



Quarterly financial report

January to September 2007



EnBW Energie
Baden-Württemberg AG

At a glance

EnBW group ¹		1/1 – 9/30/2007	1/1 – 9/30/2006	Variance %	1/1 – 12/31/2006
Revenue					
Electricity	€ millions	8,367.4	6,916.5	+21.0	9,509.0
Gas	€ millions	1,648.6	1,945.0	-15.2	2,757.9
Energy and environmental services	€ millions	501.9	353.7	+41.9	592.6
External revenue, total	€ millions	10,517.9	9,215.2	+14.1	12,859.5
EBITDA	€ millions	1,843.2	1,733.0	+6.4	2,273.8
EBIT	€ millions	1,280.5	1,154.1	+11.0	1,451.2
Result of continuing operations	€ millions	1,067.5	604.5	+76.6	996.6
Earnings per share from continuing operations	€	4.37	2.48	+76.2	4.08
Cash flow from operating activities	€ millions	1,274.9	1,172.2	+8.8	1,466.6
Free cash flow	€ millions	843.4	961.2	-12.3	1,027.1
Capital expenditures on intangible assets and property, plant and equipment	€ millions	498.4	336.0	+48.3	630.1
Energy sales of the EnBW group					
		1/1 – 9/30/2007	1/1 – 9/30/2006	Variance %	1/1 – 12/31/2006
Electricity	billions of kWh	100.2	90.9	+10.2	119.4
Gas	billions of kWh	50.5	59.5	-15.1	83.5
Employees of the EnBW group^{1, 2}					
		9/30/2007	9/30/2006	Variance %	12/31/2006
Employees		20,175	21,160	-4.7	21,148

¹ The figures of the comparative periods have been adjusted.

² 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.



With more than 245,000 customers, EnBW Gas GmbH is the largest retail distribution company for natural gas in Baden-Württemberg.

Around 260 municipalities and districts as well as 13 public utilities and re-distributors are served via its gas grid.



The companies active at the gas procurement stage within the EnBW group are Gasversorgung Süddeutschland GmbH and EnBW Trading GmbH.

The distribution stage in the group's home market of Baden-Württemberg is principally covered by EnBW Gas GmbH, Erdgas Südwest GmbH and EnBW Ostwürttemberg DonauRies AG.

Gas

Over the last few years, the gas segment has developed into a supporting pillar of the EnBW group. In the gas procurement stage, the EnBW group is involved in the trade/procurement, import, transmission and storage of natural gas, while the gas distribution stage – including gas grid operations, marketing and sales – supplies re-distributors, industrial customers as well as domestic and commercial customers with natural gas.

Natural gas is the most important primary energy source on the heating market today. Some 20 million households are supplied with natural gas in Germany. While the proportion of natural gas extracted from indigenous sources will decrease further in the coming years, consumption within the EU will increase.

To maintain supply reliability, the gas industry will need to invest heavily in import and transit infrastructure. In this process, it would be desirable if the procurement sources and transport routes were diversified; this can be achieved, among other things, by the increased use of liquefied natural gas (LNG). The challenge still facing European and national energy policy makers is to develop framework conditions that take adequate account of the interests of investors, competitors and end customers.



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 (GSWK) from Thüga AG. The acquisition increases EnBW AG's indirect shareholding in ESW from 51% to 79%, in ENSO from 50.4% to 64.8% and in GSWK from 23.5% to 100%.

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

IAEA 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 t of waste annually.



Services for retail customers

EnBW introduces new metering technology with Internet access and tests it on more than 1,000 retail customers. 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, the rating agency Moody's rates EnBW as a financially robust and efficient company with positive development potential and financial latitude.

Ground-breaking ceremony in Biberach

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

Usage rights for subterranean gas storage facilities

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

Sale of U-plus

The German Antitrust Office approves the sale of the U-plus group to ALBA AG, a Berlin-based waste disposal company, thus giving legal effect to the decision of the EnBW Board of Management in April.

June 2007

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.

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.

July 2007

Personnel changes on the Board of Management

The EnBW Supervisory Board appoints Hans-Peter Villis as CEO for a period of five years commencing October 1, 2007. Prof. Dr. Utz Claassen and the EnBW Supervisory Board had previously come to a mutual agreement that Prof. Dr. Utz Claassen's term of office as member of the Board of Management and CEO of EnBW will end as of September 30, 2007. Prof. Dr. Utz Claassen had declared in June 2007 that he would not be available for re-appointment as of May 1, 2008 or for a renewal of his contract. Chief Operating Officer Pierre Lederer, who has been appointed member of the Board of Management until 2010, is appointed deputy chairman of the Board of Management of EnBW effective 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.

Successful networks

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 t of CO₂ emissions per year. Together with 13 companies from northern Bavaria, EnBW launches the EnBW energy efficiency network for Franconia-Upper Palatinate in Nuremberg. Potential savings are estimated at up to 10% of energy consumption.

**Excellent customer service**

The "Verivox" consumer portal gives the customer service of EnBW and Yello the best grade (five "light bulbs").

August 2007

Successful conclusion of contracts

EnBW enters into an electricity supply agreement with DaimlerChrysler AG. The successful cooperation will thus be continued throughout the period from 2008 to 2010. In a bid for tenders of the Association of the Municipalities of Baden-Württemberg, EnBW is awarded the contract to supply some 200 municipalities with more than 600 GWh of electricity between 2008 and 2010. The state capital of Baden-Württemberg, Stuttgart, once again opts for electricity from EnBW; 25% of its electricity supplies will be generated from renewable energies.

**EnBW Klenk Holzenergie GmbH established**

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

Unscathed by sub-prime crisis

The present bank crisis has hardly affected EnBW thanks to its sound management of borrowings and its financial assets. With the company's structure of investments and risk controlling, the direct risk for its assets in terms of coverage of pension obligations and nuclear power reserves is considered to be low. In terms of financing, EnBW is in a position to obtain sufficient refinancing on the commercial paper market at all times, despite the difficult situation on money and capital markets.

September 2007

334 new trainees and apprentices

Once again, EnBW this year has considerably more trainees and apprentices than it needs. 334 young people start their vocational training in technical and office jobs as well as in combined courses of study at vocational colleges and universities of applied science. EnBW will provide 334 trainee positions and apprenticeships again in 2008, thus making an active contribution to the federal government's vocational training pact with industry.

Yello Strom in Sweden

Evolving from what used to be a national electricity brand, Yello becomes an international electricity provider by launching an electricity product on the Swedish electricity market on September 3, 2007.

New electricity customers

In the framework of Europe-wide cooperation within the EDF group, EnBW wins the German plants of the Riva group as new electricity customers. The delivery volume for 2008 to 2009 is around 3,500 GWh.

"Intelligent electricity meters" for municipalities

Bad Schussenried (Biberach district) and Ostfildern (Esslingen district) are the first municipalities in Germany to test EnBW's "intelligent electricity meters".

October 2007

New Board of Management

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

Second German climate congress

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

Letter to our shareholders

Dear shareholders,
investors and friends of EnBW,

I became CEO of EnBW Energie Baden-Württemberg AG on October 1 and I am very much looking forward to addressing the tasks this position involves, in particular the dialogue with the shareholders and investors of EnBW.

Considering the current quarterly financial report for January to September 2007, I am delighted to be able to report that the overall business results of EnBW are positive, despite the perceptible effects of regulatory measures on our organisation:

_ In the first three quarters of 2007, the revenue of the EnBW group rose by 14.1% to € 10,517.9 million compared to the prior year.

_ Despite the challenging and in some respects far-reaching changes in the regulatory framework in the grid areas, the EBITDA and EBIT were raised thanks to opposite effects in other areas. In the first nine months of 2007, the EBITDA stood at € 1,843 million and the EBIT at € 1,281 million. This is equivalent to a year-on-year increase of 6.4% and 11.0% respectively.

_ Group net profit rose in the period from January to September 2007 compared to the prior year by € 526 million (+87.8%) to € 1,125 million. This does, however, include non-recurring tax income stemming from the 2008 business tax reform act. Adjusted for this extraordinary income, group net profit grew € 106 million or 17.7%.

EnBW is well equipped to deal with the current and future challenges of the energy market. To be able to continue shaping the growth prospects of EnBW positively in future as well, we plan – among other things – to invest heavily in expanding our generating and distribution facilities. In the reporting period January to September 2007, these capital expenditures rose from 48.3 percent to € 498 million. This investment in the future is being supported by continuous improvement programmes with a view to enhancing the operating efficiency of the company.

Growth combined with a sound balance sheet structure is our goal. In this context, it is pleasing to see that EnBW has once again reduced its net financial debt. At € 2,981 million it is down € 612 million or 17% on the figure at year-end 2006. The equity ratio has also undergone a positive development, increasing from 15.9% as of December 31, 2006 to 20.1%.

For the fourth quarter of 2007, EnBW aims to increase profit compared to the prior year in the electricity and energy and environmental services segments. Due to reduction in network user charges and tougher competition, we are however expecting a drop in the quarterly result in the gas segment. On the whole, however, EnBW is confident that it will return a good group result for the fiscal year 2007.

Yours sincerely,



Hans-Peter Villis
Chief Executive Officer

Karlsruhe, November 2007



Hans-Peter Villis
Chief Executive Officer

The EnBW share

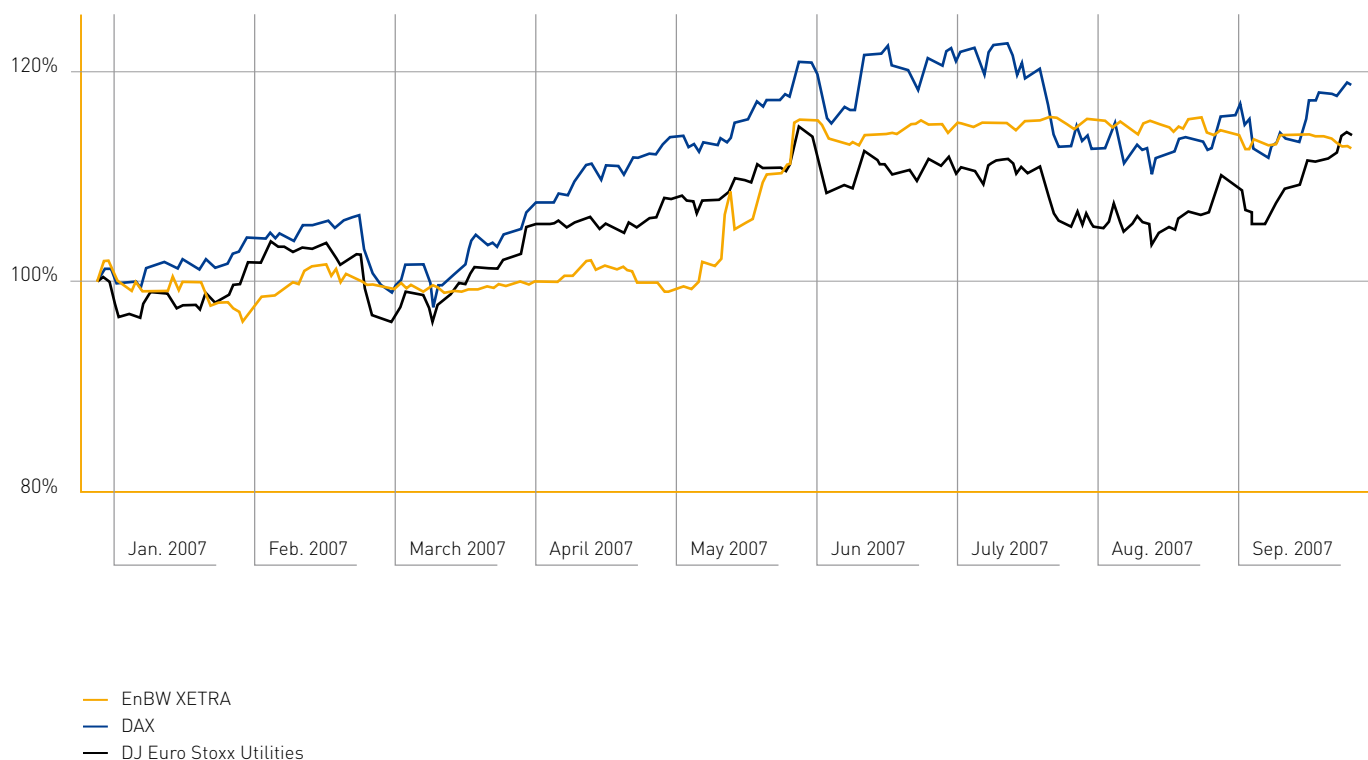
EnBW share in figures	9/30/2007 ¹	12/31/2006 ²
Number of shares outstanding (millions of shares)	244.257	244.257
Closing price in €	56.31	50.55
Market capitalisation in € billions ³	13.8	12.3
EnBW share prices	1/1 – 9/30/2007	1/1 – 12/31/2006
High in €	57.82	52.66
Low in €	48.01	43.80

¹From 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.

²The price information relates to floor trading on the Frankfurt stock exchange.

³Number of shares outstanding at the end of the quarter multiplied by the closing price.

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





EnBW is constantly expanding its gas grid. This includes laying gas pipelines.

Shareholder composition

The shareholder composition of EnBW Energie Baden-Württemberg AG as of September 30, 2007 is as follows¹:

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%

¹ 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.

Interim financial statements of the EnBW group January to September 2007 (unaudited)

Interim group management report



When developing new residential areas, EnBW employees take care of the gas connection.

Economic and political environment

Economic and political environment

Wholesale electricity market: Electricity prices on the spot market dropped further in the third quarter. The electricity price for the base product¹ averaged € 31.01/MWh and was thus considerably below the average price of € 54.62/MWh of the comparative period of the prior year. At € 43.25/MWh, the peak² price was far lower than the level of the comparative period (€ 85.57/MWh).

The marked drop in electricity prices was primarily driven by the decline towards zero in price for CO₂ emission allowances (European Union Allowance EUA) for the first trading period (2005 – 2007).

In Germany, the vertical grid load was on aggregate 3.5% lower in the third quarter of 2007 than the year before. This effect can be attributed primarily to lower temperatures and, as a result, the lower demand for cooling. While the grid load in August roughly matched the prior-year level, it was much lower year-on-year in July and September.

In addition, roughly 33% more electricity was fed into the grid in the third quarter from German wind turbines than in the comparative period of the prior year; the installed output increased by approximately 2,000 MW.

On the forward market for electricity, the prices listed in the third quarter for electricity deliveries in the fourth quarter of 2007 averaged € 43.72/MWh; this is around € 4.98/MWh less than in the second quarter. In contrast, the average mean forward prices for base deliveries in 2008 stood at € 55.33/MWh, which is only about € 0.33/MWh less than the prices listed in the previous quarter; the average price for peak deliveries for 2008 fell by € 3.61/MWh to € 77.47/MWh.

The comparatively high level of prices for deliveries in 2008 in relation to the prices for electricity deliveries in 2007 is due to the fact that the CO₂ emission allowances for the second trading period (2008 – 2012) are much more expensive than the allowances for the first trading period, which are traded at a price close to zero. In addition, the last few months saw a jump in coal prices and the level of oil prices remains high.

CO₂ market: Following the trend of past quarters, trading volumes on the CO₂ market continued to climb in the third quarter. Around 16% more allowances were traded than in the second quarter of 2007, although there was less fluctuation in prices on the CO₂ market.

The expected surplus of CO₂ allowances (European Union Allowance – EUA) offered for the first trading period 2005 – 2007 led to a further decline in EUA prices for 2007 to below the threshold of € 0.10/t CO₂.

The market for emission allowances for the second trading period did not experience any major movements. The EUA price for 2008 stood at approximately € 22/t CO₂ at the beginning and the end of the quarter, having temporarily dropped to around € 18/t CO₂ towards mid-quarter. The low on August 27, 2007 was accompanied by a sudden drop in trading volumes and relatively low gas prices in the UK.

¹ Price for constant purchase/supply throughout the year.

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

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
Q3 2006	55.41	54.84	82.13	80.90	54.62	85.57
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
Q3 2007	55.33	55.26	77.47	78.74	31.01	43.25

EEX – European Energy Exchange

In the reporting period, the CO₂ market was affected most by considerations relating to the future structure of the European emissions trading system, and the timing of when the technical infrastructure will be ready for crediting Certified Emission Reductions (CER) in developing countries in the emissions trading system. There had been a delay and it is still not clear when the technical infrastructure can be expected to be completed.

Coal market: The supply situation on the world market for hard coal became considerably more difficult over the third quarter of 2007. The prices listed for deliveries to the ARA ports (Amsterdam, Rotterdam, Antwerp) climbed week for week, peaking at a record of just over US\$ 100/t at the end of the quarter.

One key factor driving import prices for hard coal in Europe were the freight prices, which rose to a record level towards the end of the quarter of more than US\$ 40/t for short-term deliveries using capsize vessels on the important route from South Africa to the ARA ports. The high freight prices were buoyed by a sharp increase in demand, among other things, for shipments of iron ore and cereal in the Pacific region, in particular.

The high demand from the Pacific region – China and India in particular – also affected the world market for hard coal through the price hikes for coal at the export ports in South Africa, for example. The situation was exacerbated on the supply side, among other things, by export restrictions as a result of logistics problems in Russia and a lower volume of exports from the largest power coal exporter in the world – Indonesia – due to exceptionally heavy rainfall.

Oil market: The oil prices in the third quarter of 2007 exceeded those of the prior quarter by a substantial margin. Whereas the price for short-term deliveries of Brent oil from the North Sea stood at an average of US\$ 69.28 per barrel (bbl) in the second quarter, it reached an average of US\$ 74.62/bbl over the third quarter.

Comparison of average prices for CO₂ emission allowances in €/t CO₂

	First trading period	Second trading period	
	Year 2007	Year 2008	Year 2009
Q1 2006	27.01	24.20	–
Q2 2006	19.44	22.86	–
Q3 2006	16.44	18.16	–
Q4 2006	9.72	16.75	18.57
Q1 2007	2.12	15.17	15.73
Q2 2007	0.41	20.45	20.81
Q3 2007	0.11	20.20	20.67

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
Q3 2006	70.47	71.87	67.55
Q4 2006	69.75	71.41	67.81
Q1 2007	69.33	70.28	68.83
Q2 2007	74.69	73.98	74.14
Q3 2007	85.44	81.98	87.09

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

The third quarter saw highly volatile prices: After initially climbing to over US\$ 77 on July 20, 2007 – due in the main to a shortage of petrol in the USA during the main holiday season – the listed price for a barrel of Brent oil fell to below US\$ 69 on August 22, 2007. The main reason for this sharp fall in prices was concern that the crisis on the U.S. market for mortgages could be detrimental to the US economy and thus reduce demand from the largest oil consumer. Dwindling crude oil stocks, hurricane-related production downtimes, concerns that there may not be sufficient oil supplies on a global level in the fourth quarter and a very weak dollar caused oil prices to soar to record levels in September. On September 27, 2007 the settlement price for Brent oil reached 80 dollars for the first time.

Throughout the first quarter, the conflict surrounding the Iranian nuclear programme and extraction stoppages in Nigeria due to civil unrest also pushed prices up.

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. Falling oil prices in autumn 2006 had pushed the mean gas import price down in the first six months to a low of 1.88 ct/kWh in June. As oil prices recovered, the prices exhibited a reverse development in July 2007. In July 2007, the cross-border price index of the Federal Office of Economics and Export Control (BAFA) stood at 1.91 ct /kWh and was thus still 2% below the April 2007 figure.

Averaging € 10.46/MWh, the spot market prices – which are not directly linked to the development of the oil price – were exceptionally low for the time of year at the natural gas trading places in north-western Europe due to the mild winter in the second quarter. However, prices picked up again significantly in the third quarter of 2007, at times to above € 19/MWh.

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
Q3 2006	73.09	71.13	71.53
Q4 2006	67.59	67.14	62.32
Q1 2007	63.79	63.86	59.79
Q2 2007	71.37	70.70	69.28
Q3 2007	73.58	72.23	74.62

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
Q3 2006	27.20	25.62	17.96
Q4 2006	23.12	22.11	16.87
Q1 2007	19.55	20.04	11.14
Q2 2007	20.03	21.06	10.46
Q3 2007	19.93	20.77	15.40

Energy policy

CO₂ allowance trading: After one and a half years of tough negotiations concerning the German national allocation plan for the second trading period in the European CO₂ trading system (NAP II) and the German Allocation Act (ZUG 2012), the complex body of law was enacted by the upper house of parliament in July and came into force accordingly.

In the consultation phase, the lower house of the German parliament had amended the bill of the federal cabinet and the government factions to include rulings on the sale of a total of 10% of the emission allowances for CO₂ to the plant operators. Otherwise, the law mainly contains two major changes: 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.

Act against Restraints on Competition:

In autumn 2006, the Federal Ministry of Economics and Technology presented an expert bill for the amendment of the German Act against Restraints on Competition (GWB). The aim pursued by the federal government in amending the Act against Restraints on Competition is to tighten anti-trust and abuse of market power oversight of energy companies with a dominant market position, thus creating more competition.

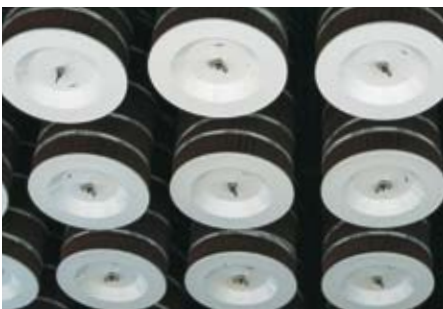
The planned amendment has been criticised by the energy industry as well as scientific and academic circles. The German Association of the New Energy Suppliers (bne) has also spoken out against the amendment to the act.

On April 25, 2007, the federal cabinet therefore approved an amended version of Sec. 29 GWB. A few points of criticism were addressed; however, the fundamental criticism concerning the lack of a market-regulatory approach remains.

In the first reading of the amendment of the Act against Restraints on Competition by the lower house of parliament on September 21, 2007, the bill was passed on to the committees for further debate. The second and third readings are scheduled for November. The amendment to the Act against Restraints on Competition, which is not subject to the approval of the upper house of parliament, is expected to enter into force in early 2008.

Apart from the cost and profit control, the main aspect of the GWB amendment to which EnBW objects is the right of third parties to take legal action on the grounds of Sec. 29 GWB, combined with the reverse regulation of the burden of proof provided for by Sec. 29 GWB, since this will have serious consequences.

Compressor station: Before the gas is transmitted it has to be compressed first, like here in Blankenloch.



In its current form, Sec. 29 GWB allows a large number of individuals and associations to file a suit with the regional courts in Germany if they feel that their electricity or gas price is not reasonable. The companies concerned are required to prove in each of these individual cases under private law that there are objective grounds for the diverging price. This ruling ignores the actual circumstances in the electricity and gas distribution business. In practice, it is virtually impossible to provide such evidence in view of the diversity of the comparative companies and non-existent access to data. If Sec. 29 GWB were designed to provide exclusive intervention rights for the anti-trust authorities, this could remedy the situation.

The Federal Ministry of Economics is expected to present expert bills for decrees on grid connections to higher grid levels and on the topic of metering based on the Energy Industry Act in the last quarter of 2008.

Power station connection decree: On April 25, 2007, the federal cabinet approved the bill of a power station connection decree. The upper house of parliament approved the decree on June 8, 2007. It came into force on June 30, 2007.

The aim of the power station connection decree is to give new energy generators an incentive to invest in power stations in order to enhance 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 network capacity problems.

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.

The European state and government heads supported the basic approach proposed by the Commission to reinforce integration of the energy markets at their meeting on March 8 and 9, 2007. However, on June 6, 2007, the energy ministers did not approve a sole focus on ownership unbundling and demanded alternative courses of action.

The Commission followed this up with concrete directive proposals on September 19, 2007. The third package of liberalisation provides for extensive changes affecting both the single electricity and gas market. The proposals focus on further unbundling provisions for vertically integrated companies with respect to the transmission network. For the latter, Brussels prefers segregation via ownership unbundling. As an alternative, it was suggested that independent systems operators be used. They would operate the transmission network, while ownership is retained by the energy companies.

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

Renowned experts consider the proposals put forward by the European Commission on ownership unbundling and the introduction of an independent systems operator to be questionable under both EU law and constitutional law. Criticism has also been voiced by the German Federal Anti-trust Office and the German Federal Network Agency concerning the introduction of ownership unbundling.

The legislative process has only just been initiated by the proposals of the Commission. The Council and European Parliament now need to agree on a common approach. It would appear possible for the third liberalisation package to be enacted next year.

Another part of the energy package of January 2007 is to follow in December 2007 in the form of legislative initiatives: The Commission plans to present the revised emissions trading directive and the renewable energies directive in a "climate package". There are plans for a new legal framework for the separation and storage of CO₂ when generating electricity from fossil energy sources.



Gasversorgung Süddeutschland GmbH transports the gas through its close-knit state-of-the-art network of high-pressure pipelines, with a total length of 1,892 km. Its compressor stations make sure that gas pressure is sufficient throughout the entire grid.

Regulation of the electricity and gas markets

Network user charges: EnBW Regional AG and EnBW Transportnetze AG, as well as other distribution system operators in the group, have in the meantime received the notice of hearing from the Federal Network Agency in the current network user charge proceedings for 2008 – the last approval proceedings before the scheduled introduction of the incentive regulation in 2009. It appears that the Federal Network Agency proposes to cut network user charges again in the applications filed for 2008. In view of the proceedings that are still pending, it is not possible to make any concrete forecasts for future developments here.

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

To this end, the federal cabinet passed the decree on incentive regulation on June 21, 2007. The upper house of parliament approved the decree on September 21, 2007 with suggestions for amendments. The federal cabinet enacted the amendments on October 10, 2007 and the decree will now enter into force shortly. On this basis, the Federal Network Agency will survey the necessary data over the next few months in preparation for the incentive regulation to take effect as of January 1, 2009.

The planned system contains incentives to improve efficiency, for example, by capping revenues from network user charges based on the cost examination of network user charges currently under way. Using cost benchmarking, the individual network operators will also be given individual efficiency targets for their company based on the figures of the most efficient network operator. In two regulatory periods of five years each, all network operators are to be gradually raised to the efficiency level of the best company.

Further simplification of access to the gas grid: The number of market territories, which per definition allow free allocation of feed-in and feed-out capacities, has fallen from 19 to 14 (October 1, 2007) since the first cooperation agreement was signed in 2006. This will further simplify access to the gas grid. Such concentration of market territories is expected to continue over the next few months. However, one major precondition here is that the grid operators do not suffer economic disadvantages. The revenue caps defined for incentive regulation purposes must take account of the necessary capital expenditures on the grid network in this context.

Company situation of the EnBW group

Revenue and unit sales

In first nine months of 2007, the EnBW group recorded external revenue before deducting electricity and natural gas tax of € 11,265.2 million, 10.9% more than in the 2006 comparative period. External revenue after deducting electricity and natural gas tax increased by 14.1% to € 10,517.9 million.

Revenue increased in the electricity and energy and environmental services segments. Adjusted to eliminate changes in the consolidated companies, revenue rose by € 835.8 million or 8.6%.

Electricity: Between January and September 2007, EnBW generated roughly 80% of the group's revenue in its electricity segment.

Unit sales of electricity rose by 10.2% in the first nine months of 2007. Adjusted for changes in the consolidated companies, this was an increase of 6.1%. The increase primarily stems from trading. We also raised our unit sales with industrial customers, while they remained virtually unchanged for retail customers.

Revenue rose by 21.0% to € 8,367.4 million. Adjusted to eliminate consolidation effects, electricity revenue increased by € 1,222.6 million or 17.1%. This increase is attributable to quantity effects as well as to higher electricity prices.

Gas: In the first nine months of 2007, the gas segment accounted for 15.7% of the revenue of the EnBW group.

Due to the mild winter, gas sales decreased in the reporting period by 15.1% compared to the particularly cold winter 2006 to 50.5 billion kWh, or 18.8% adjusted for changes in the consolidated companies.

This development led to a 15.2% drop in revenue to € 1,648.6 million. Adjusted to eliminate changes in the consolidated group, gas revenues fell by € 413.8 million or 20.1%.

Energy and environmental services:

Revenue in the energy and environmental services segment comprises sales revenue from waste disposal, water supply, and other energy services. It totals € 501.9 million. This represents an increase of 41.9% on the comparative period of 2006. Adjusted to eliminate changes in the consolidated group, revenue rose by € 27.0 million or 5.7%.

Maintenance: Machine operators servicing machines and the control system of the compressor station.



**External revenue of the EnBW group
by business segment in € millions ^{1,2}**

	1/1 – 9/30/2007	1/1 – 9/30/2006	Variance %	1/1 – 12/31/2006
Electricity	8,367.4	6,916.5	+21.0	9,509.0
Gas	1,648.6	1,945.0	-15.2	2,757.9
Energy and environmental services	501.9	353.7	+41.9	592.6
Total	10,517.9	9,215.2	+14.1	12,859.5

¹ After deducting electricity and natural gas tax.

² The figures of the comparative periods have been adjusted.

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

	1/1 – 9/30/2007	1/1 – 9/30/2006	Variance %	1/1 – 12/31/2006
Electricity	100.2	90.9	+10.2	119.4
Gas	50.5	59.5	-15.1	83.5

**EBITDA of the EnBW group
by business segment in € millions¹**

	1/1 – 9/30/2007	1/1 – 9/30/2006	Variance %	1/1 – 12/31/2006
Electricity	1,593.2	1,556.5	+2.4	2,032.8
Gas	183.4	255.0	-28.1	309.5
Energy and environmental services	172.6	16.8	–	48.5
Other activities/Holding	-106.0	-95.3	+11.2	-117.0
Total	1,843.2	1,733.0	+6.4	2,273.8

¹ The figures of the comparative periods have been adjusted.

**EBIT of the EnBW group
by business segment in € millions¹**

	1/1 – 9/30/2007	1/1 – 9/30/2006	Variance %	1/1 – 12/31/2006
Electricity	1,179.0	1,157.0	+1.9	1,473.0
Gas	112.3	193.8	-42.1	223.3
Energy and environmental services	95.2	-101.2	–	-128.1
Other activities/Holding	-106.0	-95.5	–	-117.0
Total	1,280.5	1,154.1	+11.0	1,451.2

¹ The figures of the comparative periods have been adjusted.

**Earnings ratios
of the EnBW group in € millions¹**

	1/1 – 9/30/2007	1/1 – 9/30/2006	Variance %	1/1 – 12/31/2006
EBITDA	1,843.2	1,733.0	+6.4	2,273.8
EBIT	1,280.5	1,154.1	+11.0	1,451.2
EBT	1,145.0	1,028.4	+11.3	1,191.7
Earnings after tax	1,202.1	687.5	+74.9	1,116.3
Minority interests	-134.6	-83.0	–	-119.7
Result of continuing operations	1,067.5	604.5	+76.6	996.6
Result of discontinued operations	57.1	-5.8	–	6.8
Group net profit	1,124.6	598.7	+87.8	1,003.4

¹ The figures of the comparative periods have been adjusted.

**Non-operating result
of the EnBW group in € millions¹**

	1/1 – 9/30/2007	1/1 – 9/30/2006	Variance %	1/1 – 12/31/2006
Non-operating EBITDA	132.0	72.9	+81.1	96.6
Non-operating EBIT	131.5	5.7	–	0.3
Non-operating EBT	193.5	30.4	–	0.8

¹ The figures of the comparative period have been adjusted.

**Adjusted result
of the EnBW group in € millions¹**

	1/1 – 9/30/2007	1/1 – 9/30/2006	Variance %	1/1 – 12/31/2006
Adjusted EBITDA	1,711.2	1,660.1	+3.1	2,177.2
Adjusted EBIT	1,149.0	1,148.4	+0.1	1,450.9
Adjusted EBT	951.5	998.0	-4.7	1,190.9

¹ The figures of the comparative period have been adjusted.

Earnings and business development

Compared to the first nine months of 2006, the EBIT (Earnings Before Interest and Taxes) rose by € 126.4 million to € 1,280.5 million. Adjusted EBIT remained at prior-year level. The effect of the reduction in network user charges imposed by the Federal Network Agency and the decrease in the gas segment's unit sales on account of the mild winter was offset by positive effects from an expansion of the consolidated group and improved margins in the electricity business.

The EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) rose by 6.4% or € 110.2 million compared to the first nine months of 2006. Adjusted for consolidation effects, the EBITDA rose by 2.0% or € 37.0 million. The adjusted EBITDA rose by € 51.1 million to € 1,711.2 million. After eliminating consolidation effects, the adjusted EBITDA fell by 1.2% or € 21.6 million.

In the electricity segment, the EBITDA rose by 2.4% or € 36.7 million compared to the 2006 comparative period. The adjusted EBITDA rose by 3.5% or € 49.7 million to € 1,476.1 million. The increase in EBITDA is due, above all, to higher margins on the generation of electricity, marking derivatives to market and the enlargement of the consolidated group. Earnings were burdened by the reduction of network user charges imposed by the Federal Network Agency.

In the gas segment, the EBITDA dropped by 28.1% to € 183.4 million compared to the period January to September 2006. The adjusted EBITDA in the gas segment fell by 29.3% or € 73.3 million to € 176.5 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 went up by € 155.8 million to € 172.6 million compared to the first nine months of 2006. The adjusted EBITDA in the energy and environmental services segment increased by 106.9% or € 85.0 million to € 164.5 million. This is due to the enlargement of the consolidation group and improved operating performance.

Compared to the period from January to September 2006, the EBIT rose by € 126.4 million to € 1,280.5 million. Adjusted to eliminate consolidation effects, the EBIT went up by 7.0% or € 83.6 million. The adjusted EBIT rose by 0.1% or € 0.6 million to € 1,149.0 million. After eliminating consolidation effects, the adjusted EBIT fell by 3.5% or € 41.7 million.

Compared with the 2006 comparative period, the EBT (Earnings Before Taxes) improved by € 116.6 million to € 1,145.0 million. Adjusted to eliminate changes in the consolidated group, the EBT rose by € 79.9 million or 7.5%. The adjusted EBT dropped by 4.7% or € 46.5 million to € 951.5 million. After eliminating changes in the consolidated group, the adjusted EBT fell by 8.0% or € 82.7 million.

Income taxes amount to € 57.1 million (tax income), including non-recurring tax income of € 420.1 million due to the 2008 business tax reform act.

After income taxes and minority interests, the results of continuing operations of the first nine months of 2007 come to € 1,067.5 million. The result of discontinued operations amounts to € 57.1 million. Group net profit increased by 87.8% to € 1,124.6 million. Without the non-recurring tax income, group net profit would have gone up by € 105.8 million or 17.7%. Adjusted to eliminate changes in the consolidated group, group net profit rose by 81.1% or € 503.5 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.

The earnings ratios adjusted EBITDA, adjusted EBIT and adjusted EBT correspond to the earnings ratios EBITDA, EBIT and EBT net of non-operating results.

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

	1/1 – 9/30/2007	1/1 – 9/30/2006	Variance %	1/1 – 12/31/2006
Electricity	342.8	216.7	+58.2	403.4
Gas	44.4	32.9	+35.0	71.4
Energy and environmental services	111.2	86.4	+28.7	155.3
Total	498.4	336.0	+48.3	630.1

**Cash flow statement
in € millions¹**

	1/1 – 9/30/2007	1/1 – 9/30/2006	Variance %	1/1 – 12/31/2006
Cash flow from operating activities	1,274.9	1,172.2	+8.8	1,466.6
Cash flow from investing activities	48.8	-71.6	–	-560.4
Cash flow from financing activities	-1,070.5	-700.3	–	-399.0
Net change in cash and cash equivalents	253.2	400.3	-36.7	507.2
Exchange rate changes in cash and cash equivalents	-5.3	-0.7	–	-1.3
Changes in cash and cash equivalents	247.9	399.6	-38.0	505.9

¹ The figures of the comparative period have been adjusted.

**Free cash flow
in € millions**

	1/1 – 9/30/2007	1/1 – 9/30/2006	Variance %	1/1 – 12/31/2006
Cash flow from operating activities	1,274.9	1,172.2	+8.8	1,466.6
Capital expenditures on intangible assets and property, plant and equipment	-498.4	-336.2	–	-630.1
Cash received from the sale of intangible assets and property, plant and equipment	13.2	76.6	-82.8	105.2
Cash received from construction cost and investment subsidies	53.7	48.6	+10.5	85.4
Free cash flow	843.4	961.2	-12.3	1,027.1

Capital expenditures, acquisitions and divestitures

In the first nine months of 2007 capital expenditures came to € 498.4 million. This is € 162.4 million or 48.3% up on the first nine months of 2006.

Some 69% 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 (GSWK) from Thüga AG. The acquisition increased EnBW AG's indirect shareholding in ESW from 51% to 79%, in ENSO from 50.4% to 64.8% and in GSWK from 23.5% to 100%.

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

Financing

Bank and lease liabilities were repaid as scheduled in the reporting period. EnBW used the Commercial Paper programme that had been established for short-term financing purposes. Despite the difficult situation on money and capital markets, EnBW was in a position to refinance itself on the commercial paper market at all times.

In May 2005, EnBW had negotiated a syndicated line of credit with a banking syndicate totalling € 2.5 billion in two tranches. The first tranche with a volume of € 1 billion has a term to maturity expiring in May 2008, and the second one has largely been granted until 2012. The syndicated line of credit was not used 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 fell by € 431.7 million or 1.5%.

The non-current assets – accounting for 77% of total net assets – dropped by 1.3% to € 21,415.6 million.

Current assets decreased by 2.1% to € 6,296.3 million.

Non-current assets held for sale and assets of discontinued operations fell to € 28.7 million.

The equity ratio in the group, including minority interests, rose from 15.9% (as of December 31, 2006; adjusted) to 20.1%. The increase is primarily attributable to the profit reported for the period.

The non-current and current liabilities of the EnBW group dropped by € 1,488.1 million to € 22,101.8 million. The reasons for this drop are lower deferred taxes due to the 2008 business tax reform act, the redemption of financial liabilities and a decrease in current provisions and trade payables.

The liabilities of discontinued operations fell to € 75.8 million.

Cash flow statement

Compared to the first nine months of 2006, the cash flow from operating activities increased by € 102.7 million to € 1,274.9 million. This was chiefly due to the improved EBITDA and the reduction in working capital. The cash flow from operating activities was burdened by higher tax payments in the first nine months of 2007. These were mainly caused by payments resulting from tax field audits.

The cash flow from investing activities climbed from € -71.6 million to € 48.8 million. While investments in intangible assets and property, plant and equipment increased significantly, cash paid for the acquisition of group companies decreased.

The cash flow from financing activities fell by € 370.2 million on the prior-year period to € -1,070.5 million. The reason for this was the higher repayment of financial liabilities and the higher dividend distribution for 2006.

Despite the higher cash flow from operating activities, the free cash flow fell by € 117.8 million to € 843.4 million. This was due to the higher spending on intangible assets and property, plant and equipment.

Net financial debt

The positive free cash flow was used primarily to pay out a dividend and to repay financial liabilities. In addition, liquid funds were built up, which meant that net financial debt fell by € 612.0 million to € 2,980.8 million in the first nine months of 2007.

Employees

As of September 30, 2007, the EnBW group had 20,175 employees, that is 973 or 4.6% fewer than as of December 31, 2006. The main reason for this decrease is the deconsolidation of the U-plus group in the discontinued operations segment. 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.

Net financial debt in € millions	9/30/2007	12/31/2006	Variance %
Cash ¹	1,492.0	1,367.7	+9.1
Short-term investments ¹	166.4	149.6	+11.2
Cash and cash equivalents¹	1,658.4	1,517.3	+9.3
Bonds ²	3,297.9	3,258.1	+1.2
Liabilities to banks	563.1	853.9	-34.1
Other financial liabilities	778.2	998.1	-22.0
Financial liabilities²	4,639.2	5,110.1	-9.2
Net financial debt	2,980.8	3,592.8	-17.0

¹ Without cash and cash equivalents of the special purpose funds

² Adjusted for valuation effects from interest-induced hedging transactions

Employees by business segment group ^{1,2}	9/30/2007	12/31/2006	Variance %
Electricity	11,543	11,754	-1.8
Gas	877	827	6.0
Energy and environmental services	7,208	6,734	7.0
Holding	547	547	0
Continuing operations	20,175	19,862	1.6
Discontinued operations	0	1,286	-
Total	20,175	21,148	-4.6
Number of full-time equivalents	19,342	20,282	-4.6

¹ The prior-year figures have been adjusted.

² Number of employees without apprentices/trainees and without inactive employees

Risk report

Continuing our detailed reporting in the 2006 annual report and the supplementary interim reporting in the financial statements for the first six months of 2007, we report as of September 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. The opportunities associated with our business activities are presented in the section entitled "Outlook".

Overall economic risks

Mortgage crisis in the USA: The anticipated default of mortgagors in the United States was the cause of some disruption on international finance markets. Investments in asset-backed securities (ABS) were particularly hard hit. These are securities backed by receivables from debtors with low credit ratings (sub-prime segment). EnBW does not have any investments in this area. As market player, however, EnBW is not completely untouched by the financial crisis, as evidenced, for example, by the recent increase in refinancing rates for commercial papers (CP).

CO₂ allocation/NAP II: The 2008–2012 Allocation Act (ZuG) and the relevant allocation decree (ZuV 2012) which regulates the CO₂ quantities stipulated by the National Allocation Plan (NAP) II, came into force on August 11 and 18, 2007 respectively. While the upper trading limit of 453 million t CO₂ and the quantity to be auctioned of 40 million t CO₂ have been fixed, each company will not find out exactly what volume has been allocated to it until it receives its allocation notice. This involves planning uncertainty for us in terms of the exact allocation quantities and the cost of those CO₂ allowances that we have to purchase in the auction.

Since the EU Commission has not approved the German NAP II yet, there is also a risk – which we consider to be low – that it might be rejected.

Industry risks

There were no major changes in the risk situation in the reporting period.

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.

A memorandum of understanding signed by Abfallwirtschaftsgesellschaft des Neckar-Odenwald-Kreises mbH and T-plus GmbH contains an agreement on the reconciliation of interests and provides a clear contractual basis for minimising these risks.



The local distribution grid of EnBW Gas GmbH is 3,239 km long, and the local transmission grid has a length of 1,088 km.

Market price, liquidity and credit risks

Energy market

Market risks: In the generation, trading and selling functions, our group companies are affected by market price fluctuations.

One of our primary targets is to hedge risks from price fluctuations on the energy markets at an early stage by entering into suitable forward contracts. Group net profit is secured by means of a hedge concept which also contains the use of opportunities. The central body of our risk management is a risk management committee in which various group companies along the value added chain and the group holding are integrated.

We use the market access and market expertise of our traders to manage market price fluctuation risks not just from the group activities of generation and selling, but also trading for our own account. Within defined limits, EnBW Trading GmbH (ETG) can choose to enter and hold items to generate additional income.

Credit risks: ETG generally enters into trading transactions on the basis of master agreements, for example, those published by the European Federation of Energy Traders (EFET), the International Swaps and Derivatives Association (ISDA) or the International Emissions Trading Association (IETA). In order to effectively limit credit risks, we additionally enter into bilateral margining agreements with the most active of our trading partners.

We perform regular credit analyses of our trading partners, which includes assigning them to a rating grade.

On a daily basis, ETG's risk controlling records market price fluctuation and credit risks, compliance with the limits and earnings measured against current market prices.

Financial market

Asset management: When investing our funds, we attach particular importance to good credit rating and high marketability. We minimise risk through diversification of our investments.

Interest and currency exposure: We hedge interest and currency risks from business operations in our treasury function with derivatives on a case-by-case basis.

Liquidity/financing: It is ensured via cash and cash equivalents as well as the free lines of credit negotiated that EnBW can cover its fund requirements at all times. Thanks to our stable ratings we can also obtain refinancing on the capital markets as required. Despite the difficult market situation of recent months, EnBW was in a position to refinance itself on the commercial paper market at all times.

Subsequent events

No events of material significance for the net assets, financial position and results of operations of EnBW occurred after September 30, 2007.

Gas tank: EnBW has several natural gas tanks to balance load fluctuations and for storage.



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 unforeseeable factors could have a negative influence on earnings.

Market situation: The forward markets reflect expectations that fuel and CO₂ allowances will remain high, which would from today's perspective mean a stable electricity price level for 2008 and subsequent years. As these markets are subject to a multitude of uncertain factors and largely determine electricity prices, however, we cannot preclude high volatility on the market for electricity.

The primary factors shaping the development of hard coal prices over the next few months for deliveries to the ARA ports will probably be the same as in the past, i.e. both the development of freight prices and the speed at which coal demand grows in Asia.

The CO₂ market of the first trading period is not expected to produce major price changes any more in the last quarter of 2007, as the market will probably have sufficient allowances to cover the actual emissions. Where CO₂ allowances for the second trading period are concerned, however, prices can be expected to remain very volatile by comparison. This is due, among other things, to the high level of uncertainty surrounding the quantity of certified emission reductions that will be available to the market in future from the clean development mechanism (CDM), which depends also on political decisions.

For crude oil, the situation on the market should initially ease somewhat in the fourth quarter of 2007: The holiday season in the United States is over, and the hurricane season in the Gulf of Mexico is also coming to a close. Decisive factors for the further development of the oil price will include the OPEC production policy, future economic effects of the mortgage and liquidity crisis as well as developments in the conflict surrounding Iran's nuclear programme.

Based on the high oil prices in the third quarter of 2007, the cross-border price for natural gas is expected to continue to rise in the fourth quarter of 2007. On the spot market, the price of natural gas in the fourth quarter of 2007 will probably depend on whether Norway increases its production volume; in addition to this, the weather and the related demand for heating energy play an important role, particularly towards the end of the year. In the long term, however, the oil price will remain the dominant factor for the development of natural gas prices.

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 – Q1 2006; Erdgas Südwest GmbH)	rising
Adjusted EBIT, group	rising

Following the start of trading with natural gas on the spot market of the European Energy Exchange (EEX) on July 2, 2007 for a relatively small market territory, BEB in northern Germany, only, spot trading was extended in October 2007 to the united market territory of E.ON Gastransport & Co. KG, which covers large parts of Germany. As a result, there could be a shift in trading from brokers to the energy exchange. It remains to be seen whether this will increase liquidity. EnBW has made preparation to be able to use the opportunities arising and the flexibility of the gas trading markets.

Anticipated development of acquisitions and divestitures: Any opportunities for acquisitions in Germany or in central and eastern Europe that may arise in the fourth quarter of 2007 which can lead to further increases in the main 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.

Composition proceedings are currently under way pertaining to the settlement of business acquisitions made in the past. We aim to bring these proceedings to a successful close in fiscal 2007.

Anticipated development of earnings: In the electricity segment, we aim to improve the level of earnings on the fourth quarter of the prior year. Having completed the last stage of our TOP FIT cost-cutting programme in 2006, we are confident that we will be able to reach this target by means

of supplementary continuous improvement programmes and an improved generating position. The negative impact on earnings stemming from notices of the regulatory authorities will be comparatively low in the fourth quarter, since our large network operators EnBW Transportnetze AG and EnBW Regional AG received their notices from the Federal Network Agency in the third quarter of 2006.

In the gas segment, we expect a drop in earnings for the fourth quarter of 2007 due regulatory activity and tighter competition in the wake of the liberalization of the energy market.

With regard to the energy and environmental services segment, we expect water activities to achieve a continuous increase in earnings in the fourth quarter of 2007 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 again in the fourth quarter of 2007.

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 have been budgeted for the planning 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 with a term until 2008/2012 is available to EnBW for the pending refinancing measures together with the 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.

Interim financial statements of the EnBW group January to September 2007 (unaudited)

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



The machines and control system of the compressor station are regularly inspected and serviced.

Income statement of the EnBW group

€ millions ¹	7/1 – 9/30/2007	7/1 – 9/30/2006	1/1 – 9/30/2007	1/1 – 9/30/2006
Revenue	3,373.5	3,060.0	11,265.2	10,162.4
Electricity and natural gas tax	-233.1	-234.1	-747.3	-947.2
Revenue without electricity and natural gas tax	3,140.4	2,825.9	10,517.9	9,215.2
Changes in inventories	6.6	8.4	17.6	17.4
Own work capitalised	13.3	10.4	35.6	27.9
Other operating income	124.6	123.6	582.0	461.5
Cost of materials	-2,287.3	-2,049.7	-7,653.1	-6,406.6
Personnel expenses	-338.7	-303.0	-1,048.9	-937.8
Amortisation and depreciation	-188.7	-245.1	-562.7	-578.9
Other operating expenses	-214.6	-209.4	-607.9	-644.6
Result from operating activities	255.6	161.1	1,280.5	1,154.1
Financial result ²	-97.3	-90.0	-135.5	-125.7
Earnings before tax	158.3	71.1	1,145.0	1,028.4
Income taxes	306.2	-27.8	57.1	-340.9
Earnings after tax	464.5	43.3	1,202.1	687.5
Minority interests	-81.7	-17.8	-134.6	-83.0
Result of continuing operations	382.8	25.5	1,067.5	604.5
Result of discontinued operations	1.6	-12.0	57.1	-5.8
Group net profit	384.4	13.5	1,124.6	598.7
Shares outstanding (millions), weighted average	244.257	244.257	244.257	244.223
Earnings per share				
from continuing operations (€)³	1.57	0.10	4.37	2.48
Earnings per share from group net profit (€)³	1.57	0.06	4.60	2.45

¹ The figures of the comparative period have been adjusted.

² Of which result from entities accounted for using the equity method:

July 1 – Sept. 30, 2007: € 34.0 million (comparative period: € 26.7 million)

Jan. 1 – Sept. 30, 2007: € 130.4 million (comparative period: € 114.6 million)

Of which finance costs:

July 1 – Sept. 30, 2007: € -63.1 million (comparative period: € -67.2 million)

Jan. 1 – Sept. 30, 2007: € -203.9 million (comparative period: € -198.6 million)

³ Basic and diluted

Balance sheet of the EnBW group

€ millions ¹	9/30/2007	12/31/2006
Assets		
Non-current assets		
Intangible assets	1,758.6	1,772.1
Property, plant and equipment	11,314.4	11,336.1
Entities accounted for using the equity method	1,562.6	1,494.5
Other financial assets	5,884.8	6,208.9
Investment properties	95.3	115.1
Income tax refund claims	265.4	256.6
Other non-current assets	515.8	482.8
Deferred taxes	18.7	38.9
	21,415.6	21,705.0
Current assets		
Inventories	750.7	612.3
Financial assets	391.9	274.0
Trade receivables	1,509.0	2,245.7
Income tax refund claims	248.5	186.0
Other current assets	1,216.0	1,178.5
Cash and cash equivalents	2,180.2	1,932.3
	6,296.3	6,428.8
Non-current assets held for sale and assets of discontinued operations	28.7	38.5
	6,325.0	6,467.3
	27,740.6	28,172.3
Equity and liabilities		
Equity		
Group shares		
Subscribed capital	640.0	640.0
Capital reserve	22.2	22.2
Revenue reserves	3,535.2	2,689.1
Revaluation reserve in accordance with IFRS 3	52.0	7.3
Treasury shares	-204.1	-204.1
Total net income recognised in equity	593.4	395.4
	4,638.7	3,549.9
Minority interests	924.3	929.5
	5,563.0	4,479.4
Non-current liabilities		
Provisions	8,946.5	8,865.8
Deferred taxes	1,642.7	1,995.8
Financial liabilities	3,402.3	3,883.8
Other liabilities and subsidies	2,151.3	2,126.0
	16,142.8	16,871.4
Current liabilities		
Provisions	1,072.2	1,306.3
Financial liabilities	1,217.3	1,226.3
Trade payables	1,653.7	2,164.6
Income tax liabilities	25.0	126.8
Other liabilities and subsidies	1,990.8	1,894.5
	5,959.0	6,718.5
Liabilities of discontinued operations	75.8	103.0
	6,034.8	6,821.5
	27,740.6	28,172.3

Cash flow statement of the EnBW group

€ millions ¹	1/1 – 9/30/2007	1/1– 9/30/2006
1. Operating activities		
EBITDA	1,843.2	1,733.0
EBITDA of discontinued operations	71.6	11.0
Change in non-current provisions	-210.0	-184.6
Gain/loss on disposal of non-current assets	-34.7	-32.7
Other non-cash expenses/income	-44.3	-60.1
Funds from operations (FFO) before taxes and financing	1,625.8	1,466.6
Change in working capital and current provisions	214.7	-185.6
Income taxes paid	-565.6	-108.8
Cash flow from operating activities	1,274.9	1,172.2
of which discontinued operations	[-6.5]	[-8.4]
2. Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-498.4	-336.2
Cash received from disposals of intangible assets and property, plant and equipment	13.2	76.6
Cash received from construction cost and investment subsidies	53.7	48.6
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method	74.1	49.5
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method	-180.5	-326.2
Change in securities and investments	241.9	118.3
Interest and dividends received	344.8	297.8
Cash flow from investing activities	48.8	-71.6
of which discontinued operations	[72.4]	[46.6]
3. Financing activities		
Interest and dividends paid	-705.0	-559.5
Cash received from the sale of treasury shares	0.0	14.4
Change in financial liabilities	-360.8	-149.8
Capital increase/reduction	-4.7	-5.4
Cash flow from financing activities	-1,070.5	-700.3
of which discontinued operations	[2.6]	[2.2]
Net change in cash and cash equivalents	253.2	400.3
Net foreign exchange difference	-5.3	-0.7
Changes in cash and cash equivalents	247.9	399.6
Cash and cash equivalents at the beginning of the period	1,932.3	1,426.4
Cash and cash equivalents at the end of the period	2,180.2	1,826.0

¹ The figures of the comparative period have been adjusted.

Statement of changes in equity of the EnBW group

€ millions	Group shares	Minority interests	Total
December 31, 2005	2,420.6	647.1	3,067.7
Change in accounting policy	77.9	0.0	77.9
December 31, 2005 after change in accounting policy	2,498.5	647.1	3,145.6
Sale of treasury shares	14.4	0.0	14.4
Dividends paid	-214.9	-66.8	-281.7
Total net income/expense recognised in equity/Other	110.5	178.2	288.7
Earnings after tax	604.5	83.0	687.5
Result of discontinued operations	-5.8	-1.0	-6.8
September 30, 2006	3,007.2	840.5	3,847.7
 December 31, 2006	 3,472.0	 929.5	 4,401.5
Change in accounting policy	77.9	0.0	77.9
December 31, 2006 after change in accounting policy	3,549.9	929.5	4,479.4
Dividends paid	-278.5	-80.5	-359.0
Total net income/expense recognised in equity/Other	242.7	-59.3	183.4
Earnings after tax	1,067.5	134.6	1,202.1
Result of discontinued operations	57.1	0.0	57.1
September 30, 2007	4,638.7	924.3	5,563.0

¹ 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 September 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 September 30, 2007 was condensed compared to that of the annual financial statements.

Besides the balance sheet and the income statement, the financial statements also include a condensed 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, and which are as follows:

- > IAS1 "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.
- > IFRS7 "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.
- > IFRIC7 "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.
- > IFRIC8 "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.
- > IFRIC9 "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.

- IFRIC10 “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

Starting 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 reported 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. The six-month period ended June 30, 2007 was the first period in which we accounted for the company 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:

Balance sheet as of December 31, 2006	Variance in € millions
Goodwill	-38.3
Entities accounted for using the equity method	+166.9
Other financial assets	-50.7
Revenue reserves	+77.9
Income statement for the period from January 1 to September 30, 2006¹	Variance in € millions
Financial result	-4.4

¹ No effect on the period from January 1 to December 31, 2006

In the reporting period from January 1 to September 30, 2006, the measurement of DREWAG Stadtwerke Dresden GmbH at equity reduced the earnings per share from group net profit by € 0.02 to € 2.45 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:

- > IFRIC11 “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 nine months of 2007.

Effects on earnings from marking stand-alone derivatives to market are disclosed under other operating income or expenses, as before. Gains or losses from realising these forward transactions are recognised in revenue or cost of materials respectively. In the prior year, with the exception of futures, such gains or losses had been recognised as other operating income or expenses accordingly. The comparative figures have been adjusted as follows:

Income statement for the period from January 1 to September 30, 2006	Variance in € millions
Revenue	-81.7
Other operating income	-116.2
Cost of materials	148.8
Other operating expenses	49.1

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 under financial result. The comparative figures have been adjusted as follows:

Income statement for the period from January 1 to September 30, 2006¹	Variance in € millions
Other operating income	-23.8
Financial result	+23.8

¹ Likewise January 1 to December 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 Entsorgungsunternehmen ALBA AG, Berlin. In the income statement and cash flow statement, the U-plus group is disclosed as a discontinued operation. The comparative figures have been adjusted in the income statement and cash flow statement.

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

€ millions	9/30/2007	12/31/2006
Non-current assets held for sale	27.2	7.4
Assets of discontinued operations	1.5	31.1
	28.7	38.5
Liabilities of discontinued operations	75.8	103.0
	75.8	103.0

Non-current assets held for sale concern land and buildings. The assets and liabilities of discontinued operations as of September 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 – 9/30/2007	1/1 – 9/30/2006
Income statement of discontinued operations		
Revenue	97.2	165.4
Other income	27.8	15.2
Other expenses	-86.3	-192.7
Amortisation and depreciation	-5.8	-11.0
Financial result	0.9	-3.2
Gain or loss from measurement at fair value and from the disposal of assets	32.9	23.1
Earnings before tax	66.7	-3.2
Income taxes	-9.6	-3.6
Earnings after tax	57.1	-6.8
Minority interests	0.0	1.0
Result of discontinued operations	57.1	-5.8

In the reporting period, cash was received from the sale of fully consolidated companies of € 73.6 million (prior year: € 49.5 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. Intercompany income is offset against the corresponding expenses. Intercompany profits are eliminated unless they are immaterial. Deferred taxes are recorded.

Joint ventures are consolidated according to the same principles as subsidiaries.

The same accounting 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. Step-by-step comparison of the cost of the individual share purchases with the interest in the fair value gave rise to goodwill of € 21.9 million for the 28.0% share newly consolidated in 2007. The change in equity which is attributable to the former share of 51% totals € 37.2 million and has been recognised directly in equity. ESW contributed € 18.2 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	16.1
Property, plant and equipment	206.2	245.3
Other financial assets	0.0	0.0
Other non-current assets	0.3	0.3
Current assets	173.9	173.9
Total assets	381.0	435.6
Non-current liabilities	121.4	103.2
Current liabilities	209.0	209.0
Total liabilities	330.4	312.2
Net assets ¹	50.6	123.4
EnBW's interest in net assets 28.0%		34.6
Purchase costs		56.5
Goodwill		21.9

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

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

In the past, GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG was 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. Step-by-step comparison of the cost of the individual share purchases with the interest in the fair value gave rise to preliminary goodwill of € 8.9 million for the 76.5% share newly acquired in 2007. The preliminary 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 companies

Under the full consolidation method, all subsidiaries are included over whose financial and business policy control can be exercised as defined by the control concept. In this case, the assets and liabilities of a subsidiary are included in full in the consolidated financial statements.

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 ¹	9/30/2007	12/31/2006	9/30/2006
Full consolidation	92	100	96
Proportionate consolidation (joint ventures)	9	10	10
Entities accounted for using the equity	19	22	22

¹ The figures of the comparative periods have been adjusted.

Financial result

in millions € ¹	1/1 – 9/30/2007	1/1 – 9/30/2006
Investment income	248.8	187.1
of which entities accounted for using the equity	(130.4)	(114.6)
Interest and similar income	217.9	174.7
Interest and similar expenses	-230.6	-228.3
of which finance costs	(-203.9)	(-198.6)
Interest portion of increases in provisions	-341.6	-329.1
Other finance revenue	40.9	97.1
Other finance costs	-70.9	-27.2
Net interest	-384.3	-312.8
Financial result	-135.5	-125.7

¹ The figures of the comparative period have been adjusted.

Income taxes

On July 6, 2007, the upper house of the German parliament enacted the 2008 business 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 third quarter of 2007, this led to non-recurring tax income of € 420.1 million.

Contingent liabilities and financial commitments

Contingent liabilities and financial commitments have decreased by € 18.3 million compared to December 31, 2006.

Notes to the cash flow statement

Funds from operations € millions ¹	1/1 – 9/30/2007	1/1 – 9/30/2006
Funds from operations before taxes and financing	1,625.8	1,466.6
Income taxes paid	-565.6	-108.8
Interest and dividends received	344.8	297.8
Interest paid	-346.0	-277.8
Funds from operations after taxes and financing	1,059.0	1,377.8

¹ The figures of the comparative period have been adjusted.

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:

Income statement	1/1 –	1/1 –
€ millions	9/30/2007	9/30/2006
Revenue	512.8	474.6
Cost of materials	-470.0	-510.9
Balance sheet	9/30/2007	12/31/2006
€ millions		
Receivables	24.4	116.0
Advance payments made	38.1	34.4
Liabilities	7.3	72.0
Advance payments received	46.3	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.

Relationships also exist with municipal entities (public utilities in particular) accounted for using the equity method. Transactions with these organisations took place at arm's length.

The EnBW group did not enter 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 September 30, 2007, EnBW AG held 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.

Board of Management and Supervisory Board

Board of Management

Hans-Peter Villis

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

Pierre Lederer

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

Dr. Bernhard Beck, LL. M.

Born 1954 in Tuttlingen
Member of the Board of Management and
Chief Human Resources Officer
Chief Human Resources and Information
Officer since 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

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

Dr. Hans-Josef Zimmer

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

Prof. Dr. Utz Claassen

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

Prof. Dr.-Ing. Thomas Hartkopf

Born 1948 in Solingen
Member of the Board of Management
Chief Technical Officer
from November 1, 2002 to February 8, 2007
Leimen

As of October 31, 2007

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Member since June 13, 2007

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Member since April 26, 2007

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Werner Vorderwülbecke, Stuttgart

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Dr. Bernd-Michael Zinow, Pfinztal

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

Willi Fischer, Meßstetten

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

Rolf Gillé, Stuttgart

Former chairman
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of U-plus Umweltservice AG
Member until May 16, 2007

Siegfried Tann, Friedrichshafen

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

Alfred Wohlfart, Ulm

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

As of October 31, 2007

Financial calendar

Contact

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 1, 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

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Internet: 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.

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residual waste CHP station in Stuttgart-
Münster

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Participants of the EnBW energy efficiency
network for Franconia-Upper Palatinate

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View over Stuttgart

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**EnBW Energie
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