



**Six-monthly financial report**  
January to June 2007



EnBW Energie  
Baden-Württemberg AG

## At a glance

EnBW group <sup>1</sup>		1/1 – 6/30/2007	1/1 – 6/30/2006	Variance %	1/1 – 12/31/2006
<b>Revenue</b>					
Electricity	€ millions	5,740.1	4,606.1	+24.6	9,642.3
Gas	€ millions	1,305.8	1,585.2	-17.6	2,757.9
Energy and environmental services	€ millions	331.6	229.7	+44.4	592.6
<b>External revenue, total</b>	<b>€ millions</b>	<b>7,377.5</b>	<b>6,421.0</b>	<b>+14.9</b>	<b>12,992.8</b>
EBITDA	€ millions	1,398.9	1,326.8	+5.4	2,273.8
EBIT	€ millions	1,024.9	993.0	+3.2	1,451.2
Result of continuing operations	€ millions	684.7	579.0	+18.3	996.6
Earnings per share from continuing operations	€	2.80	2.37	+18.1	4.08
Cash flow from operating activities	€ millions	691.2	404.7	+70.8	1,466.6
Free cash flow	€ millions	411.5	313.6	+31.2	1,027.1
Capital expenditures on intangible assets and property, plant and equipment	€ millions	326.7	181.5	+80.0	630.1
<b>Energy sales of the EnBW group</b>					
		1/1 – 6/30/2007	1/1 – 6/30/2006	Variance %	1/1 – 12/31/2006
Electricity	billions of kWh	69.4	58.2	+19.2	119.4
Gas	billions of kWh	40.0	49.8	-19.7	83.5
<b>Employees of the EnBW group<sup>1, 2</sup></b>					
		6/30/2007	6/30/2006	Variance %	12/31/2006
Employees		20,134	21,131	-4.7	21,148

<sup>1</sup> The figures of the comparative periods have been adjusted.

<sup>2</sup> Number of employees without apprentices/trainees and without inactive employees

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## 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 report can also be downloaded from the Internet in German or English. In case of doubt the German version shall prevail.

An efficient and environmentally friendly energy mix as well as high supply reliability is ensured at EnBW by using nuclear power, coal, gas, oil and renewable energy sources simultaneously.





In 2006, around 70% of the electricity generated in our fully and partly owned power stations or purchased under long-term supply agreements and provided to our customers was generated CO<sub>2</sub>-free from nuclear and hydro-electric power.

# Generation

EnBW operates power stations on the basis of conventional primary energy sources, nuclear power plants and various hydro-electric power stations. In addition, other renewable energy sources are used to generate energy, including in particular biomass and wind power. As part of our research and innovation strategy, we also invest in geothermal energy, fuel cell technology, compressed air energy storage and wave power plants.

In 2006, EnBW provided its customers with some 74.9 billion kWh of electricity from its fully and partly owned power plants as well as from stable long-term procurement agreements. The underlying power plant capacity comprises an installed electrical output of around 14,800 MW. That makes EnBW one of the major energy producers in Germany.



# Top issues

## January 2007

### EnBW Kernkraft GmbH

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

### Shares of regional suppliers

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

## February 2007

### Prof. Dr.-Ing. Hartkopf leaves EnBW

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

## March 2007

### Action filed

EnBW Kernkraft GmbH files an action against the Federal Ministry for the Environment with the Baden-Württemberg administrative court. The reason for the action is that the Federal Ministry for the Environment has not made a decision on the petition for the transfer of residual electricity quantities to the Neckarwestheim Unit I nuclear power plant. As the company sees no valid reason for the delay, the court has been called upon to issue a ruling on the petition.

### Ratings confirmed

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

### Best corporate investor 2007

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

### Top employer for 2007

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

## April 2007

### Foundation stone laid for EnBW City

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

### IAEA attests high standard of Philippsburg nuclear power plant

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



### New waste boilers commissioned

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

### Sale of U-plus

Subject to the approval of the supervisory bodies and the German Antitrust Office, the EnBW Board of Management decides to sell the U-plus group to ALBA AG, a Berlin-based waste disposal company.

### Innovations at the Hanover trade fair

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



### Saving energy costs

In Hanover, twelve industrial customers in the forum "EnBW energy efficiency network Weser-Ems" elaborate on sustainable measures for the reduction of energy costs.

### New electricity products

As part of an initiative of the Federation of German Industries (BDI), EnBW offers new, long-lasting electricity products for industry.

### Customers receive award

Three of EnBW's industrial customers take the first three places in the Energy Efficiency Award conferred by Deutsche Energie Agentur (dena).

### Services for retail customers

EnBW introduces new metering technology with Internet access and tests it on 1,000 retail customers in Baden-Württemberg. Via its new online portal, EnBW offers its customers the possibility to inspect their invoice data, to request information and to deal with the formalities that arise when moving house.

## May 2007

### Ratings confirmed

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



### EnBW interested in purchasing Stadtwerke Leipzig

EnBW announces its interest in purchasing a 49.9% share in Stadtwerke Leipzig GmbH.

### Ground-breaking ceremony in Biberach

The foundation stone for the new administration building of EnBW in Biberach is laid. In this way, EnBW's real estate in Biberach is combined to form a central location.



### Usage rights for subterranean gas storage facilities

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

### On-the-spot energy advice/consulting

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

### Great success for strip sponsor EnBW

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

## June 2007

### Contract renewal ruled out

EnBW's CEO Prof. Dr. Utz Claassen will not be available for reappointment as of May 1, 2008 or for a renewal of his contract for structural, professional, personal and family reasons. With the successfully concluded reorganisation, realisation of the ambitious targets of the TOP FIT cost-cutting programme according to plan, three record results and three record dividends in a row as well as the radical and sustained measures to put the com-

pany's structures and processes on a professional footing as well as the strategic realignment, he considers that his mission will have been completed by the end of his current employment agreement and wants to turn his attention to other things after the end of his term of office.

### Energy for the steel industry

EnBW Vertriebs- und Servicegesellschaft mbH concludes comprehensive electricity supply agreements with Gesellschaft für Stromwirtschaft m.b.H. (GfSt), an amalgamation of energy-intensive industrial companies from the steel industry and several companies from the Georgsmarienhütte group.

### New customer support system

By starting up a new, comprehensive system of support for industrial customers, EnBW Vertriebs- und Servicegesellschaft mbH becomes even more customer-oriented and optimises the efficiency of its processes.

### First biogas feeder

In a pilot project, EnBW subsidiary Erdgas Südwest GmbH will put into operation Baden-Württemberg's first plant to feed processed biogas into the natural gas grid in Burgrieden. It is scheduled to start operations in spring 2008.

### Gas project: LNG terminal

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

### Family-friendly personnel policy

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



### EnBW TV spot launched

The new TV spot with Frank Beckbauer's testimonial is launched on June 11. The campaign aims to position EnBW as a pioneer and forerunner in the energy industry in the topics environmentally friendly energy, innovative ideas and energy-efficient cities.

## July 2007

### New CEO appointed

The EnBW Supervisory Board appoints Hans-Peter Villis as CEO for a period of five years commencing May 1, 2008. Chief Operating Officer Pierre Lederer, who has been appointed member of the Board of Management until 2010, is appointed deputy chairman of the Board of Management of EnBW effective October 1, 2007. The Supervisory Board also reappoints Chief Human Resources Officer Dr. Bernhard Beck as a regular member of the Board of Management for a further five years from October 1, 2007. Chief Financial Officer Dr. Christian Holzherr is reappointed as a regular member of the Board of Management for a further three years, effective January 1, 2008.

### Change of CEO

Prof. Dr. Utz Claassen and the Supervisory Board of EnBW Energie Baden-Württemberg AG come to a mutual agreement that Prof. Dr. Utz Claassen's term of office as member of the Board of Management and CEO of EnBW will end as of September 30, 2007. The Supervisory Board expresses its sincere thanks to Prof. Dr. Utz Claassen for his great personal commitment to the company and his extremely successful work, in particular in the restructuring phase. Hans-Peter Villis is appointed member of the Board of Management and new CEO of EnBW by the Supervisory Board effective as of October 1, 2007.

### Successful network

EnBW energy efficiency network Ravensburg takes stock: In the course of one year, the nine participating companies have reduced their annual energy consumption by 9 million kWh, thus avoiding 2.3 million tonnes of CO<sub>2</sub> emissions per year.

# Letter to our shareholders

Dear Shareholders,

After a record result in the first quarter of the current fiscal year 2007, EnBW returned another record result in the first six months of 2007. For the fourth time in a row, all key earnings figures – EBITDA, EBIT and EBT – were higher on aggregate than the already exceedingly good comparative figures of the prior year. Accumulated during the year on a quarterly basis, they also all mark record figures for the 14th time in a row, and they again exceeded the targets for this six-month period. Despite somewhat difficult political conditions in the energy industry, the success story of EnBW continues:

\_ Sales of the EnBW group rose in the first half of 2007 compared to the first half of 2006 by 14.9% to approximately € 7.38 billion.

\_ The EBITDA for the first half of 2007 was raised by 5.4% compared to the corresponding prior-year figure to approximately € 1.4 billion.

\_ The EBIT of the EnBW group reached a figure of € 1.02 billion in the first six months of 2007, which is 3.2% above the already excellent comparable prior-year figure.

\_ The EBT rose by 3.1% in the first half of 2007 compared to the corresponding prior-year period, reaching approximately € 987 million.



Prof. Dr. Utz Claassen  
Chief Executive Officer



\_ Group net profit for the first six months of 2007 also grew compared to the corresponding prior-year figure by 26.5% to € 740 million.

The group has again made progress, not just in terms of its earnings power, but also in terms of liquidity and balance sheet composition:

\_ The cash flow from operating activities improved over the period from January to June 2007 by € 287 million compared to the corresponding prior-year period to € 691 million.

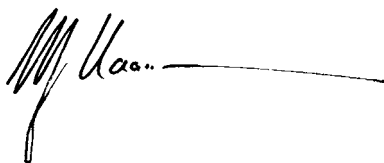
\_ The free cash flow after capital expenditures rose to € 412 million in the first half of 2007, an increase of 31.2% compared to the comparative period of the prior year.

\_ Net financial debt has been reduced by 50.5% or approximately € 3.5 billion since December 31, 2003 to € 3.446 billion. In line with this trend, net financial debt has decreased by € 147 million since December 31, 2006.

\_ EnBW's equity ratio climbed to 18.1% in the first half of 2007, and has thus been practically trebled since 2003.

The figures presented show that EnBW is capable of taking action and can look to the future with optimism: a future that has already started for the group in the form of numerous precisely defined strategic projects, some of which are already being realised. The Board of Management and the entire EnBW team will continue to devote themselves to these topics with the requisite careful planning in order to further enhance the group's operational power and make use of any growth potential on a national and international level as it arises. In an environment of considerable political uncertainties, we will continue to fight for every euro in your interest.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Utz Claassen', followed by a long horizontal line.

Prof. Dr. Utz Claassen  
Chief Executive Officer

Karlsruhe, August 2007

# The EnBW share

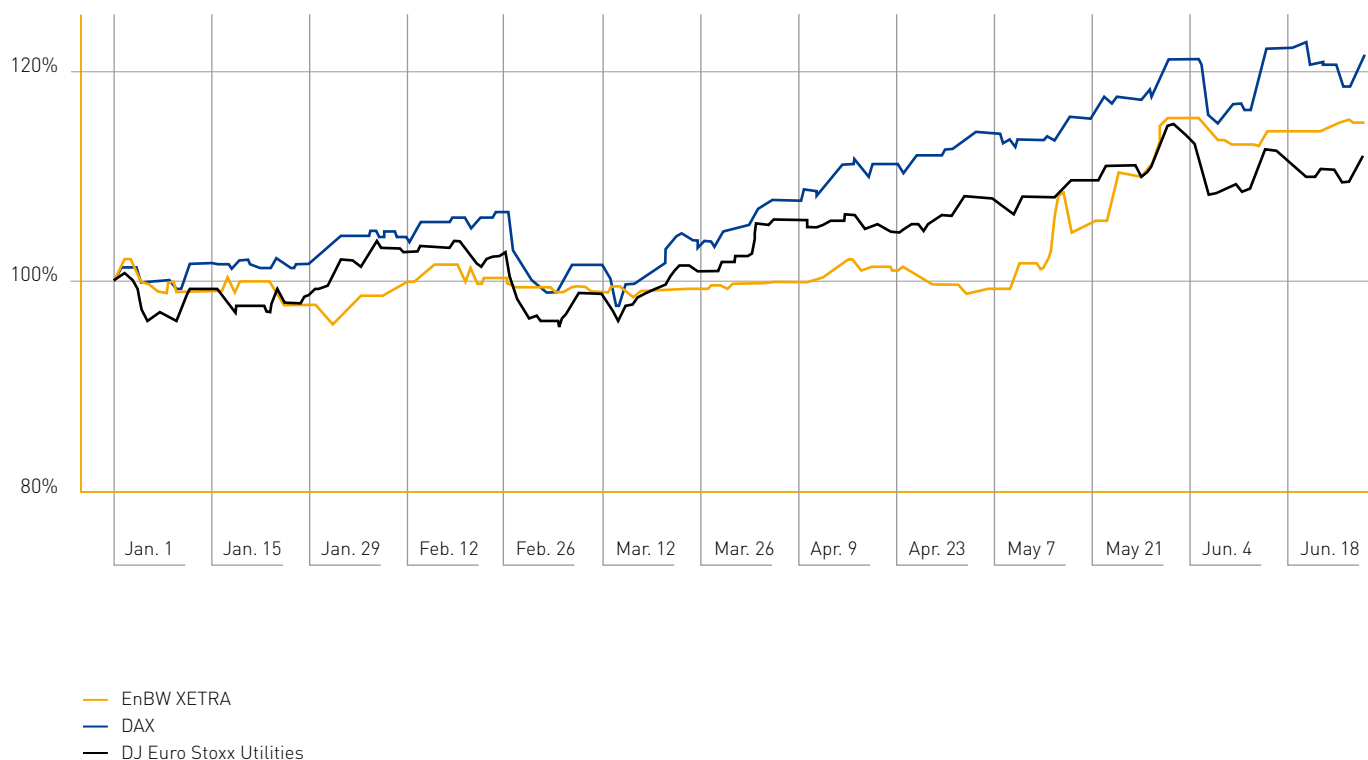
EnBW share in figures	6/30/2007 <sup>1</sup>	12/31/2006 <sup>2</sup>
Number of shares outstanding (millions of shares)	244.257	244.257
Closing price in €	57.40	50.55
Market capitalisation in € billions <sup>3</sup>	14.0	12.3
EnBW share prices	1/1 – 6/30/2007	1/1 – 12/31/2006
High in €	57.70	52.66
Low in €	48.01	43.80

<sup>1</sup> From January 1, 2007, price information refers to the XETRA prices. Since the beginning of 2007, Landesbank Baden-Württemberg is the designated sponsor of EnBW, and as a result electronic trading in XETRA increased. This price is therefore more informative.

<sup>2</sup> The price information relates to floor trading on the Frankfurt stock exchange.

<sup>3</sup> Number of shares outstanding at the end of the quarter multiplied by the closing price

Development of the EnBW share from January 1 to June 30, 2007





EnBW advocates a balanced energy mix and therefore favours the use of various primary sources of energy such as wood chips, coal and water.

## Shareholder composition

The shareholder composition of EnBW Energie Baden-Württemberg AG as of June 30, 2007 is as follows<sup>1</sup>:

Electricité de France International (EDFI)	45.01%
Zweckverband Oberschwäbische Elektrizitätswerke (OEW)	45.01%
EnBW	2.30%
Free float	1.80%
Badische Energieaktionärs-Vereinigung	2.59%
Gemeindeelektrizitätsverband Schwarzwald-Donau	1.28%
Landeselektrizitätsverband Württemberg	0.53%
Neckarelektrizitäts-Verband	0.48%
Other municipal shareholders	1.00%

<sup>1</sup> Figures rounded to two decimal places

You can find up-to-the-minute information about the EnBW share on the Internet at [www.enbw.com](http://www.enbw.com).

# Interim financial statements of the EnBW group January to June 2007

## Interim group management report



With more than 34 billion kWh, the EnBW nuclear power plants in Neckarwestheim and Philippsburg supplied almost half of the electricity needed in Baden-Württemberg in 2006. At the same time, by operating these plants, we saved the environment some 32.8 million tonnes of CO<sub>2</sub>. Our nuclear power plants thus made a considerable contribution to meeting environmental and climate protection targets.



# Economic and political environment

## Market situation

**Wholesale electricity market:** Having dropped markedly in the first quarter of 2007, spot market prices started to climb again in the second quarter, albeit at a lower level than in the prior year. In the second quarter of 2007, the base<sup>1</sup> price stood at € 33.21/MWh, down on the corresponding prior-year period of € 38.95/MWh. At € 49.28/MWh, the peak<sup>2</sup> price was slightly below the figure for the comparable period (€ 51.75/MWh).

With the price for emission allowances in the first trading period 2005 – 2007 having dropped to virtually zero, the marginal costs for the fossil-fuelled generation of electricity in the European power stations were reduced significantly. In Germany, this led to an increase in the electricity generated by coal-fired base-load and medium-load power stations and impacted the price of the offpeak product<sup>3</sup>. The lower short-term gas prices after the mild winter 2006/2007 also reduced the variable costs for the generation of electricity from natural gas. There was also a marked increase in power generated by natural gas medium- and peak-load power stations.

Although the load development (vertical grid load<sup>4</sup>) in the second quarter was characterised by a lower demand for heating electricity in April than in the prior year, in May the load was higher than in the same month of the prior year due to the increased demand for electricity for cooling. In the months April to June 2007, the total vertical grid load in Germany rose by just under 1% compared to the comparable period of the prior year. Despite an increase in the installed output of more than 2,000 MW, around 2 to 3% less wind energy was fed into the grid than in the prior-year period, again due to the weather.

The warm, dry weather imposed first restrictions relating to the availability of cooling water on power stations in northern Germany in particular, as a result of which the spot market prices exceeded the € 100/MWh threshold for peak load on three days in May and June.

The combination of load, wind energy supply and cooling water restrictions, particularly in peak load hours, counteracted the price-reducing effect of the CO<sub>2</sub> price development so that the price of the peak product only fell slightly compared to the prior-year period.

Since the end of the first quarter of 2007, there has been no clear trend in the development of forward prices for electricity deliveries for the rest of the year. Following a rise in forward prices mid-quarter under the influence of the dry weather, the prices at the end of the second quarter of 2007 are similar to those at the end of the first quarter again. In the middle of the quarter the forward price for the base product for delivery in the third quarter was around 4% up on the second quarter, with the price for the delivery of electricity in the fourth quarter dropping by almost 1%.

The development of forward prices for the calendar years from 2008 onwards is in particular a reflection of the increase in the price of CO<sub>2</sub> for the second trading period 2008 – 2012 and in the price of coal. Compared to the end of the first quarter, this led to a 4% increase in the base product for the calendar year 2008.

<sup>1</sup> Price for constant purchase/supply throughout the year

<sup>2</sup> Price for purchase/supply Monday to Friday, 8 a.m. to 8 p.m.

<sup>3</sup> Price for purchase/supply Monday to Friday before 8 a.m. or after 8 p.m. and at the weekend

<sup>4</sup> Sum of all current transfers from the transmission network via directly connected transformers and lines to the distribution networks and end users

Comparison of average electricity prices in €/MWh

	EEX forward market (settlement price)				EEX spot market	
	Year 2008 Base	Year 2009 Base	Year 2008 Peak	Year 2009 Peak	Base	Peak
Q1 2006	52.67	52.51	74.58	74.07	65.10	90.34
Q2 2006	55.97	56.69	81.09	81.78	38.95	51.75
Q4 2006	55.55	54.57	82.88	80.67	44.67	65.53
Q1 2007	52.71	53.03	77.37	77.96	29.74	40.69
Q2 2007	55.66	54.60	81.08	80.01	33.21	49.28

**CO<sub>2</sub> market:** The second quarter of 2007 again saw significant price swings on the CO<sub>2</sub> market. Following the price trend of the first quarter, the price for European CO<sub>2</sub> emission allowances (European Union Allowance EUA) for the first trading period 2005 – 2007 dropped further to around € 0.1/t CO<sub>2</sub>. It is therefore assumed that the supply of EU CO<sub>2</sub> emission allowances for the first trading period will be more than adequate.

The opposite trend was observed on the market for emission allowances for the second trading period 2008 – 2012. In April and May, the 2008 EUA price rose from € 17/t CO<sub>2</sub> to more than € 25/t CO<sub>2</sub>. This was the highest price since the end of April 2006 when the announcement of the relatively low verified emissions in the year 2005 caused a marked drop in the prices in the subsequent period.

The increase in price during the reporting quarter was probably buoyed by various factors. For one thing, the allocation volume stipulated for Italy in the national allocation plans was cut back by the EU Commission more than expected. Another factor is the decision for Germany to sell 40 million allowances per year. As things stand today, the sale of the allowances is to be spread equally over the trading period, from 2008 by sale at market price and from 2010 onwards by auction. This means that these volumes are not available on the market to the energy suppliers until after the allocation volumes which are already fixed at the beginning of the trading period.

In June, the soaring prices of the previous two months did not continue, although prices did remain highly volatile.

In the second quarter of 2007, the trading volume rose compared to the prior quarter by around 10%; this means that around 50% more CO<sub>2</sub> emission allowances were traded than in the second quarter of 2006.

**Coal market:** The slight easing of the supply situation on the world market for hard coal at the beginning of the first quarter of 2007 did not last. During the second quarter the world market for hard coal was dominated by price-raising factors. Due to the very high demand worldwide for shipments with capesize vessels (dry bulk carriers for very large loads) the freight rates rose dramatically by mid-quarter; the Baltic Exchange Dry Bulk Index, which reflects the freight rates for bulk freight on various international routes and classes of ship, climbed to an all-time high. After a brief period of recovery, the freight rates soared again at the end of the quarter.

The main driver of this demand for shipping capacities were rising iron ore exports from Brazil to China as well as further loading delays in Australia's main coal port Newcastle. Capacity bottlenecks in this port as well as falling exports from China raised India's demand for South African coal, thus confirming the upward price trend.

Just as the loading situation started to normalize, bad storms in early June put an end to this and towards the end of June triggered price increases for deliveries to the ARA ports (Amsterdam, Rotterdam, Antwerp), temporarily reaching US\$ 80/t and matching the record prices of 2004.

**Oil market:** The easing of the situation on the oil markets in January 2007 did not last long. The oil prices in the second quarter of 2007 constantly exceeded those of the prior quarter. The spot market price for a barrel (bbl) of Brent oil was rather volatile, ranging between US\$ 63 and US\$ 72/bbl, with this price band narrowing to US\$ 68 to 72/bbl from mid-May.

Presumably the main driver of this price development was the extremely low stocks of petrol in the USA for the time of year as a result of unusually long maintenance periods in the refineries and more frequent refinery stoppages. The low stocks fuelled fears that the supply of petrol would not be sufficient for the whole of the summer. The oil price responded very sensitively to these fears of a shortage of this most important oil product and rose accordingly.

The price for a barrel of Brent oil peaked on June 7 at US\$ 72.36, the highest level for nine months. Extraction stoppages in Nigeria due to civil unrest as well as geopolitical security risks in connection with the Iranian nuclear programme were the main causes.



**Gas market:** Because the gas price is linked to the oil price, the development of oil prices affects the price of long-term gas import agreements, albeit with a time lapse. The drop in oil prices in autumn 2006 therefore led to a drop in the mean gas import price in the first and second quarters of 2007. In April 2007, the cross-border price index of the Federal Office of Economics and Export Control (BAFA) stood at 1.95 ct/kWh and was thus around 9.4% below the October 2006 figure.

At the same time, the spot market price at the natural gas trading places in north-western Europe, which is not directly tied to the development of the oil price, also fell sharply. The reason for the unusually low spot market price level of natural gas for this time of year is the surplus of natural gas available for short-term delivery because the gas consumption in Germany plummeted by more than 20% during the six winter months compared to the prior year due to the mild weather.

#### Comparison of average prices for CO<sub>2</sub> emission allowances in €/t CO<sub>2</sub>

	First trading period Year 2007	Second trading period Year 2008	Year 2009
Q1 2006	27.01	24.20	–
Q2 2006	19.44	22.86	–
Q4 2006	9.72	16.75	18.57
Q1 2007	2.12	15.17	15.73
Q2 2007	0.41	20.45	20.81

#### Comparison of average coal prices (API # 2) in US\$/t

	Year 2008	Year 2009	Delivery in the following quarter
Q1 2006	63.40	63.97	61.09
Q2 2006	67.67	69.10	62.50
Q4 2006	69.75	71.41	67.81
Q1 2007	69.33	70.28	68.83
Q2 2007	74.69	73.98	74.1

API – All Publications Index  
API # 2 – Index for deliveries to ARA  
(Amsterdam, Rotterdam, Antwerp)

#### Comparison of average crude oil (Brent) prices in US\$/bbl

	Year 2008	Year 2009	Delivery in the following quarter
Q1 2006	65.08	63.96	63.58
Q2 2006	70.64	68.84	71.12
Q4 2006	67.59	67.14	62.32
Q1 2007	63.79	63.86	59.79
Q2 2007	71.37	70.70	69.28

#### Comparison of average natural gas prices (Dutch wholesale market) in €/MWh

	Year 2008	Year 2009	Spot market
Q1 2006	25.62	23.87	25.33
Q2 2006	27.99	25.23	20.15
Q4 2006	23.12	22.11	16.87
Q1 2007	19.55	20.04	11.14
Q2 2007	20.03	21.06	10.46

## Energy policy

**CO<sub>2</sub> allowance trading:** Having now also been passed by the upper house of the German parliament on July 6, 2007, the 2012 Allocation Act can now enter into force. It is part of the national allocation plan for the second CO<sub>2</sub> emissions trading period.

In the consultation phase, the lower house of the German parliament had amended the draft bill of the federal cabinet and the government factions to include rulings on the sale of a total of 10% of the emissions allowances for CO<sub>2</sub> to the plant operators. This partial sale of emission allowances is borne entirely by the plant operators, reducing the volume allocated to them free of charge by 17%. The law mainly contains two innovations: First, the transition to the BAT-based (Best Available Technology) benchmark system as a basis for the allocation of the emission allowances. The outdated and non-transparent grandfathering system of the national allocation plan for the first trading period, which particularly favoured large-scale polluters of the past, is no longer the basis for the allocation of allowances. Second, allowances are allocated to hard coal and brown coal power stations on the basis of the same benchmark. The burden of emission reduction to be borne by brown coal power stations is thus particularly high because their real emissions are significantly higher than those of hard coal power stations.

EnBW welcomes the conversion of the German emission trading system to benchmarking. Indeed, it had itself introduced ideas for a benchmark model to the debate at an early stage.

What is more, in view of the necessary investments in power plants, policy makers need to ensure in the continuing discussion on the 2012 allocation act that new power stations receive an adequate quota free of charge.

### **Act against restraints on competition:**

In autumn 2006, the Federal Ministry of Economics and Technology submitted an expert bill for the amendment of the act against restraints on competition (GWB) which could have a significant influence on the way the wholesale markets in the energy sector work and on the pricing for retail customers.

In the consultation process with the federal cabinet, the Federal Ministry for the Environment had opposed significant parts of the planned tightening of the antitrust law because, from its point of view, state intervention threatened to distort pricing on the wholesale market and provide negative incentives for new investments.

The proposed bill had other critics: Not only the German Advisory Council on Global Change at the Federal Ministry of Economics, but also the Monopolies Commission has pointed out the adverse effects that such an amendment would have on competition.

On April 25 the federal cabinet approved the amended version of Sec. 29 GWB. A few points of criticism have been addressed; however, the fundamental criticism concerning the lack of a market-regulatory approach remains. Contrary to the original intention of the federal government, the law will not be enacted before the summer break and will have to wait until autumn 2007.

**Power station connection decree:** On April 25, the federal cabinet also approved the bill of a power station connection decree. The upper house of parliament approved the decree on June 8. It took effect on June 30.

The aim of the power station connection decree is to give new energy generators an incentive to invest in power stations, thus encouraging competition. New power stations that go on line by 2012 are to be given a transmission guarantee under certain circumstances, including grid bottlenecks. This will itself cause bottlenecks and will not solve future network capacity problems.

**Applicability of Sec. 315 BGB:** In a fundamental ruling on the applicability of Sec. 315 German Civil Code (BGB), the Federal Court of Justice decided that in the context of general prices for basic supply the courts are allowed to check price increases in the gas sector for reasonableness. Price increases are, however, already deemed to be reasonable if the local supplier can prove that it is only passing on the increased procurement costs to the customer. In this case, the provider does not have to prove that the whole gas price ("base price" when concluding the contract) or past increases are or were reasonable. Proof that the whole gas price ("base price" when concluding the contract and past price increases) was reasonable does not have to be provided unless a customer has expressly objected to the price increases in the past. This means that a customer can no longer demand that past price increases be tested for reasonableness after the event.

**European energy policy:** The energy package presented by the European Commission on January 10, 2007 is entitled “Energy policy for Europe”. It contains more precise ideas about the future direction of European energy policy, but does not contain any legislative proposals. An important part of these papers is the final report on the sector survey of the energy market. In this report, the Commission is highly critical of the way competition works. One main reason cited is the continuing vertical integration of the energy supply companies. However, the sector survey refers to a period of time in which the measures encouraged by the acceleration directives for electricity and gas had not yet been implemented in most EU countries, including Germany. In the meantime, appropriate measures have been implemented in Germany by the amended energy law.

The Commission favours ownership unbundling as a way of shaping the future of the European energy market. It is also calling for more powers and greater independence for the national regulators. At European level, the question of responsibility for regulation of cross-border electricity flows is under discussion.

The Commission has defined targets for the year 2020: By then, CO<sub>2</sub> emissions should be reduced by at least 20%. At the same time, the share of renewable energies should be increased to 20% of the total energy supply and energy efficiency raised by 20%. The German energy industry could benefit from the objective way nuclear power has been analysed.

The European state and government heads supported the targets proposed by the Commission at their meeting on March 8 and 9, 2007. On June 6, the energy minister did not approve a sole focus on ownership unbundling and demanded suggestions for alternative courses of action. The Commission is expected to submit its third package of liberalisation measures in the autumn.

### Regulation of the electricity and gas markets

**Incentive regulation:** Pursuant to the Energy Industry Act, the principle of cost regulation underlying the decisions on network user charges is to be replaced by an incentive-based system of regulation.

According to the bill submitted by the Federal Ministry of Economics and Technology on April 5, 2007, the incentive regulation will take effect on January 1, 2009.

The planned incentive-based system of regulation contains incentives to improve efficiency, for example by capping revenues from network user charges for the duration of the regulatory period.

Using cost benchmarking, the individual network operators will also be given individual efficiency targets for their company based on the figures of the most efficient network operator. The federal cabinet resolution of June 13, 2007 contains some positive changes compared to the first draft of the decree from the Federal Economics Ministry; some questions, however, remain unanswered.

The upper house of the German parliament has yet to give its approval, and to what extent it will make changes is not known. Some of the German states still have serious reservations. Final enactment is expected in autumn 2007.

**Cooperation agreement in the gas industry:** The revised cooperation agreement of the gas industry that regulates grid access has been in force since June 1, 2007. From the coming gas business year onwards, only the two-contract model is allowed, i.e. grid access is via a feed-in and take-off agreement. Besides the prompt implementation of the cooperation agreement by the grid operators, the decisive factor in the development of competition in the gas market is a small number of market territories within which transmission is processed independent of the transmission channel. Whether the prerequisites for a further reduction in the number of market territories have been met is currently being examined.

# Company situation of the EnBW group

## Revenue and unit sales

In the first half year of 2007, the EnBW group recorded external revenue before deducting electricity and natural gas tax of € 7,891.7 million, 10.6% more than in the first half year of 2006. External sales after deducting electricity and natural gas tax increased by 14.9% to € 7,377.5 million.

Revenue increased above all in the electricity and energy and environmental services segments. Adjusted to eliminate changes in the consolidated group, revenue rose by € 549.4 million or 8.0%.

**Electricity:** The electricity segment generated roughly 78% of the revenue of the EnBW group from January to June 2007.

Unit sales of electricity rose by 19.2% in the first six months of 2007. Adjusted for changes in the consolidated group, unit sales of electricity rose by 16.0%. The increase in electricity sales primarily stems from trading.

Revenue rose by 24.6% to € 5,740.1 million. Adjusted to eliminate consolidation effects, electricity revenue increased by € 913.8 million or 18.9%. The increase in revenue is mainly due to higher unit sales.

**Gas:** In the first six months of 2007, the gas segment accounted for 17.7% of the revenue of the EnBW group.

Unit sales of gas dropped from January to June 2007 by 19.7% to 40.0 billion kWh. Adjusted for changes in the consolidated group, unit sales decreased by 25.2%. The reason for the drop in unit sales was the mild winter.

Due to the drop in unit sales of gas, gas revenue decreased by 17.6% to € 1,305.8 million. Adjusted to eliminate changes in the consolidated group, gas revenue fell by € 393.7 million or 23.2%.

### Energy and environmental services:

Revenue in the energy and environmental services segment comprises sales revenue from disposal, water supply, and other energy services and totals € 331.6 million. This represents an increase of 44.4% compared to the first half of 2006. Adjusted to eliminate changes in the consolidated group, revenue rose by € 29.3 million or 9.7%.

## Earnings and business development

The EBIT (Earnings before Interest and Taxes) exceeded the € 1 billion threshold as of the end of the first half year. Compared to the first half of 2006, the EBIT climbed by € 31.9 million to € 1,024.9 million. The adjusted EBIT rose by € 43.7 million to € 908.4 million. The increase in adjusted EBIT is due above all to the improved result in the electricity segment and the enlargement of the consolidated group.

The EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) rose by 5.4% or € 72.1 million compared to the first six months of 2006.

Adjusted for consolidation effects, the EBITDA rose by 0.8% or € 11.6 million. The adjusted EBIT rose by € 83.6 million to € 1,281.8 million. After eliminating consolidation effects, the adjusted EBITDA rose by 1.9% or € 23.8 million.

In the electricity segment, the EBITDA went up by 8.5% or € 95.0 million compared to the first six months of 2006. The adjusted EBITDA rose by 10.4% or € 103.9 million to € 1,099.2 million. The increase in EBITDA is due above all to higher margins on the generation of electricity, the valuation of derivatives at market value and the enlargement of the consolidated group. The result was burdened by the reduction of network user charges imposed by the Federal Network Agency.

In the gas segment, the EBITDA dropped by 32.8% to € 144.4 million compared to the period January to June 2006. The adjusted EBITDA in the gas segment fell by 32.1% or € 67.3 million to € 142.1 million. The main reasons for the drop in adjusted EBITDA are the drop in unit sales of gas and the reduction of network user charges imposed by the Federal Network Agency.

The EBITDA in the energy and environmental services segment rose by 93.4% to € 119.9 million compared to the first half of 2006. The adjusted EBITDA in the energy and environmental services segment increased by 104.5% or € 57.7 million to € 112.9 million. This is due to the enlargement of the consolidation group and improved operating performance.

**External revenue of the EnBW group  
by segment in € millions<sup>1,2</sup>**

	1/1 – 6/30/2007	1/1 – 6/30/2006	Variance %	1/1 – 12/31/2006
Electricity	5,740.1	4,606.1	+24.6	9,642.3
Gas	1,305.8	1,585.2	-17.6	2,757.9
Energy and environmental services	331.6	229.7	+44.4	592.6
<b>Total</b>	<b>7,377.5</b>	<b>6,421.0</b>	<b>+14.9</b>	<b>12,992.8</b>

<sup>1</sup> After deducting electricity and natural gas tax

<sup>2</sup> The figures of the comparative periods have been adjusted.

**Unit sales of the EnBW group  
in billions of kWh**

	1/1 – 6/30/2007	1/1 – 6/30/2006	Variance %	1/1 – 12/31/2006
Electricity	69.4	58.2	+19.2	119.4
Gas	40.0	49.8	-19.7	83.5

**EBITDA of the EnBW group  
by business segment in € millions<sup>1</sup>**

	1/1 – 6/30/2007	1/1 – 6/30/2006	Variance %	1/1 – 12/31/2006
Electricity	1,207.0	1,112.0	+8.5	2,032.8
Gas	144.4	214.8	-32.8	309.5
Energy and environmental services	119.9	62.0	+93.4	48.5
Other activities/Holding	-72.4	-62.0	–	-117.0
<b>Total</b>	<b>1,398.9</b>	<b>1,326.8</b>	<b>+5.4</b>	<b>2,273.8</b>

<sup>1</sup> The figures of the comparative periods have been adjusted.

EnBW invests both in biomass fermentation and the expansion of fuel cell technology.



**EBIT of the EnBW group  
by business segment in € millions<sup>1</sup>**

	1/1 – 6/30/2007	1/1 – 6/30/2006	Variance %	1/1 – 12/31/2006
Electricity	929.7	858.8	+8.3	1,473.0
Gas	98.8	174.7	-43.4	223.3
Energy and environmental services	69.0	21.7	+218.0	-128.1
Other activities/Holding	-72.6	-62.2	–	-117.0
<b>Total</b>	<b>1,024.9</b>	<b>993.0</b>	<b>+3.2</b>	<b>1,451.2</b>

<sup>1</sup> The figures of the comparative periods have been adjusted.

**Earnings ratios of the EnBW group  
in € millions<sup>1</sup>**

	1/1 – 6/30/2007	1/1 – 6/30/2006	Variance %	1/1 – 12/31/2006
EBITDA	1,398.9	1,326.8	+5.4	2,273.8
EBIT	1,024.9	993.0	+3.2	1,451.2
EBT	986.7	957.3	+3.1	1,191.7
Earnings after tax	737.6	644.2	+14.5	1,116.3
Minority interests	-52.9	-65.2	–	-119.7
Result of continuing operations	684.7	579.0	+18.3	996.6
Result of discontinued operations	55.5	6.2	–	6.8
<b>Group net profit</b>	<b>740.2</b>	<b>585.2</b>	<b>+26.5</b>	<b>1,003.4</b>

<sup>1</sup> The figures of the comparative periods have been adjusted.

**Non-operating result  
of the EnBW group in € millions<sup>1</sup>**

	1/1 – 6/30/2007	1/1 – 6/30/2006	Variance %	1/1 – 12/31/2006
Non-operating EBITDA	117.1	128.6	-8.9	96.6
Non-operating EBIT	116.5	128.3	-9.2	0.3
Non-operating EBT	164.6	155.2	+6.1	0.8

<sup>1</sup> The figures of the comparative periods have been adjusted.

**Adjusted earnings of the EnBW group  
in € millions<sup>1</sup>**

	1/1 – 6/30/2007	1/1 – 6/30/2006	Variance %	1/1 – 12/31/2006
Adjusted EBITDA	1,281.8	1,198.2	+7.0	2,177.2
Adjusted EBIT	908.4	864.7	+5.1	1,450.9
Adjusted EBT	822.1	802.1	+2.5	1,190.9

<sup>1</sup> The figures of the comparative periods have been adjusted.



Compared with the first half of 2006, the EBIT increased by € 31.9 million to € 1,024.9 million. Adjusted to eliminate consolidation effects, the EBIT dropped by 0.4% or € 3.8 million. The adjusted EBIT rose by 5.1% or € 43.7 million to € 908.4 million. Adjusted to eliminate consolidation effects, the adjusted EBIT went up by 1.0% or € 8.7 million.

Compared with the first six months of 2006, the EBT (Earnings Before Taxes) improved by € 29.4 million to € 986.7 million. Adjusted to eliminate changes in the consolidated group, the EBT rose by € 0.7 million or 0.1%. The adjusted EBT rose by 2.5% or € 20.0 million to € 822.1 million. After eliminating changes in the consolidated group, the adjusted EBT fell by 1.0% or € 8.0 million.

After deducting income taxes of € 249.1 million and minority interests of € 52.9 million, the result of continuing operations for the first half of 2007 comes to € 684.7 million. The result of discontinued operations amounts to € 55.5 million. Group net profit increased by 26.5% to € 740.2 million. Adjusted to eliminate changes in the consolidated group, group net profit rose by 24.1% or € 143.7 million.

## Non-operating result

The non-operating result of the EnBW group comprises extraordinary income and expenses. The positive non-operating result is due above all to the reversal of provisions.

From the fiscal year 2007 onwards, results relating to other periods are no longer disclosed in the non-operating result. The comparative figures have been adjusted accordingly.

Non-operating results included in the earnings ratios EBITDA, EBIT and EBT have been deducted from the earnings ratios adjusted EBITDA, adjusted EBIT and adjusted EBT.

By investing billions, EnBW will continue to secure the supply of energy in Baden-Württemberg, reinforcing its market position as a major energy producer. EnBW has decided to build a state-of-the-art hard coal unit at the Karlsruhe location.



## Capital expenditures, acquisitions and divestitures

Capital expenditures in the first six months of 2007 amounted to € 326.7 million. This is € 145.2 million or 80.0% up on the first six months of 2006.

Some 68% of capital expenditures was made in the electricity segment. Spending here focused on the expansion of the power stations and distribution plants.

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

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

## Financing

In the reporting period, the bank and lease liabilities were repaid as scheduled. The Commercial Paper programme that had been established was used for short-term financing.

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

The first tranche with a volume of € 1 billion was prolonged by another year until May 2008. € 1,442 billion of the second tranche was also prolonged for a further year until May 2012; the remaining € 58 million is still available until May 2010. The entire syndicated line of credit remained unused in the reporting period.

## Composition of the balance sheet of the EnBW group

Compared with December 31, 2006, the total net assets of the group decreased by € 788.1 million or 2.8%.

The non-current liabilities – accounting for 79% of total net assets – decreased by 0.6% to € 21,566.9 million.

Current assets decreased by 9.7% to € 5,807.5 million.

Non-current assets held for sale and assets of discontinued operations fell to € 9.8 million

The equity ratio in the group, including minority interests, rose from 15.9% (as of December 31, 2006; adjusted) to 18.1%. The positive result was the main reason for the increase.

The non-current liabilities of the EnBW group dropped by 0.6% to € 16,770.5 million. They comprise non-current provisions, deferred tax liabilities and non-current liabilities.

Current liabilities decreased by 16.8% to € 5,592.0 million.

The liabilities of discontinued operations fell to € 76.2 million.

## Cash flow statement

Compared to the first six months of 2006, the cash flow from operating activities increased by € 286.5 million to € 691.2 million.

The cash flow from investing activities fell from € -40.3 million to € -139.1 million. While on the one hand capital expenditures on intangible assets and property, plant and equipment rose significantly, on the other the balance of cash received and cash paid in connection with the sale and purchase of group companies also rose.

The cash flow from financing activities fell by € 545.9 million on the prior-year period to € -1,117.3 million. The reason for this was the higher repayment of financial liabilities.

The increase in free cash flow by € 97.9 million to € 411.5 million is attributable to a significant increase in cash flow from operating activities. The higher spending on intangible assets and property, plant and equipment had the opposite effect.

**Capital expenditures of the EnBW group  
on intangible assets and property,  
plant and equipment by business segment  
in € millions**

	1/1 – 6/30/2007	1/1 – 6/30/2006	Variance %	1/1 – 12/31/2006
Electricity	223.7	122.4	+82.8	403.4
Gas	27.8	16.0	+73.8	71.4
Energy and environmental services	75.2	43.1	+74.5	155.3
<b>Total</b>	<b>326.7</b>	<b>181.5</b>	<b>+80.0</b>	<b>630.1</b>

**Cash flow statement  
in € millions<sup>1</sup>**

	1/1 – 6/30/2007	1/1 – 6/30/2006	Variance %	1/1 – 12/31/2006
Cash flow from operating activities	691.2	404.7	+70.8	1,466.6
Cash flow from investing activities	-139.1	-40.3	–	-560.4
Cash flow from financing activities	-1,117.3	-571.4	–	-399.0
Net change in cash and cash equivalents	-565.2	-207.0	–	507.2
Exchange rate changes in cash and cash equivalents	-6.9	0.2	–	-1.3
<b>Changes in cash and cash equivalents</b>	<b>-572.1</b>	<b>-206.8</b>	<b>–</b>	<b>505.9</b>

<sup>1</sup> The figures of the comparative period have been adjusted.

**Free cash flow  
in € millions**

	1/1 – 6/30/2007	1/1 – 6/30/2006	Variance %	1/1 – 12/31/2006
Cash flow from operating activities	691.2	404.7	+70.8	1,466.6
Capital expenditures on intangible assets and property, plant and equipment	-326.7	-181.5	–	-630.1
Cash received from the sale of intangible assets and property, plant and equipment	10.5	57.6	-81.8	105.2
Cash received from construction cost and investment subsidies	36.5	32.8	+11.3	85.4
<b>Free cash flow</b>	<b>411.5</b>	<b>313.6</b>	<b>+31.2</b>	<b>1,027.1</b>

## Net financial debt

Net financial debt dropped by € 146.6 million to € 3,446.2 million in the first half of 2007.

Net financial debt in € millions	6/30/2007	12/31/2006	Variance %
Cash <sup>1</sup>	867.5	1,367.7	-36.6
Short-term investments <sup>1</sup>	150.8	149.6	+0.8
<b>Cash and cash equivalents<sup>1</sup></b>	<b>1,018.3</b>	<b>1,517.3</b>	<b>-32.9</b>
Bonds <sup>2</sup>	2,793.7	3,258.1	-14.3
Liabilities to banks	847.7	853.9	-0.7
Other financial liabilities	823.1	998.1	-17.5
<b>Financial liabilities<sup>2</sup></b>	<b>4,464.5</b>	<b>5,110.1</b>	<b>-12.6</b>
<b>Net financial debt</b>	<b>3,446.2</b>	<b>3,592.8</b>	<b>-4.1</b>

<sup>1</sup> Without cash and cash equivalents of the special purpose funds

<sup>2</sup> Adjusted for valuation effects from interest-induced hedging transactions

## Employees

Employees by business segment group <sup>1, 2</sup>	6/30/2007	12/31/2006	Variance %
Electricity	11,605	11,754	-1.3
Gas	868	827	+5.0
Energy and environmental services	7,103	6,734	+5.5
Holding	558	547	+2.0
<b>Continuing operations</b>	<b>20,134</b>	<b>19,862</b>	<b>+1.4</b>
Discontinued operations	0	1,286	-
<b>Total</b>	<b>20,134</b>	<b>21,148</b>	<b>-4.8</b>
<b>Number of full-time equivalents</b>	<b>19,293</b>	<b>20,282</b>	<b>-4.9</b>

<sup>1</sup> The figures of the comparative period have been adjusted.

<sup>2</sup> Number of employees without apprentices/trainees and without inactive employees

## Employees

As of June 30, 2007, the EnBW group had 20,134 employees, that is 1,014 or 4.8% fewer than as of December 31, 2006. The main reason for this is the deconsolidation of the U-plus group in the discontinued operations segment. Adjusted for the deconsolidation effect, the number of employees rose by 1.4%. In the gas segment, the headcount rose, mainly due to the full consolidation of Erdgas Südwest GmbH. The increase in the energy and environmental services segment is essentially due to the changed allocation of employees from the electricity segment.

Mid-year 2007, the ratio of trainees to total workforce in the core companies of EnBW in Baden-Württemberg was 6.5%; it thus remains considerably higher than what would be needed to cover the company's own needs. We expect this ratio to rise to around 8% due to the new hires planned for autumn 2007, thus again matching the prior-year level.

Personnel expenses for continuing operations rose in the period from January to June 2007 compared to the prior-year period by € 75.4 million or 11.9% to € 710.2 million (prior year: € 634.8 million). The main reasons for this were changes in the consolidated group, as well as one-off effects, the recruitment of new employees, the end of reduced working hours and the collectively bargained pay rise as of March 1, 2007.



Our electricity generation mix must be structured in such a way that it will remain compatible with different social, economic, ecological and operational requirements in the future. The foremost concerns in this regard are always supply reliability, economic viability and environmental compatibility.







Around 16% of the electricity we supply stems from renewable energies. With a high share of energy generated from hydropower, we make an effective contribution towards climate protection.



EnBW also supports the use of solar technology, for example with the project "Energy-efficient school".



## Risk report

Continuing our reporting in the 2006 annual report, we report as of June 30, 2007 on significant changes in risks which could have a material impact on the net assets, financial position and results of operations of the EnBW group. As of the reporting date, we are not aware of any risks which could jeopardise the continuing existence of the company as a going concern. Our business activities, of course, also offer opportunities; these are presented in the section entitled "Outlook".

### Overall economic risks

**CO<sub>2</sub> allocation/NAP II:** On June 22, 2007, the lower house of the German parliament passed the 2012 Allocation Act which regulates the CO<sub>2</sub> quantities stipulated by the National Allocation Plan (NAP II). The upper trading limit of the German NAP II – as required by the EU Commission – stands at 453 million t CO<sub>2</sub> p. a. The auctioning of 40 million tonnes of the trading quantity instead of the previous practice of distributing them for free, an issue that was hotly debated until the very end, has been incorporated in the allocation act. However, while industry only has to buy 1.25% of the allowances it needs, for energy companies the allocation gap is around 40%. This gap has to be closed on the external market for allowances which involves higher costs.

### Industry risks

**Mandatory grid connection for offshore wind turbines:** The Infrastructure Planning Acceleration Act (InPBeschlG) resulted in an amendment of the Energy Industry Act (EnWG). Operators of transmission networks within whose balancing zone offshore wind turbines are to be connected to the grid are required by the new Sec. 17 (2a) of this act to erect and operate lines from the transformer substation of the offshore plants to the technically and economically most favourable point of common coupling of the next transmission or distribution network. The transmission system operator must bear the costs for connecting the offshore wind farm by means of subsea cables, starting their construction by December 31, 2011. The act prescribes that the costs incurred will be shared by all the transmission network operators throughout Germany. This will produce significant cost burdens for EnBW Transportnetze AG and, due to the regulatory requirements, is likely to lead to considerable fluctuations in earnings over the planning period.

**Renewable Energies Act (EEG):** When using renewable energies in accordance with the Renewable Energies Act, economic risks arise at various places along the value added chain of the electricity segment. This particularly affects the transmission network operators and the distribution companies. The latter have to purchase and pay for a quota of the energy delivered to customers as energy from a renewable source.

If the quota and average compensation rise unexpectedly, this increases costs because the legally prescribed payments for the various sources of energy are generally higher than the wholesale price. In the first half of 2007, our sales functions experienced unexpectedly high burdens from the use of renewable energies. It is highly probable that for the year as a whole the costs of energy from renewable energies will be considerably above budget and it will not be possible to pass these additional costs on to the market in their entirety.

The transmission network operators have to absorb the fluctuating supply of renewable energies and pass on an equivalent quantity as a continuous supply to the distribution. This "refinement" causes costs which can also burden earnings.

**Regulation of network user charges by the Federal Network Agency:** Due to the regulation of the network user charges for electricity and gas, the earnings of EnBW group will continue to be exposed to significant risks. These result from the cost review by the regulator scheduled to take place as of January 1, 2008 and also from the incentive-based system of regulation postponed until 2009.

Apart from electricity, EnBW also generates district heat, among other things from thermal waste treatment



#### Renegotiation of franchise agreements:

In the network territory of EnBW a large number of electricity franchises will have to be renegotiated in the next few years. As competition for the franchises offered for tender intensifies, there is a risk that we will lose franchise territories. The loss of income as a result will have a negative effect on earnings. EnBW Regional AG has successfully implemented various measures to prepare for the renegotiation of the franchise agreements.

#### Public utility companies file suits against the EU Commission about nuclear power provisions:

Various public utility companies are litigating against the European Commission with a view to having nuclear energy provisions for disposal and closure qualified as impermissible subsidies. After the European Court of the First Instance rejected the suit, the public utility companies filed an appeal against the ruling within the period allowed. After exchanging the pleadings, the hearing has been scheduled for September 20, 2007. A final decision of the European Court of Justice is expected for mid-2008.

#### Operating risks

**Technical and economic risks from mechanical-biological waste disposal plants:** After closure of the mechanical-biological waste disposal plants in Heilbronn and Buchen we are still exposed to various risks resulting from our contractual obligations. To reduce the risk, extensive risk provisioning was made in the balance sheet and operational measures were taken.

#### Subsequent events

The EnBW Supervisory Board appoints Hans-Peter Villis as CEO for a period of five years commencing October 1, 2007. Prof. Dr. Utz Claassen ends his term of office as CEO of EnBW on September 30, 2007. Chief Operating Officer Pierre Lederer, who has been appointed member of the Board of Management until 2010, is appointed deputy chairman of the Board of Management of EnBW effective October 1, 2007. The Supervisory Board also reappoints Chief Human Resources Officer Dr. Bernhard Beck as a regular member of the Board of Management for a further five years from October 1, 2007. Chief Financial Officer Dr. Christian Holzherr is reappointed as a regular member of the Board of Management for a further three years, effective January 1, 2008.

On July 6, 2007, the upper house of the German parliament passed the 2008 corporate tax reform act. The effects for the EnBW group are described in the "Outlook" section.

## Outlook

The "Outlook" section covers the anticipated development of the group until the end of the year. The developments presented below may also offer opportunities for EnBW. For a description of the risks, we refer to the risk report. The anticipated development of the fiscal year 2008 is elaborated in the management report for the fiscal year 2006.

The prerequisite for the forecasts we publish on the development of our company and the environment we work in actually occurring is for the company to grow on the planned scale due to external and organic factors. The basis for this is a positive development in the financial position, net assets and earnings ratios on the forecast scale, i.e. among other things, an improvement in the operating performance and a corresponding development of the economic and political conditions relating to the energy industry. However, there is a risk that other currently not foreseeable factors could have a negative influence on earnings.

**Market situation:** The further development of the electricity prices on the forward market for electricity is still uncertain as electricity prices are still heavily affected by price fluctuations on the fuel and CO<sub>2</sub> markets.

The development of the price of hard coal for deliveries to the ARA ports in the next few months will depend on if and when the high freight prices, which have a major impact on the price of ARA coal, return to a lower level. What is more, the development of demand above all in Asia will continue to have a significant influence on price developments on the world market for hard coal.

As regards crude oil, current developments on the supply and demand side suggest that the market situation will remain tense. The reasons for this are the tight petrol market in the United States of America in connection with the ever-growing demand and potential production losses due to tropical storms in the Gulf of Mexico, continuing geopolitical uncertainty in Iran, Nigeria and Venezuela and low capacity reserves in the global oil production.

With oil prices rising again, the cross-border price for natural gas is also expected to rise in the second half of the year. Initially, the surplus supply of natural gas for delivery will probably continue. Depending on the weather, the spot market prices for natural gas will presumably not rise to the figure typical for the time of year until the fourth quarter. In the long term, the oil price will continue to be the dominating factor influencing the price of gas.

With the combination of gas market territories by October and the introduction of trading for gas on the European Energy Exchange EEX in Leipzig as of July 1, 2007, the conditions for gas trading in Germany are about to change. For EnBW, these changes open up new opportunities and scope for action.

In the first trading period on the CO<sub>2</sub> market 2005 - 2007, neither a large turnover nor substantial price changes are to be expected. The price development for emission allowances for the second trading period 2008 - 2012, on the other hand, is difficult to foresee. Due in particular to the high degree of uncertainty surrounding the number of certified emission reductions (CER) coming onto the market, it can be assumed that prices will remain highly volatile.

**Anticipated development of acquisitions and divestitures:** Any other opportunities for acquisitions in Germany or in central and eastern Europe that may arise in the second half of the year which can lead to further increases in the key financial indicators of the EnBW group are subject to a high degree of uncertainty. The forecast below is therefore restricted to the development of the operational earnings power of the existing EnBW group.

**Anticipated development of earnings<sup>1</sup>:** In the electricity segment, we aim to improve the level of earnings slightly on the prior year. Having completed the last stage of our TOP FIT cost-cutting programme in 2006, we are confident for the second half of the year that supplementary continuous improvement programmes, a focus on profitable customer segments when concluding new contracts and an improved generating position will help to offset the negative impact the market valuation of derivatives looks set to bring about and also the negative influences on profits arising from the notices of the regulatory authorities.

In the gas segment, we expect regulatory activities to cause a moderate drop in profits in the second half of the year.

<sup>1</sup> Adjusted for changes in the consolidated companies

With regard to the energy and environmental services segment, we expect water activities to secure a continuous increase in earnings in the second half of the year as well. Due to the commissioning of a further two waste incineration boilers of EnBW at the Stuttgart-Münster location, we project an increased result in the thermal disposal segment of our power plant subsidiary EnBW Kraftwerke AG in the second half of the year.

**Corporate tax reform 2008:** On July 6, 2007, the upper house of the German parliament enacted the 2008 corporate tax reform act. As a result, the tax rate for the calculation of deferred taxes has already been lowered from 38.0% to 29.0% for the fiscal year 2007. In the second half of 2007, this leads to non-recurring tax income of around € 400 million.

**Development of earnings 2007 (adjusted EBIT)  
in a year-on-year comparison**

Electricity segment including trading	rising slightly
Gas segment	falling
Energy and environmental services segment	rising
Consolidation (Stadtwerke Düsseldorf AG – January to March; Erdgas Südwest, U-plus)	rising
<b>Adjusted EBIT, group</b>	<b>rising</b>

**Dividends:** On April 26, 2007 the annual general meeting approved a dividend of € 1.14 per share for the fiscal year 2006, which was paid out on April 27, 2007. We aim to continue the upward trend for the fiscal year 2007. The condition for this is a positive development in earnings ratios on the planned scale, i.e. improvement in the operating performance, a corresponding development of the economic and political conditions relating to the energy industry and of prices for retail and industry customers. However, there is also a risk that operating problems as well as other currently unforeseeable factors could have a negative influence on earnings.

**Capital expenditures:** Capital expenditures on property, plant and equipment of € 3.2 billion are planned for the period from 2007 - 2009. The prerequisite for the capital expenditures to be realised is that they are economically viable and also approved by the proper authorities. Approximately 70% of the capital expenditures is accounted for by the electricity segment, while 10% is earmarked for the gas segment. The rest is principally allocated to the energy and environmental services segment.

Capital expenditures in the electricity segment focus on renewal of the distribution grids, restructuring of the extra high voltage networks (380 kV and 220 kV) and the replacement of power station capacities in Baden-Württemberg, mainly by the construction of a hard coal power plant in Karlsruhe. EnBW is also investing in renewable energies, focusing on the run-of-the-river power plant in Rheinfelden and biomass power plants. In order to bundle our activities in Stuttgart, we have started building a new office complex.

**Financing:** the syndicated line of credit of € 2.5 billion that was prolonged as planned in May 2007 is available to EnBW for the pending refinancing measures together with the existing Euro Medium Term Note programme and the Commercial Paper programme.

Based on the current stable A- rating, EnBW will remain in a position to refinance its debts at favourable terms on the capital markets and make use of any opportunities that arise.

EnBW supports geothermal pilot project power stations in order to make this continually available renewable energy economically viable.



# Interim financial statements of the EnBW group January to June 2007

Income statement  
Balance sheet  
Cash flow statement  
Statement of changes in equity  
Notes and explanations

For EnBW, expanding the use of renewable energies in an economically feasible manner and raising energy efficiency are the most pressing issues.





# Income statement of the EnBW group

€ millions <sup>1</sup>	4/1 – 6/30/2007	4/1 – 6/30/2006	1/1 – 6/30/2007	1/1 – 6/30/2006
Revenue	3,538.7	3,020.1	7,891.7	7,134.1
Electricity and natural gas tax	-217.4	-327.9	-514.2	-713.1
<b>Revenue without electricity and natural gas tax</b>	<b>3,321.3</b>	<b>2,692.2</b>	<b>7,377.5</b>	<b>6,421.0</b>
Changes in inventories	10.8	3.5	11.0	9.0
Own work capitalised	15.1	11.8	22.3	17.5
Other operating income	257.7	255.5	457.4	451.0
Cost of materials	-2,487.5	-1,743.5	-5,365.8	-4,453.6
Personnel expenses	-368.0	-344.0	-710.2	-634.8
Amortisation and depreciation	-185.3	-176.8	-374.0	-333.8
Other operating expenses	-169.1	-240.1	-393.3	-483.3
<b>Result from operating activities</b>	<b>395.0</b>	<b>458.6</b>	<b>1,024.9</b>	<b>993.0</b>
Financial result <sup>2</sup>	36.2	-19.3	-38.2	-35.7
<b>Earnings before tax</b>	<b>431.2</b>	<b>439.3</b>	<b>986.7</b>	<b>957.3</b>
Income taxes	-82.0	-149.3	-249.1	-313.1
<b>Earnings after tax</b>	<b>349.2</b>	<b>290.0</b>	<b>737.6</b>	<b>644.2</b>
Minority interests	-24.1	-23.0	-52.9	-65.2
<b>Result of continuing operations</b>	<b>325.1</b>	<b>267.0</b>	<b>684.7</b>	<b>579.0</b>
Result of discontinued operations	51.0	-2.2	55.5	6.2
<b>Group net profit</b>	<b>376.1</b>	<b>264.8</b>	<b>740.2</b>	<b>585.2</b>
<b>Shares outstanding (million), weighted average</b>	<b>244.257</b>	<b>244.257</b>	<b>244.257</b>	<b>244.207</b>
<b>Earnings per share from continuing operations (€)<sup>3</sup></b>	<b>1.33</b>	<b>1.09</b>	<b>2.80</b>	<b>2.37</b>
<b>Earnings per share from group net profit (€)<sup>3</sup></b>	<b>1.54</b>	<b>1.08</b>	<b>3.03</b>	<b>2.40</b>

<sup>1</sup> The figures of the comparative periods have been adjusted.

<sup>2</sup> Of which result from entities accounted for using the equity method:

4/1 – 6/30/2007: € 54.0 million (comparative period: € 48.8 million),

1/1 – 6/30/2007: € 96.4 million (comparative period: € 87.9 million),

of which finance costs:

4/1 – 6/30/2007: € 71.4 million (comparative period: € 63.7 million),

1/1 – 6/30/2007: € 140.8 million (comparative period: € 131.4 million)

<sup>3</sup> Basic and diluted

# Balance sheet of the EnBW group

€ millions <sup>1</sup>	6/30/2007	12/31/2006
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	1,781.4	1,772.1
Property, plant and equipment	11,285.5	11,336.1
Entities accounted for using the equity method	1,483.0	1,494.5
Other financial assets	6,077.4	6,208.9
Investment properties	117.9	115.1
Income tax refund claims	262.5	256.6
Other non-current assets	516.4	482.8
Deferred taxes	42.8	38.9
	<b>21,566.9</b>	<b>21,705.0</b>
<b>Current assets</b>		
Inventories	708.3	612.3
Financial assets	428.8	274.0
Trade receivables	1,870.2	2,245.7
Income tax refund claims	237.7	186.0
Other current assets	1,202.3	1,178.5
Cash and cash equivalents	1,360.2	1,932.3
	<b>5,807.5</b>	<b>6,428.8</b>
<b>Non-current assets held for sale and assets of discontinued operations</b>	9.8	38.5
	<b>5,817.3</b>	<b>6,467.3</b>
	<b>27,384.2</b>	<b>28,172.3</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
<b>Group shares</b>		
Subscribed capital	640.0	640.0
Capital reserve	22.2	22.2
Revenue reserves	3,150.7	2,689.1
Revaluation reserve in accordance with IFRS 3	17.8	7.3
Treasury shares	-204.1	-204.1
Total net income recognised in equity	434.6	395.4
	<b>4,061.2</b>	<b>3,549.9</b>
<b>Minority interests</b>	884.3	929.5
	<b>4,945.5</b>	<b>4,479.4</b>
<b>Non-current liabilities</b>		
Provisions	8,872.9	8,865.8
Deferred taxes	2,043.5	1,995.8
Financial liabilities	3,681.9	3,883.8
Other liabilities and subsidies	2,172.2	2,126.0
	<b>16,770.5</b>	<b>16,871.4</b>
<b>Current liabilities</b>		
Provisions	1,108.4	1,306.3
Financial liabilities	759.9	1,226.3
Trade payables	1,667.7	2,164.6
Income tax liabilities	26.1	126.8
Other liabilities and subsidies	2,029.9	1,894.5
	<b>5,592.0</b>	<b>6,718.5</b>
<b>Liabilities of discontinued operations</b>	76.2	103.0
	<b>5,668.2</b>	<b>6,821.5</b>
	<b>27,384.2</b>	<b>28,172.3</b>

<sup>1</sup> The figures of the comparative period have been adjusted.

# Cash flow statement of the EnBW group

€ millions <sup>1</sup>	1/1 – 6/30/2007	1/1 – 6/30/2006
<b>1. Operating activities</b>		
EBITDA	1,398.9	1,326.8
EBITDA of discontinued operations	71.4	18.1
Change in non-current provisions	-157.4	-174.8
Gain/loss on disposal of non-current assets	-34.7	-12.5
Other non-cash expenses/income	-31.5	-37.4
<b>Funds from operations (FFO) before taxes and financing</b>	<b>1,246.7</b>	<b>1,120.2</b>
Change in working capital and current provisions	-113.4	-664.6
Income taxes paid	-442.1	-50.9
<b>Cash flow from operating activities</b>	<b>691.2</b>	<b>404.7</b>
of which discontinued operations	[-8.8]	[-8.7]
<b>2. Investing activities</b>		
Capital expenditures on intangible assets and property, plant and equipment	-326.7	-181.5
Cash received from disposals of intangible assets and property, plant and equipment	10.5	57.6
Cash received from construction cost and investment subsidies	36.5	32.8
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method	73.6	5.5
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method	-183.0	-296.6
Cash paid for investments in other financial assets	-121.8	-98.8
Cash received from the sale of other financial assets	118.2	198.7
Cash received/paid for investments in connection with short-term finance planning	-16.5	18.6
Interest and dividends received	270.1	223.4
<b>Cash flow from investing activities</b>	<b>-139.1</b>	<b>-40.3</b>
of which discontinued operations	[72.4]	[4.2]
<b>3. Financing activities</b>		
Interest paid	-258.4	-222.6
Dividends paid	-316.3	-248.4
Cash received from the sale of treasury shares	0.0	14.4
Borrowing	963.7	12.7
Repayment of financial liabilities	-1,501.2	-122.1
Capital reduction	-5.1	-5.4
<b>Cash flow from financing activities</b>	<b>-1,117.3</b>	<b>-571.4</b>
of which discontinued operations	[2.6]	[3.3]
<b>Net change in cash and cash equivalents</b>	<b>-565.2</b>	<b>-207.0</b>
Net foreign exchange difference	-6.9	0.2
<b>Changes in cash and cash equivalents</b>	<b>-572.1</b>	<b>-206.8</b>
Cash and cash equivalents at the beginning of the period	1,932.3	1,426.4
<b>Cash and cash equivalents at the end of the period</b>	<b>1,360.2</b>	<b>1,219.6</b>

<sup>1</sup> The figures of the comparative period have been adjusted.

# Statement of changes in equity of the EnBW group

€ millions <sup>1</sup>	Group shares	Minority interests	Total
<b>As of December 31, 2005</b>	<b>2,420.6</b>	<b>647.1</b>	<b>3,067.7</b>
Change in accounting policy	77.9	0.0	77.9
<b>As of December 31, 2005 after change in accounting policy</b>	<b>2,498.5</b>	<b>647.1</b>	<b>3,145.6</b>
Sale of treasury shares	14.4	0.0	14.4
Dividends paid	-214.9	-33.5	-248.4
Total net income/expense recognised in equity/Other	-50.1	174.7	124.6
Earnings after tax	579.0	65.2	644.2
Result of discontinued operations	6.2	-0.2	6.0
<b>As of June 30, 2006</b>	<b>2,833.1</b>	<b>853.3</b>	<b>3,686.4</b>
 <b>As of December 31, 2006</b>	 <b>3,472.0</b>	 <b>929.5</b>	 <b>4,401.5</b>
Change in accounting policy	77.9	0.0	77.9
<b>As of December 31, 2006 after change in accounting policy</b>	<b>3,549.9</b>	<b>929.5</b>	<b>4,479.4</b>
Dividends paid	-278.5	-37.8	-316.3
Total net income/expense recognised in equity/Other	49.6	-60.3	-10.7
Earnings after tax	684.7	52.9	737.6
Result of discontinued operations	55.5	0.0	55.5
<b>As of June 30, 2007</b>	<b>4,061.2</b>	<b>884.3</b>	<b>4,945.5</b>

<sup>1</sup> The figures of the comparative period have been adjusted.

# Notes and explanations

## Accounting policies

The interim 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. In addition, the related interpretations (IFRIC/SIC) are observed. Standards and interpretations that have not yet come into force are not adopted.

The accounting policies applied for the interim consolidated financial statements as of June 30, 2007 are the same as those for the consolidated financial statements as of December 31, 2006 with the exception of the following new policies or changes.

In compliance with IAS 34, the reporting scope selected for the presentation of the interim consolidated financial statements of EnBW AG as of June 30, 2007 was condensed compared to that of the separate financial statements.

Besides the balance sheet and the income statement, the financial statements also include a cash flow statement and a condensed statement of changes in equity. Information about segment revenues and the segment result before and after amortisation and depreciation is contained in the interim group management report.

## Changes in accounting policies

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have amended some standards and interpretations and issued new ones, the adoption of which is mandatory for the fiscal year 2007:

- > IAS 1 "Presentation of Financial Statements": The amendment of IAS 1 requires information to be disclosed in the financial statements that enables users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.
- > IFRS 7 "Financial Instruments: Disclosures": The changes due to this new standard are mainly intended to summarise, revise and extend the previous disclosure requirements for accounting for financial instruments.
- > IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies": This interpretation addresses questions relating to IAS 29 when hyperinflation is identified for the first time in the economy of the reporting entity's functional currency.

- > IFRIC 8 “Scope of IFRS 2”: In IFRIC 8 the IASB comments on the scope of IFRS 2 “Share-based Payment”, which is applicable for transactions under which an entity receives goods or services as compensation for a share-based payment.
- > IFRIC 9 “Reassessment of Embedded Derivatives”: IFRIC 9 addresses the question whether a contract needs to be analysed only when it is entered into or also reassessed during its entire term to determine whether it contains an embedded derivative that should be separated in accordance with IAS 39.
- > IFRIC 10 “Interim Financial Reporting and Impairment”: This interpretation deals with the treatment of impairments of goodwill pursuant to IAS 36 “Impairment of Assets” as well as of certain financial assets pursuant to IAS 39 “Financial Instruments: Recognition and Measurement” in interim financial statements in accordance with IAS 34 “Interim Financial Reporting”.

The first-time adoption of IFRS 7 “Financial Instruments: Disclosures” will lead to additional disclosures in the notes to the EnBW consolidated financial statements for the fiscal year 2007. The other standards and interpretations listed above did not have any significant effects on the EnBW consolidated financial statements.

### At-equity measurement of DREWAG Stadtwerke Dresden GmbH, Dresden

In the interim consolidated financial statements as of June 30, 2007, EnBW discloses DREWAG Stadtwerke Dresden GmbH (35.0% shareholding) under entities accounted for using the equity method; previously it had been accounted for under other equity investments.

We had not previously measured the company using the equity method because we were not supplied with IFRS financial statements of DREWAG Stadtwerke Dresden GmbH. For the six months ended June 30, 2007, we for the first time carried out measurement using the equity method based on an estimate of the HGB-IFRS differences.

The prior-year figures were adjusted retroactively. The effects on the consolidated financial statements are as follows:

<b>Balance sheet as of 12/31/2006</b>	<b>Change in € millions</b>
Goodwill	-38.3
Entities accounted for using the equity method	+166.9
Other financial assets	-50.7
Revenue reserves	+77.9
<b>Income statement 1/1 – 6/30/2006<sup>1</sup></b>	<b>Change in € millions</b>
Financial result	-8.7

<sup>1</sup> No effect 1/1 – 12/31/2006

In the first half of 2006, the measurement of DREWAG Stadtwerke Dresden GmbH at equity reduced the earnings per share from group net profit by € 0.03 to € 2.40 and as of December 31, 2006 increased the equity ratio from 15.7% to 15.9%.



## Effects of new accounting standards that are not yet mandatory

The following interpretation has already been published by the IASB and incorporated in EU legislation, but its adoption is not yet mandatory for 2007:

➤ IFRIC 11 “IFRS 2 Group and Treasury Share Transactions”:

The interpretation deals with the question of how IFRS 2 “Share-based Payment” applies to agreements on share-based payments which contain group or treasury shares. This interpretation is applicable for the first time for fiscal years beginning on or after March 1, 2007. First-time adoption of IFRIC 11 is not expected to have any material effect on the EnBW consolidated financial statements.

## Changes in presentation

To improve the presentation of results of operations, we made changes to the disclosures in the income statement in the first half of 2007. Income and expenses from the sale of equity investments are no longer recorded as other operating income or other operating expenses but as investment income in the financial result. The comparative figures have been adjusted as follows:

<b>Income statement</b>	<b>Variance</b>
<b>1/1 – 6/30/2006</b>	<b>in € millions</b>
Other operating income	-23.8
Financial result	+23.8

<sup>1</sup> Likewise 1/1 – 12/31/2006

## Non-current assets held for sale and assets of discontinued operations

In the first half of 2007, the U-plus group was sold to the waste disposal company ALBA AG, Berlin. In the income statement and cash flow statement, the U-plus group is disclosed as discontinued operation. The comparative figures have been adjusted in the income statement and cash flow statement.

The assets and liabilities disclosed net in the consolidated balance sheet break down as follows:

<b>€ millions</b>	<b>6/30/2007</b>	<b>12/31/2006</b>
Non-current assets held for sale	7.4	7.4
Assets of discontinued operations	2.4	31.1
	<b>9.8</b>	<b>38.5</b>
Liabilities of discontinued operations	76.2	103.0
	<b>76.2</b>	<b>103.0</b>

Non-current assets held for sale concern land and buildings. The assets and liabilities of discontinued operations as of June 30, 2007 mainly contain the winding up of operations that have already been sold.

The result of discontinued operations that is reported separately in the income statement breaks down as follows:

€ millions	1/1 – 6/30/2007	1/1 – 6/30/2006
<b>Income statement of discontinued operations</b>		
Revenue	97.2	108.7
Other income	27.5	12.9
Other expenses	-86.2	-125.6
Write-downs	-5.8	-7.3
Financial result	0.9	-2.0
Gain or loss from measurement at fair value and from the disposal of assets	32.9	22.1
Earnings before tax	66.5	8.8
Income taxes	-11.0	-2.8
Earnings after tax	55.5	6.0
Minority interests	0.0	0.2
Result of discontinued operations	55.5	6.2

In the reporting period, cash was received from the sale of fully consolidated companies of € 73.6 million (prior year: € 5.5 million).

### 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 review of their calculation.

Receivables, liabilities and provisions between the consolidated entities are netted. Inter-company 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 principles also apply to entities accounted for using the equity method. Goodwill is recognised in the carrying amount of the equity investment. Impairment losses on goodwill are disclosed in investment income. Negative differences are recognised in profit or loss via investment income.

## Changes in the consolidated group

### Full consolidation of Erdgas Südwest GmbH, Karlsruhe

Erdgas Südwest GmbH (ESW) was previously recorded in the consolidated financial statements as a proportionately consolidated entity (shareholding of 51.0%). Effective February 20, 2007, EnBW purchased a further share of 28.0% in ESW. The purchase price for that share was € 56.5 million. This brought EnBW's stake up to 79.0%. Because of the control gained over the entity as a result, ESW was fully consolidated.

The transition to full consolidation is treated as a business combination achieved in stages. Stage-by-stage comparison of the cost of the individual share purchases with the interest in the fair value gave rise to goodwill of € 40.7 million for the 28.0% share newly consolidated in 2007. The change in equity which is attributable to the former share of 51% totals € 3.0 million and has been recognised directly in equity. ESW contributed € 10.5 million to earnings after tax.

The fair values of the identifiable assets and liabilities of ESW were as follows as of the date of acquisition:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Intangible assets	0.6	0.6
Property, plant and equipment	206.2	215.7
Other financial assets	0.0	0.0
Other non-current assets	0.3	0.3
Current assets	173.9	173.9
<b>Total assets</b>	<b>381.0</b>	<b>390.5</b>
Non-current liabilities	121.4	125.0
Current liabilities	209.0	209.0
<b>Total liabilities</b>	<b>330.4</b>	<b>334.0</b>
Net assets <sup>1</sup>	50.6	56.5
EnBW's interest in net assets 28.0%		15.8
Purchase costs		56.5
Goodwill		40.7

<sup>1</sup> 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.

## Full consolidation of GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG, Dresden

To date, GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG (GSW) has been included in the consolidated financial statements as other equity investment (23.5% shareholding). Effective March 1, 2007, EnBW acquired the remaining 76.5% share in GSW. The purchase price for that share was € 30.5 million. This brought EnBW's stake up to 100%. Due to the control that resulted, GSW was consolidated in full.

The transition to full consolidation is treated as a business combination achieved in stages. Stage-by-stage comparison of the cost of the individual share purchases with the interest in the fair value gave rise to goodwill of € 8.9 million for the 76.5% share newly acquired in 2007. The change in equity which is attributable to the former share of 23.5% totals € 7.5 million and has been recognised directly in equity.

The effects of the first-time consolidation of GSW on the balance sheet and income statement of the group are not material.

## Consolidated group

Under the full consolidation method, all subsidiaries are included on 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.

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 accounting for shares this means that only the pro rata equity of the associate is included in consolidated financial statements, and not its assets and liabilities.

Type of consolidation and number <sup>1</sup>	6/30/2007	12/31/2006	6/30/2006
Full consolidation	91	100	99
Proportionate consolidation (joint ventures)	9	10	10
Entities accounted for using the equity method	19	22	21

<sup>1</sup> The figures of the comparative periods have been adjusted.

## Financial result

€ millions <sup>1</sup>	1/1 – 6/30/2007	1/1 – 6/30/2006
<b>Investment income</b>	<b>189.2</b>	<b>148.7</b>
of which entities accounted for using the equity method	(96.4)	(87.9)
Interest and similar income	159.2	122.5
Interest and similar expenses	-159.9	-151.0
of which finance cost	(-140.8)	(-131.4)
Interest portion of increases in provisions	-229.7	-219.3
Other finance revenue	24.3	81.0
Other finance cost	-21.3	-17.6
<b>Net interest</b>	<b>-227.4</b>	<b>-184.4</b>
<b>Financial result</b>	<b>-38.2</b>	<b>-35.7</b>

<sup>1</sup> The figures of the comparative period have been adjusted

## Contingent liabilities and financial commitments

Contingent liabilities and financial commitments have increased by € 101.8 million compared to December 31, 2006.

## Notes to the cash flow statement

€ millions	1/1 – 6/30/2007	1/1 – 6/30/2006
<b>Funds from operations</b>		
<b>Funds from operations before taxes and financing</b>	<b>1,246.7</b>	<b>1,120.2</b>
Income taxes paid	-442.1	-50.9
Interest and dividends received	270.1	223.4
Interest paid	-258.4	-222.6
<b>Funds from operations after taxes and financing</b>	<b>816.3</b>	<b>1,070.1</b>

## Related parties

Related parties include 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 first half-year had the following impact on the consolidated financial statements of EnBW:

€ millions	1/1 – 6/30/2007	1/1 – 6/30/2006
<b>Income statement</b>		
Revenue	376.2	344.1
Cost of materials	335.7	354.7
<b>€ millions</b>		
<b>Balance sheet</b>		
Receivables	9.9	116.0
Advance payments made	37.8	34.4
Liabilities	1.5	72.0
Advance payments received	47.4	50.0

The revenue and cost of materials mainly result from electricity supply and electricity procurement agreements. All business relations with EDF are at arm's length.

The EnBW group has not entered into any significant transactions with related persons.

## Dividends

On April 26, 2007, the annual general meeting of EnBW approved the proposal put forward by the Board of Management and Supervisory Board to pay a dividend of € 1.14 per share for the fiscal year 2006. This corresponds to a dividend payment of € 278.5 million.

## Treasury shares

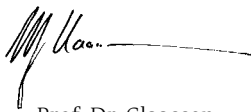
As of June 30, 2007, EnBW AG holds 5,749,677 treasury shares that are valued at € 35.79 in the separate financial statements of EnBW AG. They account for 2.3% of the capital stock.



## Declaration of the legal representatives

We assure to the best of our knowledge that in accordance with the accounting principles applicable for the interim financial reporting the interim 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 interim group management report 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, July 31, 2007



Prof. Dr. Claassen



Dr. Beck



Dr. Holzherr



Lederer



Dr. h.c. Schmidt

# Attestation on the auditors' review

## To EnBW Energie Baden-Württemberg AG

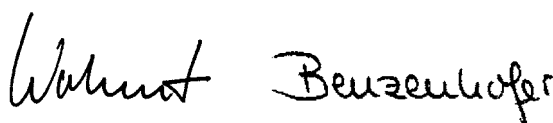
We have reviewed the interim condensed consolidated financial statements – comprising the income statement, balance sheet, cash flow statement, condensed statement of changes in equity and selected explanatory notes – and the interim group management report of EnBW Energie Baden-Württemberg AG, Karlsruhe, for the period from January 1 to June 30, 2007, which are part of the six-monthly financial report pursuant to Sec. 37 Securities Trading Act (WpHG). The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the company's management. Our responsibility is to issue an attestation on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the applicable provisions of the WpHG. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports.

Stuttgart, August 1, 2007

Ernst & Young AG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft



Prof. Dr. Wollmert	Benzenhöfer
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

# Board of Management and Supervisory Board

## Board of Management

### **Prof. Dr. Utz Claassen**

Born 1963 in Hanover  
Chairman of the Board of Management  
Chief Executive Officer since May 1, 2003  
from July 4, 2003 to December 31, 2004  
also Chief Financial Officer  
Appointed until September 30, 2007  
Hanover/Stuttgart

### **Dr. Bernhard Beck, LL.M.**

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

### **Dr. Christian Holzherr**

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

### **Pierre Lederer**

Born 1949 in Paris  
Member of the Board of Management  
Management board member responsible  
for customers since June 1, 2000  
Chief Operating Officer since May 1, 2003  
Deputy Chairman of the Board of  
Management from October 1, 2007  
Appointed until May 31, 2010  
Karlsruhe

### **Dr. h.c. Detlef Schmidt**

Born 1944 in Döbern  
Member of the Board of Management  
Chief Marketing and Sales Officer  
since July 1, 2003  
Appointed until June 30, 2008  
Gifhorn/Karlsruhe

As of July 31, 2007

## Supervisory Board

### **Dr. Claus Dieter Hoffmann, Stuttgart**

Managing partner  
of H + H Senior Advisors GmbH  
Chairman

### **Dietrich Herd, Philippsburg**

Chairman of the central works council  
of EnBW Kraftwerke AG  
Deputy chairman

### **Joachim Bitterlich, Paris**

Directeur des Affaires Internationales  
at Veolia Environnement SA

### **Marc Boudier, Sèvres**

Directeur Europe  
at Electricité de France SA

### **Dr. Daniel Camus, Croissy-sur-Seine**

Directeur Général Délégué Finances  
at Electricité de France SA

### **Willi Fischer, Messstetten**

District administrator  
of the Zollernalb district

### **Rolf Gillé, Stuttgart**

Chairman of the central works council  
of U-plus Umweltservice AG  
Member until May 16, 2007

### **Josef Götz, Stuttgart**

Chairman of the central works council  
of EnBW Regional AG

### **Reiner Koch, Glienicke/Nordbahn**

Responsible for supply and waste disposal  
divisions at ver.di head office

### **Marianne Kugler-Wendt, Heilbronn**

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

### **Wolfgang Lang, Karlsruhe**

Chairman of the central works council of  
EnBW Systeme Infrastruktur Support GmbH

### **Gérard Roth, Bois d'Arcy**

Directeur Allemagne  
at Electricité de France SA

### **Klaus Schörnich, Düsseldorf**

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

### **Heinz Seiffert, Ehingen**

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

### **Gerhard Stratthaus MdL, Brühl**

Finance Minister of the state  
of Baden-Württemberg

### **Siegfried Tann, Friedrichshafen**

District administrator of the  
Lake Constance district (retired)  
Member until April 26, 2007

### **Werner Vorderwülbecke, Stuttgart**

District department head at ver.di,  
Baden-Württemberg district  
Member since July 6, 2007

### **Christoph Walther, Langebrück**

Deputy chairman of the works council  
of ENSO Strom AG

### **Dietmar Weber, Esslingen**

Chairman of the central works  
council of EnBW Vertriebs- und  
Servicegesellschaft mbH

### **Kurt Widmaier, Ravensburg**

District administrator of the  
Ravensburg district

### **Alfred Wohlfart, Ulm**

Former deputy district director at ver.di,  
Baden-Württemberg district  
Member until July 5, 2007

### **Dr.-Ing. Gérard Wolf, Paris**

Directeur Général Adjoint Filiales et  
Développement à l'International at  
Electricité de France SA

### **Dr. Bernd-Michael Zinow, Pfinztal**

Responsible for regulation and compliance  
at EnBW Energie Baden-Württemberg AG

As of July 31, 2007

# Financial calendar

# Contact

**November 9, 2007**

Publication of the quarterly financial report January to September 2007

**February 19, 2008**

Press briefing on annual results/publication of the 2007 annual report

**April 25, 2008**

Annual general meeting

**May 9, 2008**

Publication of the quarterly financial report January to March 2008

**August 12, 2008**

Publication of the six-monthly financial report January to June 2008

**November 13, 2008**

Publication of the quarterly financial report January to September 2008

**Shareholder Hotline/Investor Relations**

Phone: 0800 1020030 or  
0800 AKTIEENBW  
(only in Germany)

Fax: 0800 9999977  
(only in Germany)

Email: [info@investor.enbw.com](mailto:info@investor.enbw.com)

Internet: [www.enbw.com](http://www.enbw.com)

**Group publications**

Upon request, we would be pleased to send you additional complimentary copies of this report and other group publications such as the annual report, 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.

# About this publication

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Page 24 bottom right, Hansjörg Riedel,  
Wilburgstetten  
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Messe AG Sepp D. Heckmann,  
EnBW CEO Prof. Dr. Utz Claassen,  
German Chancellor Dr. Angela Merkel,  
Prime Minister of Turkey  
Recep Tayyip Erdoğan and Christian Wulff,  
Prime Minister of Lower Saxony

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administration building in Biberach:  
Architect Jörg Mieslinger, EnBW member of  
the Board of Management Dr. Bernhard Beck,  
EnBW CEO Prof. Dr. Utz Claassen,  
Lord Mayor of Biberach Thomas Fettback  
and District Administrator of the Biberach  
district Dr. Heiko Schmid

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Certificate presentation: Federal Minister  
for Family Affairs Dr. Ursula von der Leyen,  
EnBW Director Staff Functions & Inter-  
national HR Dr. Stefan Rogat and Parlia-  
mentary Under-secretary of State in the  
Ministry of Economics Dagmar Wöhr

## EnBW CEO Prof. Dr. Utz Claassen

Page 6, Christian Thiel, Berlin



This certification evidences the  
chain of custody of wood from  
sustainable forest management.





**EnBW Energie  
Baden-Württemberg AG**

Durlacher Allee 93  
76131 Karlsruhe  
[www.enbw.com](http://www.enbw.com)