions, such as law, internal audit, environmental protection, industrial health and safety and data protection, form the compliance committee – an internal committee with an advisory capacity. The tasks of the compliance committee include investigating and assessing any compliance issues and developing recommendations for action. The committee also discusses new topics as well as the implementation of uniform tools and standardised processes, and the effectiveness of the compliance management systems.
- As the local contact persons at the group entities, twelve compliance officers contribute their specialist knowledge in the compliance process.

In the fiscal year 2009, a code of conduct was approved for the EnBW group, which presents a basis and guideline for all employees in their everyday work. The code of conduct can be accessed on EnBW's website (www.enbw.com) under "Corporate governance" in the "Investors" section. It sets rules for working together within the company and for dealings with customers, competitors, officials as well as public institutions. Upon introduction in July, the code was distributed to all employees in the EnBW group. The introduction of the code of conduct was accompanied by a group-wide communications and training campaign. Training measures initially focussed on the various management levels. By the end of 2009, a total of 500 executives had had personal training on the code of conduct and general compliance topics. Additional compliance training courses were held on various special topics in the past fiscal year such as industrial health and safety and data protection. Beyond the information contained in the code of conduct, employees can obtain further information on issues that are of relevance for compliance via the hotline, by e-mail and on the intranet. Among other things, the compliance management system continuously analyses risks of relevance for compliance matters and derives suitable measures, for instance controls as part of the internal control system (ICS).

It is planned to continue to offer training on the code of conduct in 2010 at seminars for particularly sensitive areas and an e-learning programme on the intranet for all employees. A focus will be placed on certain content topics in order to refine the compliance management system. With its activities in the field of compliance, EnBW is endeavouring to maintain the trust that its partners have placed in it and to secure the company's success in the long term.

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 into consideration the recommendations of the German Corporate Governance Code and the requirements of the German Accounting Standard (GAS) 17. It further 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 German Commercial Code (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

Based on a proposal of the personnel committee, the Supervisory Board passes a resolution on the remuneration of the Board of Management including the main contract elements and reviews it on a regular basis. The criteria for determining appropriate remuneration include the responsibilities and performance of the members of the Board of Management, the economic situation, the company's performance and its sustainable development.

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

- **Fixed remuneration**
  This comprises a fixed basic annual salary, of which only a part counts towards pension claims, as well as other remuneration and the minimum bonus (30% of the basic annual salary) agreed as part of the short-term incentive (STI).
- **Variable remuneration**
  The variable component of the STI is disclosed as variable remuneration. The STI depends on the extent to which annual targets are met. These include financial targets at group level measured using the performance indicators EBITDA and ROCE in addition to individual targets. The personnel committee performed a weighting of these targets at the beginning of the fiscal year. The STI may not 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, which, in turn, 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.

The remuneration of the members of the Board of Management in fiscal year 2009 (prior-year figures in brackets):

Remuneration of the members of the Board of Management in 2009

in €	Fixed remuneration		STI[2]				
	Basic remuneration	Other remuneration[3]	Minimum bonus	Variable remuneration	Fixed and variable remuneration	Long-term incentive (LTI)[1,2]	Total
Hans-Peter Villis, chairman	812,500 (762,500)	21,483 (206,807)	243,750 (228,750)	1,134,438 (1,181,875)	2,212,171 (2,379,932)	935,333 (778,750)	3,147,504 (3,158,682)
Pierre Lederer, deputy chairman (until 31 January 2009)	45,833 (550,000)	1,185 (2,126)	13,750 (165,000)	45,100 (852,500)	105,868 (1,569,626)	74,517 (461,509)	180,385 (2,031,135)
Dr. Bernhard Beck, LL.M.	500,000 (500,000)	3,230 (1,128)	150,000 (150,000)	668,000 (775,000)	1,321,230 (1,426,128)	472,317 (447,343)	1,793,547 (1,873,471)
Christian Buchel (since 1 February 2009)	366,667 (0)	14,449 (0)	110,000 (0)	496,467 (0)	987,583 (0)	311,667 (0)	1,299,250 (0)
Dr. Rudolf Schulten (since 1 January 2009)	450,000 (0)	100,679 (0)	135,000 (0)	609,300 (0)	1,294,979 (0)	382,500 (0)	1,677,479 (0)
Dr. Hans-Josef Zimmer	450,000 (412,500)	14,825 (26,188)	135,000 (123,750)	601,875 (639,375)	1,201,700 (1,201,813)	433,311 (357,000)	1,635,011 (1,558,813)
Dr. Christian Holzherr (until 30 April 2008)	- (148,333)	- (30,805)	- (44,500)	- (252,167)	- (475,805)	- (88,926)	- (564,731)
Dr. h.c. Detlef Schmidt (until 30 June 2008)	- (222,500)	- (45,056)	- (66,750)	-16,020 (344,875)	-16,020 (679,181)	33,575 (256,801)	17,555 (935,982)
Total	**2,625,000** **(2,595,833)**	**155,851** **(312,110)**	**787,500** **(778,750)**	**3,539,160** **(4,045,792)**	**7,107,511** **(7,732,485)**	**2,643,220** **(2,390,329)**	**9,750,731** **(10,122,814)**

1 Since the data for the fiscal year 2009 were not yet available, it was assumed that the competition component would not lead to any changes in the LTI.

2 Differences between the amounts included in prior years and the actually agreed amounts are included in the total remuneration for 2009. If the actually agreed amounts are lower than the provisions set up in the prior year, this can produce negative amounts.

3 Other remuneration includes fringe benefits, specifically from company cars of € 59,773 (prior year: € 62,529) and from expense allowances of € 11,078 (prior year: € 52,713). For Mr. Villis, the prior-year figure includes a one-time, non-pensionable additional payment for the assumption of the finance portfolio of € 150 thousand, which had been disclosed as basic remuneration in the fiscal year 2008. For Dr. Schulten, other remuneration includes a non-pensionable payment of € 85 thousand p.a.

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

During their first term of office, these members of the Board of Management are generally not entitled to retirement benefits or termination benefits. There is a special arrangement with Mr. Villis for payment of a fixed amount of € 130 thousand p.a. already in his first term of office in the following three cases: upon reaching the age of 63 in the event that he becomes permanently disabled, or 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. For Dr. Zimmer, the amount of his benefit entitlement is derived from his previous employment in the group to date and is vested.

From the second term of office onwards, the pension entitlements from the age of 63 or in the event of permanent disability are as follows: The benefit obligations rise in proportion to the term of office on the Board of Management and are capped at 60% of the pensionable basic annual salary. They are vested from the second term of office. The rates of increase are generally set such that the maximum post-employment benefit is reached at the same time as the contractually agreed age limit. Other company pension entitlements 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.

No retirement pension or survivor's pension was arranged with Dr. Schulten.

A cancellation agreement was concluded with Mr. Lederer with effect as of 31 January 2009. As a result, he will receive remuneration in line with the entitlements under his service agreement until his retirement from the Board. Effective as of 1 February 2009, Mr. Lederer was entitled to termination benefits of € 192 thousand p.a. in accordance with the regulations contained in his service agreement. Other remuneration is credited until he reaches the retirement age of 63. Mr. Lederer is entitled to pension benefits of € 192 thousand p.a. thereafter.

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. In the event that Mr. Lederer were to die, his surviving dependants are entitled to continued payment of the 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.

In the event that the contract with Dr. Beck were terminated prematurely by EnBW AG, a two-year ban on competition was arranged with Dr. Beck. In return, Dr. Beck is entitled to a waiting allowance during that period, amounting to 60% of his total remuneration. The total remuneration is the last basic annual remuneration plus the average variable remuneration of the last three years.

There are no termination benefit obligations in the event of premature termination of service on the Board of Management. However, termination benefits may be payable on the basis of a cancellation agreement made with the individual. In concluding Board of Management contracts, care is taken to ensure that payments made to a member of the Board of Management on premature termination of his contract without good cause do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. The Board of Management contracts do not include change-of-control clauses. In the event that service on the Board of Management is terminated prematurely on account of a change of control, it is agreed when signing or extending the Board of Management contract that compensation or severance payments cannot exceed more than 1.5 times the above amount.

The disclosures for the fiscal year 2009 concerning post-employment benefits (prior-year figures in brackets) are as follows:

in €	Percentage of pensionable basic remuneration acquired (%)	Addition to pension provision (€)
Hans-Peter Villis,[3]	0.0	138,822
chairman	(0.0)	(138,822)
Pierre Lederer,	0.1	55,115[1]
deputy chairman (until 31 January 2009)	(1.0)	(401,774)
Dr. Bernhard Beck, LL.M.	2.5	282,135[2]
	(1.0)	(280,712)
Christian Buchel[3]	0.0	0
(since 1 February 2009)	-	-
Dr. Rudolf Schulten	-	-
(since 1 January 2009)	-	-
Dr. Hans-Josef Zimmer[3]	1.5	107,960[4]
	(1.5)	(92,602)
Dr. Christian Holzherr	-	-
(until 30 April 2008)	(0.0)	(50,929)
Dr. h.c. Detlef Schmidt	-	-
(until 30 June 2008)	(0.0)	(89,203)
Total		**584,032**
		(1,054,042)

1 Including an addition to capital for pension benefits of € 23,989 (prior year: € 18,139). This is deferred compensation.
2 Including an addition to capital for pension benefits of € 29,336 (prior year: € 18,499). This is deferred compensation.
3 From the second term of office, the percentage of pensionable basic salary acquired each year is 2.5%, retroactively to the beginning of the service agreement.
4 Including an addition to capital for pension benefits of € 15,358 (prior year: € 0). This is deferred compensation.

The addition to the pension provision includes the service cost as well as interest cost. There are pension obligations in accordance with IFRS of € 3.6 million (prior year: € 5.3 million) for the current members of the Board of Management (defined benefit obligation).

The remuneration of former members of the Board of Management and their surviving dependants amounted to € 7.0 million (prior year: € 5.1 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 € 49.1 million (prior year: € 47.6 million).

No new advances (prior year: € 1.2 million) or loans were granted to members of the Board of Management in the fiscal year 2009. Advances of € 0.3 million still exist from 2008.

Remuneration of the Supervisory Board

The members of the Supervisory Board receive fixed remuneration of € 15,000 payable at the end of a fiscal year in addition to reimbursement of their expenses for the entire fiscal year 2009 and for subsequent fiscal years. They also receive variable remuneration each fiscal year based on the respective EBITDA generated by the EnBW group each fiscal year. For each full € 10 million that the EBITDA achieved in the respective fiscal year exceeds the assessment base of € 1,500 million, each member of the Supervisory Board receives remuneration of € 250. The amount of the variable remuneration is capped, however, at € 20,000 per annum. The payment of the variable remuneration is made following the annual general meeting at which the resolution is passed on exoneration of the members of the Board of Management for the past fiscal year. The chairman of the Supervisory Board receives twice the above amounts and the deputy chairman of the Supervisory Board receives one-and-a-half times the above amounts.

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

Supervisory Board members who belong to the Supervisory Board or a committee or acted as chairman for only part of the fiscal year are paid remuneration proportionately to the duration of their office or their position in that fiscal year.

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

According to this remuneration system, the members of the Supervisory Board will receive the following total remuneration for fiscal 2009 (including attendance fees and remuneration for offices held in subsidiaries):

Remuneration of the members of the Supervisory Board of EnBW AG in 2009

in € (prior-year figures in brackets)	Fixed remuneration (incl. attendance fees)	Variable remuneration[1]	Board remuneration of subsidiaries	Total
Dr. Claus Dieter Hoffmann, chairman	53,000	40,000	0	93,000
	(50,500)	(40,000)	(0)	(90,500)
Dietrich Herd, deputy chairman	41,250	30,000	20,350	91,600
	(42,150)	(30,000)	(12,500)	(84,650)
Prof. Joachim Bitterlich (until 25 April 2008)	0	0	0	0
	(7,239)	(8,240)	(0)	(15,479)
Marc Boudier[2]	34,500	20,000	0	54,500
	(31,200)	(20,000)	(0)	(51,200)
Dr. Daniel Camus[2]	30,000	20,000	0	50,000
	(29,200)	(20,000)	(0)	(49,200)
Dirk Gaerte[3]	19,000	20,000	0	39,000
	(23,529)	(20,000)	(0)	(43,529)
Josef Götz	33,750	20,000	10,376	64,126
	(30,900)	(20,000)	(9,203)	(60,103)
Reiner Koch[4]	21,000	20,000	8,750	49,750
	(21,350)	(20,000)	(2,147)	(43,497)
Marianne Kugler-Wendt[4]	27,750	20,000	13,850	61,600
	(27,050)	(20,000)	(9,000)	(56,050)
Wolfgang Lang	28,750	20,000	8,620	57,370
	(27,200)	(20,000)	(7,472)	(54,672)
Gérard Roth[2]	26,500	20,000	0	46,500
	(27,400)	(20,000)	(0)	(47,400)
Klaus Schörnich[4]	18,500	20,000	9,925	48,425
	(20,900)	(20,000)	(3,528)	(44,428)
Heinz Seiffert[3]	27,500	20,000	0	47,500
	(26,200)	(20,000)	(0)	(46,200)
Gerhard Stratthaus	18,500	20,000	0	38,500
	(18,600)	(20,000)	(0)	(38,600)
Laurent Stricker[2] (since 25 April 2008)	17,000	20,000	0	37,000
	(12,287)	(17,831)	(933)	(31,051)
Werner Vorderwülbecke[4]	30,250	20,000	21,820	72,070
	(28,500)	(20,000)	(18,990)	(67,490)
Christoph Walther	28,750	20,000	10,365	59,115
	(27,700)	(20,000)	(8,880)	(56,580)
Dietmar Weber	27,250	20,000	9,650	56,900
	(27,650)	(20,000)	(9,050)	(56,700)
Kurt Widmaier[3]	30,500	20,000	0	50,500
	(29,100)	(20,000)	(0)	(49,100)
Dr.-Ing. Gérard Wolf[2]	19,000	20,000	0	39,000
	(18,100)	(20,000)	(0)	(38,100)
Dr. Bernd-Michael Zinow	30,250	20,000	4,190	54,440
	(30,800)	(20,000)	(0)	(50,800)
Total	**563,000**	**430,000**	**117,896**	**1,110,896**
	(557,555)	**(436,071)**	**(81,703)**	**(1,075,329)**

[1] The variable remuneration for the fiscal year 2009 is not paid out until the annual general meeting has passed a resolution on exoneration of the members of the Supervisory Board in fiscal 2010.
[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 ver.di trade union and the German Federation of Trade Unions (DGB) on the transfer of supervisory board remuneration, the remuneration is transferred to the Hans-Böckler-Stiftung foundation and ver.di GewerkschaftsPolitische Bildung gGmbH.

The above disclosures include attendance fees of the members of the Supervisory Board amounting to € 160,500 in the fixed remuneration (prior year: € 150,000) and attendance fees totalling € 28,624 in the board remuneration of subsidiaries (prior year: € 17,416).

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.

The members of the Board of Management and the Supervisory Board are covered by adequate D&O insurance taken out in the interest of EnBW. An appropriate deductible has been arranged for this D&O insurance – three basic monthly salaries for members of the Board of Management and half of the annual remuneration for members of the Supervisory Board. From 1 July 2010, the deductible for D&O insurance for members of the Board of Management and Supervisory Board is 10% of the claims, but no more than one-and-a-half times the fixed annual compensation.

Transparency

EnBW ensures that the transparency required by the German Corporate Governance Code is in place at all times by informing its shareholders, the capital market, financial analysts, shareholder associations and interested members of the general public promptly about any major business changes in the company. We mainly use the internet to ensure that all interested parties are informed on an equal and timely basis.

Information on EnBW's business development is mainly provided in the annual report, the quarterly, six-monthly reports and the nine-monthly 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 financial calendar published on our website contains all the dates of important regular publications.

If details of unexpected events become known between the regular reporting dates that relate to the EnBW share and could potentially have a material influence on the quoted market price of the EnBW share, such insider information is announced in ad hoc reports. One ad hoc announcement was made in the past fiscal year in connection with the acquisition of 47.89% of the shares in Verbundnetz Gas AG (VNG).

EnBW did not receive any notices on directors' dealings in fiscal 2009 from persons in managerial positions or persons closely related to them on transactions with EnBW shares or related financial instruments. There were similarly no reportable 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 (IFRSs). After the annual general meeting elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as independent auditor for the separate financial statements and the consolidated financial statements for the fiscal year 2009, and as independent auditor for the review of the condensed financial statements and interim management report contained in the six-monthly financial report, the audit committee, or as the case may be its chairman, engaged the audit firm accordingly. The committee satisfied itself in the run-up to the annual general meeting that there were no doubts as to the independence of the audit firm being engaged and examined the additional services rendered by it.

The audit committee discusses the quarterly, six-monthly and nine-monthly financial reports with the Board of Management prior to their publication as recommended by a new provision of the German Corporate Governance Code.

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 German Stock Corporations Act (AktG):

Since its last declaration of compliance on 11 December 2008, 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 18 June 2009 and published in the Electronic German Federal Gazette ("elektronischer Bundesanzeiger") and will continue to comply with them without exception.

Comments on the suggestions of the Corporate Governance Code

Pursuant to No. 3.10 Sentence 3 of the German Corporate Governance Code, the Board of Management and Supervisory Board state the two exceptions with which EnBW complied with the suggestions of the code in the past year and with which it will in future comply with them:

No. 2.3.4 of the code: Broadcast of the annual general meeting via modern communication media
In accordance with widespread practice, EnBW broadcasts 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 EnBW's shareholders are usually present, the additional expense involved in broadcasting the entire annual general meeting would not be justified.

No. 5.4.6 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, 10 December 2009
EnBW Energie Baden-Württemberg AG

The Board of Management | The Supervisory Board

Supervisory Board

Members

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

Marc Boudier, Sèvres
Director for Europe
at Electricité de France SA

Dr. Daniel Camus, Croissy-sur-Seine
Chief Financial Officer
at Electricité de France SA

Dirk Gaerte, Sigmaringendorf
District administrator of the
Sigmaringen district

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
Director for Germany
at Electricité de France SA

Klaus Schörnich, Düsseldorf
Chairman of the works council
of Stadtwerke Düsseldorf AG

Heinz Seiffert, Ehingen
District administrator
of the Alb-Donau district

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

Laurent Stricker, Paris
Advisor to the president
at Electricité de France SA

Werner Vorderwülbecke, Stuttgart
Regional department head at ver.di,
Baden-Württemberg

Christoph Walther, Langebrück
Deputy chairman of the works council
of ENSO Energie Sachsen Ost 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
Senior executive vice-president
subsidiaries and international
development
at Electricité de France SA

Dr. Bernd-Michael Zinow, Pfinztal
Senior vice president of public affairs at
EnBW Energie Baden-Württemberg AG

Committees

Personnel committee

- 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
- Kurt Widmaier
- Dr. Bernd-Michael Zinow

Audit committee

- Dr. Daniel Camus
  Chairman
- Marc Boudier
- Marianne Kugler-Wendt
- Wolfgang Lang
- Heinz Seiffert
- Christoph Walther
- Dietmar Weber
- Kurt Widmaier

Nomination committee

- Dr. Claus Dieter Hoffmann
  Chairman
- Marc Boudier
- Dr. Daniel Camus
- Gérard Roth
- Heinz Seiffert
- Kurt Widmaier

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

- Dr. Claus Dieter Hoffmann
  Chairman
- Marc Boudier
- Dietrich Herd
- Klaus Schörnich

Offices held by members of the Board of Management

Hans-Peter Villis

- ■ DREWAG – Stadtwerke Dresden GmbH
- ■ EnBW Vertriebs- und Servicegesellschaft mbH (chairman)
- ■ ENSO Energie Sachsen Ost AG (chairman)
- ■ EVN AG
- ■ EWE Aktiengesellschaft (since 21 July 2009)
- ■ GESO Beteiligungs- und Beratungs-AG (chairman)
- ■ Stadtwerke Düsseldorf AG (chairman)
- □ Gasversorgung Süddeutschland GmbH (member and chairman since 15 April 2009)

Dr. Bernhard Beck

- ■ EnBW Beteiligungen AG (chairman)
- ■ EnBW Kraftwerke AG
- ■ EnBW Systeme Infrastruktur Support GmbH (chairman)
- ■ EnBW Technische Dienste und kaufmännische Leistungen GmbH (chairman)
- ■ EnBW Vertriebs- und Servicegesellschaft mbH
- ■ Energiedienst AG
- ■ ENSO Energie Sachsen Ost AG
- ■ GESO Beteiligungs- und Beratungs-AG
- ■ SOMENTEC Software AG (chairman)
- ■ Stadtwerke Düsseldorf AG
- □ BKK VerbundPlus, Körperschaft des öffentlichen Rechts (chairman until 31 December 2009)
- □ EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (chairman)
- □ EnBW Trading GmbH (until 31 December 2009)
- □ Energiedienst Holding AG
- □ Gasversorgung Süddeutschland GmbH (until 31 December 2009)
- □ Teweratio GmbH (chairman)

Christian Buchel

- ■ EnBW Kraftwerke AG (from 24 June 2009 until 31 January 2010)
- ■ EnBW Regional AG (since 1 February 2009, chairman since 31 March 2009)
- ■ EnBW Transportnetze AG (since 1 February 2009, chairman since 2 February 2009)
- ■ EnBW Vertriebs- und Servicegesellschaft mbH (since 1 February 2009)
- ■ Energiedienst AG (since 27 March 2009)
- □ EnBW Energy Solutions GmbH (since 1 February 2009, chairman since 6 February 2009)
- □ EnBW Gas GmbH (since 1 February 2009, chairman since 4 May 2009)
- □ EnBW Trading GmbH (since 1 February 2009, chairman since 4 February 2009)
- □ Energiedienst Holding AG (since 27 March 2009)
- □ Gasversorgung Süddeutschland GmbH (since 17 March 2009)

Dr. Rudolf Schulten

- ■ EnBW Kraftwerke AG (from 24 June 2009 until 31 January 2010)
- ■ EnBW Regional AG (since 24 June 2009)
- ■ EnBW Systeme Infrastruktur Support GmbH (since 1 January 2010)
- ■ EnBW Transportnetze AG (since 20 January 2009)
- ■ EnBW Vertriebs- und Service gesellschaft mbH (since 1 July 2009)
- ■ Stadtwerke Düsseldorf AG (from 1 February 2009 until 31 January 2010)
- □ EnBW Trading GmbH (since 23 January 2009)

Dr. Hans-Josef Zimmer

- ■ EnBW Kernkraft GmbH (chairman)
- ■ EnBW Kraftwerke AG (chairman)
- ■ Energiedienst AG
- ■ EWE Aktiengesellschaft (since 21 July 2009)
- ■ Stadtwerke Düsseldorf AG (until 31 January 2010)
- □ EnBW Trading GmbH (until 31 January 2010)
- □ Energiedienst Holding AG
- □ Gesellschaft für Nuklear-Service mbH

Pierre Lederer

(Member of the Board of Management until 31 January 2009)

- ■ EnBW Kraftwerke AG (until 31 January 2009)
- ■ EnBW Regional AG (chairman, until 31 January 2009)
- ■ EnBW Transportnetze AG (chairman, until 31 January 2009)
- ■ EnBW Vertriebs- und Service-gesellschaft mbH (until 31 January 2009)
- ■ Energiedienst AG (until 31 January 2009)
- ■ Stadtwerke Düsseldorf AG (until 31 January 2009)
- □ EnBW Energy Solutions GmbH (chairman, until 31 January 2009)
- □ EnBW Gas GmbH (chairman, until 31 January 2009)
- □ EnBW Trading GmbH (chairman, until 31 January 2009)
- □ Energiedienst Holding AG (until 31 January 2009)
- □ Gasversorgung Süddeutschland GmbH (chairman, until 31 January 2009)

■ Membership in statutory supervisory boards.
□ Membership in comparable domestic and foreign control bodies of business organisations.

As of 5 February 2010

Other offices held by members of the Supervisory Board

Dr. Claus Dieter Hoffmann
(chairman)
- ☐ C. A. Leuze GmbH + Co. KG
- ☐ De Boer Holding NV
- ☐ ING Group NV

Dietrich Herd
(deputy chairman)
- ■ EnBW Kernkraft GmbH
- ■ EnBW Kraftwerke AG
- ☐ BKK VerbundPlus, Körperschaft des öffentlichen Rechts (until 28 January 2010)

Marc Boudier
- ☐ Aar et Tessin SA d´Electricité (until 27 January 2009)
- ☐ ALPIQ Holding AG
- ☐ EDF Belgium SA (chairman)
- ☐ E.D.F. INTERNATIONAL SA
- ☐ EDF Peninsula Ibérica SLU (chairman)
- ☐ Edison spa
- ☐ S.P.E. SA (chairman since 26 November 2009)
- ☐ Transalpina di Energia SRL

Dr. Daniel Camus
- ■ Morphosys AG
- ■ SGL Carbon AG
- ☐ Dalkia Holding SA
- ☐ EDF Energy Group Holding Limited (chairman)
- ☐ EDF Energy Holdings Limited (since 10 June 2009)
- ☐ EDF Energy plc (chairman)
- ☐ EDF Energy UK Limited (since 13 March 2009)
- ☐ E.D.F. INTERNATIONAL SA (chairman)
- ☐ Edison spa (until 30 April 2009)
- ☐ Lake Acquisitions Limited (until 30 October 2009)
- ☐ Transalpina di Energia SRL (until 30 April 2009)
- ☐ Valeo SA

Dirk Gaerte
- ■ GVV Privatversicherung AG
- ■ Hohenzollerische Landesbahn AG
- ■ Kliniken Landkreis Sigmaringen GmbH (chairman)
- ☐ Erdgas Südwest GmbH (chairman)
- ☐ Flugplatz Mengen-Hohentengen GmbH (chairman)
- ☐ Hohenzollerische Landesbank Kreissparkasse Sigmaringen, Anstalt des öffentlichen Rechts (chairman)
- ☐ Regionales Technologie- und Innovationszentrum Pfullendorf GmbH
- ☐ Sparkassenverband Baden-Württemberg – Körperschaft des öffentlichen Rechts
- ☐ Verkehrsverbund Neckar-Donau (Naldo) GmbH
- ☐ Zweckverband Oberschwäbische Elektrizitätswerke
- ☐ Zweckverband Protec Orsingen
- ☐ Zweckverband Thermische Abfallverwertung Donautal
- ☐ Zweckverband Tierkörperbeseitigung Warthausen

Josef Götz
- ■ EnBW Regional AG
- ☐ Zweckverband Bodensee-Wasserversorgung

Reiner Koch
- ■ Stadtwerke Düsseldorf AG

Marianne Kugler-Wendt
- ■ Bausparkasse Schwäbisch-Hall AG
- ■ EnBW Kernkraft GmbH
- ■ EnBW Kraftwerke AG
- ■ SLK-Kliniken Heilbronn GmbH
- ☐ Heilbronner Versorgungs GmbH
- ☐ Kreissparkasse Heilbronn, Anstalt des öffentlichen Rechts (deputy member until 31 July 2009)
- ☐ Regionale Gesundheitsholding Heilbronn-Franken GmbH (since 1 August 2009)
- ☐ Stadtwerke Heilbronn GmbH

Wolfgang Lang
- ■ EnBW Systeme Infrastruktur Support GmbH
- ☐ EnBW Akademie Gesellschaft für Personal- und Management-entwicklung mbH
- ☐ EnBW Technische Dienste und kaufmännische Leistungen GmbH (until 30 September 2009)
- ☐ Teweratio GmbH (until 30 September 2009)

Gérard Roth
- ☐ EDF Gaz Deutschland GmbH (since 16 September 2009)
- ☐ Elektrownia Rybnik SA
- ☐ Friedeburger Speicherbetriebs-gesellschaft mbH Crystal (since 1 April 2009)

Klaus Schörnich
- ■ Awista GmbH (since 2 April 2009)
- ■ Stadtwerke Düsseldorf AG

Heinz Seiffert
- ■ Krankenhaus GmbH Alb-Donau-Kreis (chairman)
- ☐ ADK GmbH für Gesundheit und Soziales (chairman)
- ☐ Donau-Iller-Nahverkehrs-GmbH
- ☐ Fernwärme Ulm GmbH
- ☐ Kreisbau GmbH Alb-Donau (chairman)
- ☐ Pflegeheim GmbH Alb-Donau-Kreis (chairman)
- ☐ Sparkasse Ulm, Anstalt des öffentlichen Rechts (chairman)
- ☐ Zweckverband Oberschwäbische Elektrizitätswerke
- ☐ Zweckverband Thermische Abfallverwertung Donautal (chairman)

Gerhard Stratthaus
- ■ Badische Staatsbrauerei Rothaus AG (chairman)
- □ Zentrum für Europäische Wirtschaftsforschung GmbH (chairman)

Laurent Stricker
- □ Commissariat à l'Energie Atomique (until 20 July 2009)
- □ Groupe Ortec
- □ World Association of Nuclear Operators
- □ World Nuclear Association (until 10 April 2009)

Werner Vorderwülbecke
- ■ EnBW Kraftwerke AG
- ■ EnBW Regional AG
- ■ EnBW Vertriebs- und Servicegesellschaft mbH
- ■ LBBW Immobilien GmbH (until 31 March 2009)

Christoph Walther
- ■ ENSO Energie Sachsen Ost AG

Dietmar Weber
- ■ EnBW Vertriebs- und Servicegesellschaft mbH
- □ EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH

Kurt Widmaier
- ■ Oberschwaben Klinik gGmbH (chairman)
- □ Bodensee-Oberschwaben-Bahn GmbH & Co. KG
- □ Bodensee-Oberschwaben Verkehrsverbundgesellschaft mbH
- □ Kreissparkasse Ravensburg (chairman)
- □ Landesbank Baden-Württemberg, Anstalt des öffentlichen Rechts
- □ Ravensburger Entsorgungsanlagen GmbH (chairman)
- □ WIR – Wirtschafts- und Innovationsförderungsgesellschaft Landkreis Ravensburg GmbH (chairman)
- □ Zentrum für Psychiatrie Weissenau, Anstalt des öffentlichen Rechts
- □ Zweckverband Oberschwäbische Elektrizitätswerke (chairman)
- □ Zweckverband Tierkörperbeseitigung Warthausen

Dr.-Ing. Gérard Wolf
- □ Dalkia International SA
- □ Dalkia SA
- □ Dunkerque LNG SAS (until 16 April 2009)
- □ EDF Energy Holdings Limited (since 10 June 2009)
- □ EDF Energy UK Limited (since 13 March 2009)
- □ E.D.F. INTERNATIONAL SA
- □ EDF Trading Limited
- □ Edison spa
- □ Lake Acquisitions Limited (until 30 September 2009)
- □ Transalpina di Energia SRL

Dr. Bernd-Michael Zinow
- ■ EnBW Kernkraft GmbH (since 3 April 2009)
- ■ EnBW Transportnetze AG

■ Membership in other statutory supervisory boards.
□ Membership in comparable domestic and foreign control bodies of business organisations.

Disclosures of office holders pursuant to Sec. 285 Sentence 1 No 10 HGB

As of 5 February 2010

Advisory Board

Dr. Wolfgang Schürle
Former chairman of the Supervisory Board of EnBW, former district administrator of the Alb Donau district, Ulm
Chairman

Dr.-Ing. e.h. Heinz Dürr
Chairman of the supervisory board of Dürr AG, Berlin
Deputy chairman

Jean-Pierre Benqué
Senior executive vice president for the North-American operations at Electricité de France SA, Saint-Denis

Marc Boudier
Director for Europe at Electricité de France SA, Paris

Dr. rer. nat. Joachim Dreyer
Former chairman of the management board of debitel AG, Stuttgart

Dr. Andreas Fabritius
Lawyer at Freshfields Bruckhaus Deringer, Frankfurt

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Chairwoman of the supervisory board of Maritim Hotelgesellschaft mbH, Bad Salzuflen

Dipl.-Ing. Karl Haase
General manager of Deutsche Edelstahlwerke GmbH, Siegen

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Director general and spokesman of the management board of EVN AG, Maria Enzersdorf

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Roland Mack
Managing partner of Europa Park, Rust

Dr. Klaus Mangold
Chairman of the supervisory board of Rothschild GmbH, Frankfurt

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Former chairman of the management board of Deutsche Bahn AG, Berlin

Dr.-Ing. e.h. Peter Mihatsch
Former member of the management board of Mannesmann AG, Sindelfingen

Dr. Wolf Hartmut Prellwitz
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Urs B. Rinderknecht
Former general director of UBS AG, Zurich

Dr. Sieghardt Rometsch
Chairman of the supervisory board of HSBC Trinkaus & Burkhardt AG, Düsseldorf

Hans-Joerg Rudloff
Chairman of the executive committee of Barclays Capital, London

Hans Dietmar Sauer
Chairman of the supervisory board of Wüstenrot & Württembergische AG, Karlsruhe

Rezzo Schlauch
Former parliamentary state secretary, lawyer, Stuttgart

Dr. Wolfgang Schuster
Lord Mayor of Stuttgart

Prof. Dr. Dr. h.c. Bernhard Servatius
Lawyer at Treubesitz GmbH, Hamburg

Dr. Joachim-Heinrich Stamer
Former chairman of the management board of EnBW Transportnetze AG, Seedorf

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President of Fresenius University of Applied Sciences, Idstein

Erwin Staudt
President of VfB Stuttgart 1893 e. V., Stuttgart

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Prof. Dr.-Ing. Hartmut Weule
Professor emeritus at the University of Karlsruhe, Institute of Production Science, Karlsruhe

Matthias Wissmann
Former government minister, president of Verband der Automobilindustrie e.V., Berlin

As of 5 February 2010

“For partnerships to work they have to be based on long-term commitment and dedication to a common goal.”

Jürgen Heindl, CEO of Progroup AG

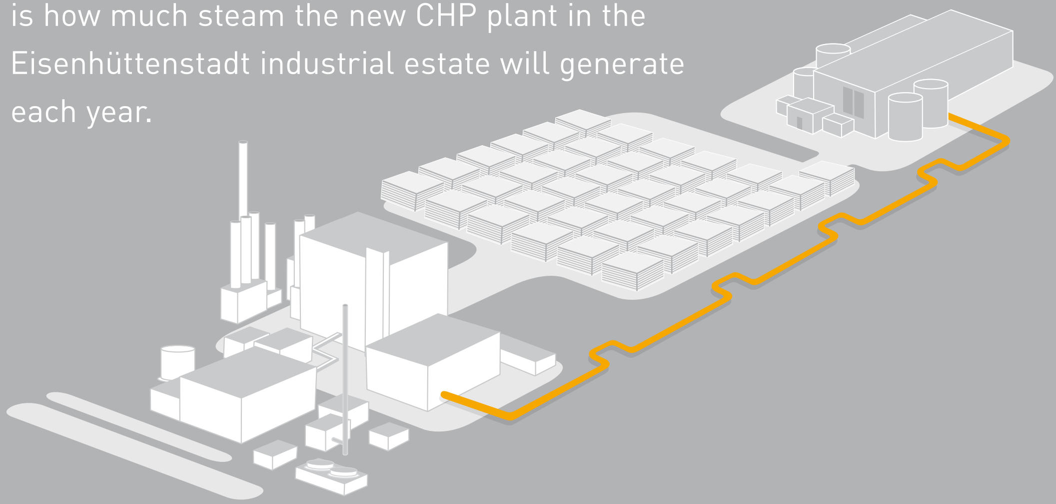
Construction site of the Eisenhüttenstadt CHP plant

Efficiency and flexibility

State-of-the-art, highly efficient technologies are being deployed in the construction of the Eisenhüttenstadt CHP plant. Residual materials from paper production can be burnt in the multi-fuel plant. It can also be fuelled with substitute fuels from municipal and industrial waste, sewage sludge from local waste water treatment or hard coal.

1,000,000 t

is how much steam the new CHP plant in the Eisenhüttenstadt industrial estate will generate each year.



Progroup AG, headquartered at Landau, Rhineland-Palatinate, and with twelve locations throughout Europe, continues to expand with its construction of Europe's largest corrugated paper factory in Germany. The new paper factory, Propapier PM2 GmbH, is a subsidiary of Progroup AG. It is constructing the paper production plant in Eisenhüttenstadt (in the federal state of Brandenburg) and EnBW is tasked with the financing, planning, construction and operation of the power generating facility. This € 225 million, state-of-the-art fluidised bed combined heat and power unit that is fired using substitute fuels is scheduled to go into operation in March 2011.

This involves EnBW providing a tailored, innovative energy concept to supply the paper production plant. This project, involving the creation of some 175 jobs in the Eisenhüttenstadt region, underlines EnBW's role as an energy service provider and a partner for German industry. There have been links between Progroup and EnBW for over ten years in connection with a partnership based in Magdeburg. The project in Eisenhüttenstadt means a continuation of a long-standing partnership between the two companies.

Service

Glossary

Balancing energy, 53, 85
Ensures that consumers are supplied with sufficient electrical energy of an adequate quality even if unforeseen events occur in the electricity grid. Adjustments in the output can be made at short notice at power stations capable of generating balancing energy; these are power stations that can be started up quickly (such as gas turbine power stations) or pumped storage plants. The term balancing energy is frequently used for the energy purchased by the transmission system operators to provide system-related services.

Balancing zones, 95, 112
The task of German transmission system operators (TSO) is to maintain at all times a supply balance between power generation and consumption in the balancing zone, and to provide balancing grids (electricity generators and customers) with balancing energy from the secondary balancing energy reserve and the minutes reserve. The close cooperation between the German TSOs makes a contribution to keeping total demand for → balancing energy to a minimum.

Base, 53, 111
Base load product. Constant purchase/supply throughout the period.

Carbonate looping, 86
Method of capturing carbon dioxide from power station flue gases. Lime is used to bind carbon dioxide. It is an interesting alternative to other methods as it requires a comparatively low amount of energy.

CCS – Carbon dioxide capture and storage, 54f., 112
Technology for capturing and storing carbon dioxide; expected by many players to make a considerable contribution to climate protection.

CDM – Clean Development Mechanism, 84ff.
CDM instrument from the Kyoto Protocol that uses cost-effective, efficient measures to limit the growth-driven increase in emissions of greenhouse gases in emerging and developing countries. The reductions in emissions achieved are credited to the investor in the form of → CER. CER can be used by companies to meet the obligation to return allowances under the European emissions trading system (→ emissions trading).

CER – Certified Emission Reductions, 52
Certified emission reductions from → CDM projects. Investors from industrialised countries generate these in developing countries with CDM emission reduction projects pursuant to the Kyoto Protocol. 1 CER corresponds to 1 t of CO_2.

CHP – Combined Heat and Power 17, 44
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.

Commodity, 37, 185, 189, 195
Designation of goods such as electricity, gas, coal or CO_2 allowances.

Compliance, 92, 225ff., 233f.
Covers all organisational measures aimed at ensuring compliance with legal requirements and company policies in the most important divisions and processes in order to avoid negative consequences for the company and its employees as a result of any irregularities.

Contracting, 39, 116f.
Outsourcing, for a specific period and for a specific area, tasks relating to the provision and supply of energy to a third party (contractor) acting on its own behalf and on its own account. Forms of energy are, for example, cooling, heating, electricity and compressed air. The services of EnBW Energy Solutions GmbH (ESG) include as a rule energy supply contracting. This is when a contractor erects or takes over and operates an energy generation facility for supplying usable energy on the basis of long-term contracts. The aim is to achieve significant economic and ecological advantages through optimisation processes.

Contra-directional (non-harmonised) use of balancing energy, 95
Simultaneous use of → balancing energy in opposing directions. In a → balancing zone, negative balancing energy is used to balance out excess electricity being fed in while, in another balancing zone, positive balancing energy is used to balance out a shortfall. An intelligent cooperation model between the three transmission system operators EnBW Transportnetze AG, E.ON Netz GmbH and Vattenfall Europe Transmission GmbH to optimise the use of balancing energy has been in use since December 2008 to prevent the occurrence of such situations. This significantly reduces the need for balancing energy and the associated costs.

Derivatives, 60ff., 71, 93f.
Financial instruments, such as 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 financial 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, 38
Designates business activities in connection with distribution, sales and marketing of natural gas.

EEX – European Energy Exchange, 37, 53, 98
Energy exchange based in Leipzig where the energy sources of electricity, natural gas and coal, as well as emission allowances, are traded.

EFET – European Federation of Energy Traders, 98
Association of more than 90 energy trading businesses and financial institutions from 23 European countries. The association's objective essentially is to promote energy trading with electricity, gas, heating and coal as well as derivative trading throughout Europe.

Electromobility, 18, 89, 113ff.
Refers to the use of electric vehicles for passenger and goods transportation. The German federal government adopted a National Electromobility Development Plan in August 2009 with the aim of speeding up research and development into battery electric vehicles and their market preparation and introduction in Germany. EnBW is participating in this initiative with the → MeRegio mobile project, among others.

Emissions trading, 48, 54
The trade with emission allowances constitutes an environmental policy instrument with the aim of climate protection. In the Kyoto Protocol industrialised countries came to an agreement on a worldwide reduction of greenhouse gas emissions. In order to ensure that the reduction of gases impacting the climate is reduced in the most efficient way, the allowance for the total emissions allocated to one country – defined in quantitative terms – is split into what is referred to as emission allowances that permit the emission of certain quantities of gases impacting the climate. These emission allowances can be traded between countries. In order to meet its commitments to reduce emissions, the European Union has introduced emissions trading at a corporate level. Allowances (→ EUA) are granted to the participating companies under national allocation plans (→ NAP). Companies requiring more allowances than they have been issued with have to buy the difference, while those companies that receive more than they need are free to sell them. Every market participant is free to purchase emission allowances or, alternatively, implement measures to reduce emissions.

EMTN (Euro Medium Term Note) programme, 21, 64f., 114
Standardised documentation platform for the issue of medium to long-term bonds on the euro capital market.

EUA – EU-Allowance, 52, 111
Smallest trading unit in → emissions trading in the EU. 1 EUA corresponds to 1 t of CO_2.

Flue gas cleaning, 86
Extensive reduction in the substances such as nitrous oxide, dust and sulphur oxide created in flue gas by the combustion of solid fuels such as coal. For this purpose, the flue gases emanating from the boiler pass through various stages of treatment.

Fuel cells, 84, 88f., 119
Converts chemical energy into electrical current and heat based on the principle of inverse electrolysis. Efficient technology suitable for local energy generation. Can be employed for electricity supplies to devices and vehicles and for supplying electricity and heat to buildings and for industrial purposes.

Human capital, 83
This is a term we use to include technical competence, management and social competence and employee motivation. Technical competence refers to all knowledge, abilities and skills of the employees for the successful implementation of business processes. Management and social competence describes the ability to act in a targeted and constructive manner to find the economically best possible solution. This also includes the ability to lead and motivate people. Employee motivation describes the willingness to perform and to show commitment as well as the identification of the employees with their job and their company.

ICE - Intercontinental Exchange, 98
Electronic commodities exchange where, specifically, oil products, emission allowances, gas and electricity supplied to locations in the UK are traded.

IETA – International Emissions Trading Association, 98, 195
This organisation was formed in 1999 with the aim of creating a functioning international framework for trading with greenhouse gas emissions and developing an emissions trading system (→ emissions trading) that will bring about a genuine, verifiable reduction in greenhouse gas emissions and a balance between economic efficiency on the one hand and environmental integrity and societal equity on the other.

ISDA – International Swaps and Derivatives Association, 98, 195
Trade organisation for the participants in the market for OTC derivatives. The ISDA has published a standardised contract, the ISDA Master Agreement, which is signed by the two contracting parties before trading → derivates.

Joint Implementation, 93
Joint implementation of projects. The aim of JI projects is to reduce emissions of greenhouse gases. Pursuant to the Kyoto Protocol these are implemented by investors from industrialised countries in other industrialised countries. The reductions in emissions they achieve are credited to the investor in the form of emission reduction units that can be used by companies to meet the obligation to return allowances under the European emissions trading system (→ emissions trading).

LNG – Liquefied Natural Gas, 38, 45, 111
Natural gas liquefied by cooling to -161 °C. Its smaller volume – around 1/600th of the normal volume of gaseous natural gas – provides great advantages particularly for transmission and storage.

Local energy generation, 88
In addition to large-scale generation units providing a high level of fuel utilisation, efficiency and reliability, interest in local energy supply systems close to the customer is constantly on the increase. Industry and local authorities, most of all, consider generating their own electricity and heating to be a useful contribution to efficient, resource-saving energy supplies.

MeRegio/MeRegio mobile, 85, 89, 119, 122f.
MeRegio stands for Minimum Emission Region – a region that makes the use of energy more efficient and reduces CO_2 emissions. MeRegio is a joint project of EnBW, ABB, IBM, SAP, Systemplan GmbH and KIT (Karlsruhe Institute of Technology) and is sponsored by the Federal Ministry of Economics and Technology as one of six E-Energy model projects. The aim of the MeRegio mobile project is to develop and build up extensive infrastructure in Baden-Württemberg for the use of electric vehicles (→ electromobility). On behalf of the Federal Ministry of Economics, EnBW in its role as project lead will install some 500 public charging points, developed in cooperation with Bosch, in the Karlsruhe/Stuttgart region.

Midstream, 17, 34, 38, 45, 112ff.
Designates business activities in connection with the import, trade and storage of natural gas.

NAP – National Allocation Plan, 93
A plan that must be drafted by each EU member state under the European emissions trading system (→ emissions trading), governing the upper limit for the emission of greenhouse gases and the issue and distribution of the corresponding emission allowances.

Offshore wind power, 17, 34, 113ff.
Exploiting wind power at sea. Electricity from offshore wind power facilities should make an important contribution to Germany's future energy and climate policy. The high average wind velocities at sea promise vast potential for generating energy.

Peak, 53
Peak load product. In Germany, this refers to purchase/supply Monday to Friday, 8 a.m. to 8 p.m.

Relationship capital, 73f.
Comprises relations with customers (all relationships to industrial and retail customers relevant to business), relations with cooperation partners (i.e. suppliers, research and development institutions and other business associates) and relations with stakeholders (for example, providers of capital, authorities, ministries, municipalities, political parties, the world of politics, trade unions, professional associations, conservation and nature protection associations, the general public and the press).

Smart grid, 89
Refers to a network that uses information technology to monitor and optimise operation of its interconnected elements – from electricity generators through transmission networks and distribution systems, to energy storage installations and end-use consumers. The aim is to optimise energy supplies in an efficient, reliable and cost-effective system.

Smart home, 18, 89, 101, 112ff.
Refers to solutions in private households using devices, systems and technologies to enhance energy efficiency, comfort and user friendliness, economic feasibility, flexibility and security.

Structural capital, 74
Can be broken down into corporate culture, communication and organisation as well as innovation. Corporate culture comprises all shared values and standards which characterise dealings with one another, knowledge-sharing and the way of working. Communication and organisation includes all structures and processes which ensure and manage the sharing of work and the co-ordination this involves. Innovation comprises the structures and processes which support the development of new products and services as well as procedural and process improvements.

Unbundling, 54, 94, 117
Ownership unbundling. The ownership unbundling required under the German Energy Industry Act relating to electricity generation and sales in Europe, i.e. separation of the grid-related activities from the market-related activities of vertically integrated energy companies.

Our locations

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

EUROPE

Wroclaw (Kogeneracja)
Rybnik (ERSA)

Prague (PRE/PT)

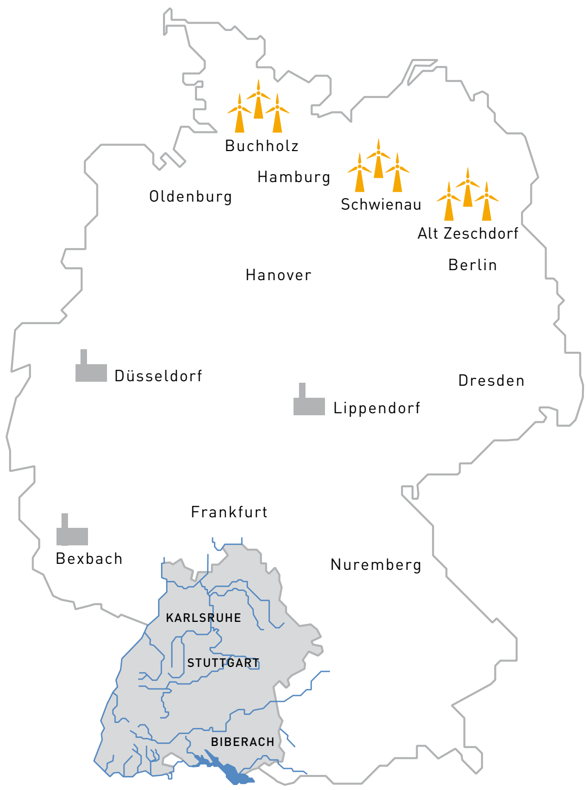
Maria Enzersdorf (EVN)
Vorarlberger Illwerke
Sellrain-Silz

Laufenburg (ED)
Visp (EnAlpin)

Budapest (ELMÜ)
Miskolc (EMASZ)
Visonta (MATRA)

Istanbul/Ankara (Borusan EnBW Enerji A.Ş.)

GERMANY



Onshore wind farm

Conventional power station operated by EnBW

Nuclear power plant operated by EnBW

Conventional power station (investments, purchase or supply agreements)

Nuclear power plant (investments, purchase or supply agreements)

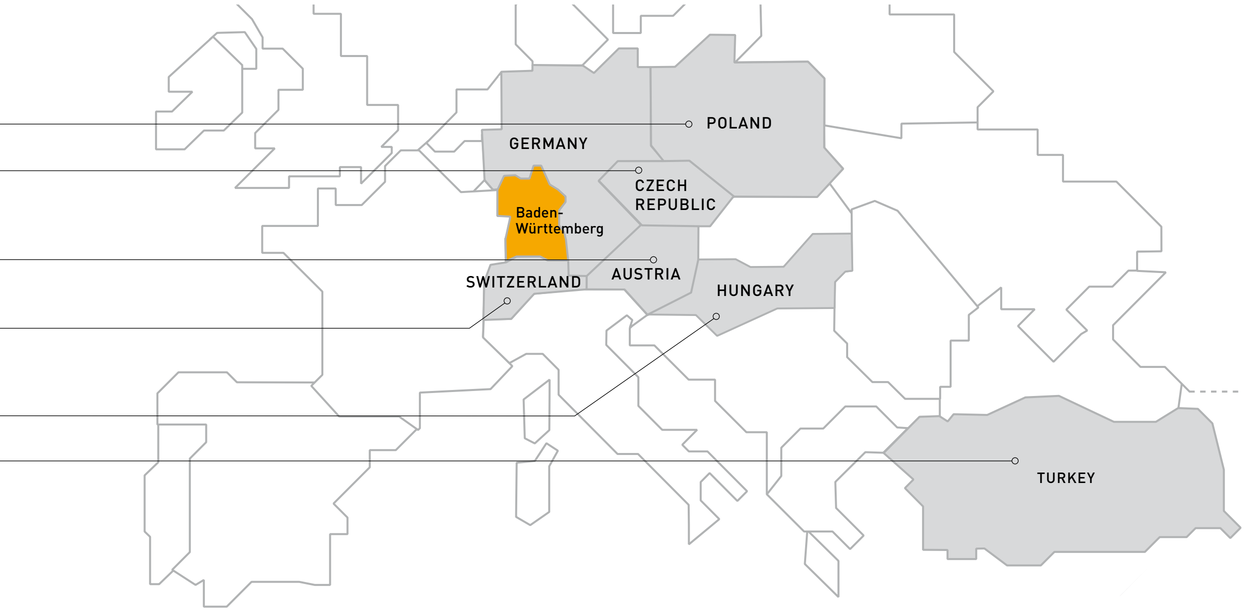
Hydro-electric power station operated by EnBW

Hydro-electric power station (investments, purchase or supply agreements)

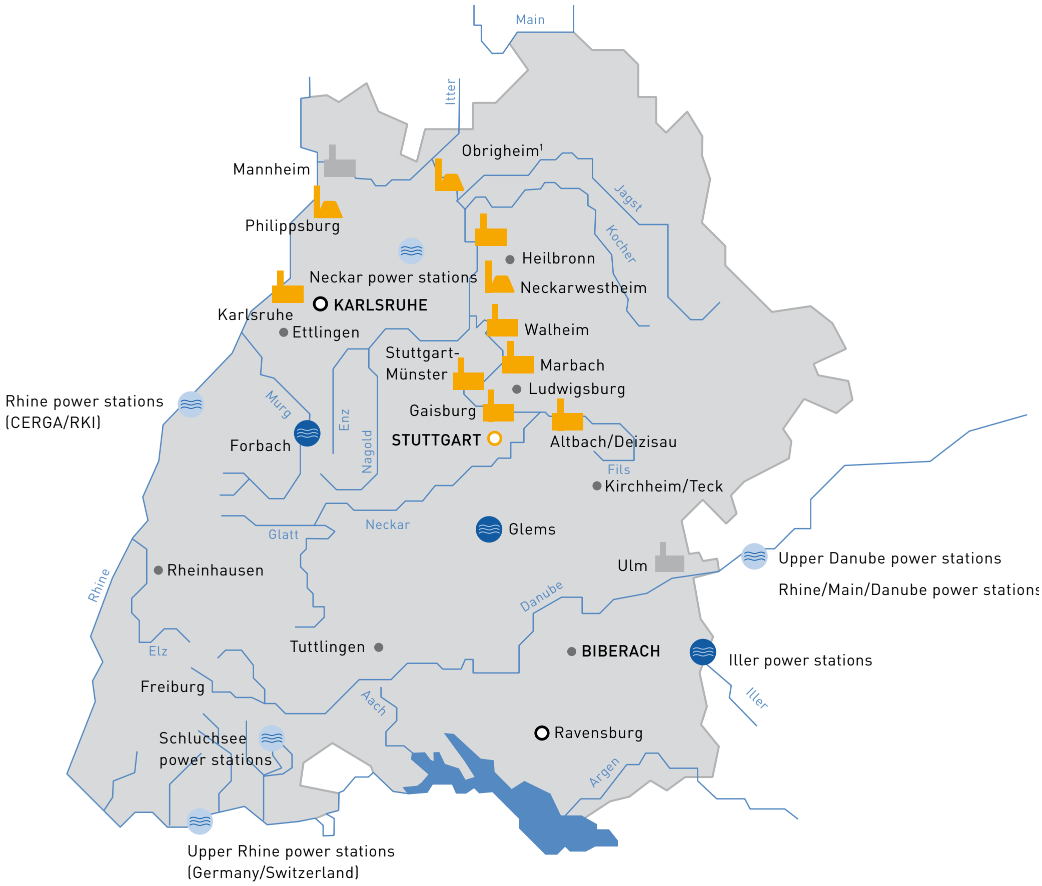
Regional centre and sales office

Sales office

Regional centre



BADEN-WÜRTTEMBERG



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

Five-year summary

EnBW group

Earnings	€ millions
Revenue	€ millions
EBITDA	€ millions
EBIT	€ millions
Group net profit[1, 2]	€
Earnings per share from group net profit[1, 2]	
Balance sheet	€ millions
Non-current assets[2]	€ millions
Total assets[2]	€ millions
Equity[2]	%
Equity ratio[2]	€ millions
Net financial liabilities[3]	
Cash flow	€ millions
Cash flow from operating activities	€ millions
Capital expenditures on intangible assets and property, plant and equipment	€ millions
Free cash flow	
Profitability	%
ROCE[2]	€ millions
Value added[2]	
Capital market	€
Dividends per share	€ millions
Distribution	€ billion
Market capitalisation[5]	
Electricity[6]	billions of kWh
Electricity sales, retail customers (B2C)	billions of kWh
Electricity sales, industry and redistributors (B2B)	billions of kWh
Electricity sales, trade	€ millions
Revenue	€ millions
EBIT	
Gas[6]	billions of kWh
Gas sales, retail customers (B2C)	billions of kWh
Gas sales, industry and redistributors (B2B)	€ millions
Revenue	€ millions
EBIT	
Energy and environmental services	€ millions
Revenue	€ millions
EBIT	
Energy generated[7] by the EnBW group in its core business by primary source of energy[8]	%
Conventional energy	%
Nuclear power	%
Renewable energies[9]	%
Other	
Employees	Number
Annual average number of employees in the EnBW group[10]	€ millions
Personnel expenses	€ millions

1 In relation to the profit shares attributable to the equity holders of EnBW AG.
2 The 2008 figures have been restated.
3 Without cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions. Adjusted for valuation effects from interest-induced hedging transactions.
4 As proposed to the annual general meeting.
5 Number of shares outstanding at the end of the fiscal year multiplied by the closing price.

2009	2008	2007	2006	2005
15,564	16,305	14,712	12,860	10,769
2,748	2,540	2,336	2,274	2,054
1,889	1,468	1,559	1,451	1,335
768	879	1,364	1,002	532
3.15	3.60	5.58	4.10	2.21
23,250	20,267	20,753	20,903	18,867
34,698	32,759	28,436	28,148	24,942
6,408	5,592	6,002	4,492	3,068
18.5	17.1	21.1	16.0	12.3
5,763	2,919	2,972	3,593	3,284
2,443	1,524	1,559	1,467	1,330
1,309	1,257	816	630	547
1,292	405	853	1,027	1,071
15.1	17.1	16.2	16.9	13.6
810	963	828	815	429
1.53[4]	2.01	1.51	1.14	0.88
374[4]	491	369	279	215
9.8	9.2	14.7	12.3	11.2
22	23	22	23	21
51	61	62	56	51
47	46	55	40	35
12,389	12,736	11,540	9,509	8,125
1,794	1,540	1,378	1,473	1,205
12	13	12	11	11
54	57	63	73	78
2,453	2,881	2,479	2,758	2,102
151	-50	172	223	130
722	688	693	593	543
87	86	132	-128	85
28	28	30	28	28
57	57	54	56	55
11	11	10	10	10
4	4	6	6	7
20,914	20,357	20,499	20,259	17,926
1,618	1,480	1,476	1,368	1,222

[6] Net disclosure of electricity and gas trading.
[7] Own generation includes long-term procurement agreements and generation from partly owned power stations.
[8] In anticipation of the change in the method of transfer of renewable energies under the EEG as of 2010 (financial instead of physical transfer), as of fiscal 2009 the quotas are reported on the basis of the electricity generated in the EnBW group's own facilities without taking into account any supplies of EEG electricity (prior-year values were restated).
[9] By analogy to the disclosure pursuant to Sec. 42 German Energy Industry Act (EnWG).
[10] Number of employees without apprentices/trainees and without inactive employees.

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Photos of the Board of Management and Supervisory Board
p. 4, 8, 9, 227
Catrin Moritz, Essen

Cover/photo pages
Dominik Obertreis, Althütte
Our cover shows the oil tank of Altbach/Deizisau combined heat and power plant.

p. 12 Borusan Holding

Top issues: EnBW Energie
Baden-Württemberg AG

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Internet: www.enbw.com

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 versions of the annual report can also be accessed as an interactive annual report online.

ISBA: R.2433.1003

Publication of the
EnBW Annual Report 2009:
10 March 2010

Financial calendar

10 | 3 | 2010

Publication of the Annual Report 2009

29 | 4 | 2010

Annual general meeting of EnBW Energie Baden-Württemberg AG

7 | 5 | 2010

Publication of the Quarterly Financial Report
January to March 2010

30 | 7 | 2010

Publication of the Six-Monthly Financial Report
January to June 2010

12 | 11 | 2010

Publication of the Nine-Monthly Financial Report
January to September 2010

Top issues 2009

January – March

EnBW awards major contract for Baltic 1

The major contract to supply foundations for the wind farm Baltic 1, the first commercial offshore wind farm on the Baltic Sea, covers a volume of between € 25 and 30 million. The farm consists of 21 wind power plants.

Acquisition of onshore wind farms

EnBW acquires three onshore wind farms in Lower Saxony and Brandenburg from PNE WIND AG with a total of 26 wind turbines and an installed output of 52 MW. EnBW increases its capacity further with the acquisition of an additional seven wind farms in December.

April – June

Strategic partnership in Turkey

EnBW and the Turkish conglomerate Borusan Holding form a joint venture for future cooperation in Turkey regarding the development and construction of power stations, primarily in the field of renewable energies. Anti-trust proceedings are still pending.

Expansion of generation unit

EnBW acquires E.ON's 50% share in Unit S of Lippendorf brown coal power station and its 8.3% share in Bexbach hard coal power station. These shares are equivalent to total output of 525 MW. EnBW expands its electricity procurement right to 100% by acquiring a further 159 MW in October.

July – September

Fifth turbine at Iffezheim

Together with Prime Minister Oettinger and EDF's management board member Gadonneix, EnBW lays the foundation stone for the extension of the Rhine power station, one of the largest run-of-the-river power stations in Europe. An additional 122 million kWh of electricity will be generated each year from 2012.

Partnership with EWE

The Federal Anti-Trust Office approves EnBW's takeover of a 26% shareholding in the Oldenburg-based energy group. The acquisition takes the form of a share purchase and a capital increase. The two companies plan to cooperate as strategic partners.

October – December

Go-ahead for EnBW's solar farm

EnBW Erneuerbare Energien GmbH begins construction of its first major solar farm at Leibertingen (Sigmaringen district). Around 2.1 million kWh of electricity will be generated each year on a site covering seven hectares. This is sufficient to supply some 600 households and save 1,240 t of CO_2.

Move to reduce consumption

EnBW launches a wide public campaign to reduce energy consumption. The company's customers become ambassadors, reporting on how they use energy efficiently and what EnBW does to support them.

Energy efficiency networks

In February, EnBW forms two new "energy efficiency networks" together with companies from the Freising and Mainz regions. The aim of the total of twelve networks in Germany is to enable the participating companies to use energy more efficiently, thus reducing costs.

Beginning of construction work in Esslingen

The ground-breaking ceremony for the hydro-electric power station being built jointly by EnBW Kraftwerke AG and Neckar AG was held in the presence of Baden-Württemberg's Minister for the Environment, Tanja Gönner.

New hydro-electric power station

Celebrations are held to mark the commissioning of the run-of-the-river power station in Kehl, a joint venture between EnBW and EDF. With an annual production of around 8,200 MWh, the plant will make a contribution to local electricity supplies from renewable sources.

Top Employer

EnBW is one of Germany's most attractive employers for the fifth time in succession. The study "Germany's Top Employers 2009" is performed by the "Junge Karriere" journal in cooperation with the Corporate Research Foundation, an independent institute.

Excellent results for Neckarwestheim

As a result of the multi-step assessment by the International Atomic Energy Agency (IAEA), EnBW has been attested great commitment and leadership in safety standards and safety culture at Neckarwestheim nuclear power plant.

Wind turbines connected to grid

Only a few days before EnBW's representative office is opened in Ankara, the alliance between the Turkish Borusan Holding and EnBW becomes visible as the first joint wind turbines are put into operation in western Turkey.

First geothermal power station in Baden-Württemberg in operation

The joint pilot project of EnBW and Energie- und Wasserversorgung Bruchsal GmbH (ewb) in Bruchsal is to make a contribution through research and development work towards sustainable, economically viable operation of geothermal power stations.

MeRegio – electricity grid of the future

EnBW starts the MeRegio (Minimum Emission Region) research project sponsored by the Federal Ministry of Economics with the first 100 of a total of 1,000 test households in Baden-Württemberg. The aim is to use smart grids to reduce the CO_2 emissions of an entire region.

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