Investing in growth areas. Promoting the future of EnBW and showing our commitment to Baden-Württemberg and Germany. Investing in growth areas. Promoting the future of EnBW and showing our commitment to Baden-Württemberg and Germany. Investing in growth areas. Promoting the future of EnBW and showing our commitment to Baden-Württemberg and Germany. Investing in growth areas. Promoting the future of EnBW and showing our commitment to Baden-Württemberg and Germany. Investing in growth areas. Promoting the future of EnBW and showing our commitment to Baden-Württemberg and Germany. Investing in growth areas. Promoting the future of EnBW and showing our commitment to Baden-Württemberg and Germany. Investing in growth areas. Promoting the future of EnBW and showing our commitment to Baden-Württemberg and Germany. Investing in growth areas. Promoting the future of EnBW and showing our commitment to Baden-Württemberg and Germany. Investing in growth areas. Prom
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Six-monthly financial report
January to June 2008

EnBW

EnBW Energie
Baden-Württemberg AG

At a glance

EnBW group		1/1 – 30/6/2008	1/1 – 30/6/2007	Variance %	1/1 – 31/12/2007
Revenue					
Electricity	€ millions	6,380.8	5,740.1	11.2	11,539.7
Gas	€ millions	1,350.9	1,305.8	3.5	2,479.3
Energy and environmental services	€ millions	339.7	331.6	2.4	693.2
External revenue, total	**€ millions**	**8,071.4**	**7,377.5**	**9.4**	**14,712.2**
Adjusted EBITDA	€ millions	1,403.8	1,281.8	9.5	2,328.3
EBITDA	€ millions	1,423.9	1,398.9	1.8	2,336.4
Adjusted EBIT	€ millions	1,017.0	908.4	12.0	1,563.0
EBIT	€ millions	975.3	1,024.9	-4.8	1,559.2
Adjusted group net profit[1, 2]	€ millions	636.9	563.8	13.0	821.0
Group net profit[1, 2]	€ millions	631.7	736.2	-14.2	1,364.1
Earnings per share from group net profit[1, 2]	€	2.59	3.01	-14.0	5.58
Cash flow from operating activities	€ millions	901.5	691.2	30.4	1,558.7
Free cash flow	€ millions	530.8	411.5	29.0	853.2
Capital expenditures on intangible assets and property, plant and equipment[3]	€ millions	414.4	326.7	26.8	816.1

Energy sales of the EnBW group		1/1 – 30/6/2008	1/1 – 30/6/2007	Variance %	1/1 – 31/12/2007
Electricity	billions of kWh	63.9	69.4	-7.9	139.5
Gas	billions of kWh	37.8	40.0	-5.5	75.2

Employees of the EnBW group[4]		30/06/2008	30/06/2007	Variance %	31/12/2007
Employees	Number	20,298	20,143	0.8	20,265

[1] The figures of the comparative period have been adjusted.
[2] Attributable to the equity holders of EnBW AG.
[3] From continuing operations.
[4] Number of employees without apprentices/trainees and without inactive employees.

Content

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 six-monthly financial report can also be downloaded from the internet in German or English. In case of doubt, the German version shall prevail.

Top issues

2008

January 2008

Bond issued on the Swiss capital market

Via its subsidiary EnBW International Finance B.V., EnBW issues a bond totalling CHF 300 million with a fixed term of five years.

February 2008

Bioenergy project to reduce greenhouse gases

EnBW and the University of Hohenheim are exploring possibilities of reducing greenhouse gases in a pilot project for the production of bioenergy. This Clean Development Mechanism project involves the large-scale planting of the jatropha plant on a 3,000 hectare plantation on wasteland in Madagascar.

March 2008

IAEA attests high standard of Neckarwestheim nuclear power plant

The International Atomic Energy Agency attests the high standard of the Neckarwestheim nuclear power plant. EnBW is the only operator of nuclear power plants in Germany whose production locations have been completely reviewed by the IAEA in only a few years.

CFO leaves EnBW

The CFO of EnBW, Dr. Christian Holzherr, leaves the company of his own volition. CEO Hans-Peter Villis assumes responsibility for the finance portfolio for the time being.

EnBW once again "Top Employer"

EnBW again receives top ranking in the "Top Employer Germany 2008" study carried out by the "karriere" journal in collaboration with the geva-Institut and the Corporate Research Foundation.

April 2008

Collective bargaining partners reach agreement

Employers and employee representatives of the private energy industry in Baden-Württemberg reach an agreement on a pay rise, a one-off payment and the hiring of trainees on limited and permanent contracts.

Present at the Hanover trade fair

At the Hanover trade fair, EnBW presents the energy city of the future with innovative ideas for living, industrial production and energy generation. Energy efficiency and renewable energies are the main topics.

Standard & Poor's confirms ratings

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

Award for EnBW customers

Several business customers of EnBW win a prize at the Energy Efficiency Award ceremony held by Deutsche Energieagentur (dena).

May 2008

Approval for the RDK 8

EnBW receives approval required under the German Federal Immission Control Act (BImSchG) for its coal-fired power station at the Karlsruhe Rheinhafen port (RDK 8). The construction work, which commenced in early March once approval for early commencement had been obtained, can thus go ahead as planned. The approval includes the emission concentrations for particulate matters, carbon monoxide, nitrogen oxides and sulphur dioxide that EnBW applied for, which are 50% below the annual average limits permitted under the 13th Federal Immission Control Ordinance (BImSchV).

New energy efficiency network launched

The EnBW energy efficiency network South-West, comprising eleven industrial companies from the Baden and Palatinate regions is launched in Karlsruhe. With a total of six networks, EnBW is a forerunner in the field of energy efficiency for industry.

Energy supply agreements signed

Some 50 towns and cities, municipalities and associations from the Ravensburg district and surroundings have commissioned EnBW to supply electricity to their public facilities. The delivery volume in 2009 and 2010 comprises some 2,700 points with an annual consumption in excess of 51 million kWh.

Offshore wind power projects secured
The acquisition of all shares in Eos Offshore AG, Varel, and Offshore Ostsee Wind AG, Börgerende-Rethwisch, marks EnBW's entry in the offshore wind power business. Both companies hold rights in a total of four approved offshore wind farm projects with an installed wind power capacity of 1,200 MW.

Bio natural gas facility commissioned
One of the most sophisticated bio natural gas facilities in Germany is commissioned in Burgrieden near Laupheim. The processing facility owned by EnBW subsidiary Erdgas Südwest GmbH processes an annual volume of five million cubic metres of biogas generated by an association of 21 farmers in the region into 2.8 million cubic metres of bio natural gas and feeds this into the gas grid. This allows some 1,000 households to be supplied with climate-friendly bio natural gas.

Approval procedure for Stade
The approval procedure for the integrated energy supply planned by Dow Stade and EnBW in Stade, a centre of the chemical industry. The project comprises the development, construction and operation of a state-of-the-art hard coal power station and a gas and steam turbine power station with a total output in excess of 1,000 MW.

Moody's confirms ratings
Moody's confirms the long-term rating "A2" and the short-term rating "Prime -1" of EnBW. The outlook continues to be "stable".

Elevated drinking water tank
EnBW Regional AG has built a new elevated drinking water tank in Stuttgart-Degerloch for € 5.8 million. The new tank is twice the size of the old one, with a storage volume of 15,000 cubic metres.

Merger of ENSO Strom AG and ENSO Erdgas GmbH
The merger of ENSO Strom AG and ENSO Erdgas GmbH to form ENSO Energie Sachsen Ost AG was entered in the commercial register on May 15. The new company has 1,360 employees and supplies some 500,000 customers with electricity, natural gas, heat and water.

June 2008

Network charges approved
The Federal Network Agency approves the network charges applied for by GVS Netz GmbH and Erdgas Südwest GmbH in May as well as the gas network charges of Netzgesellschaft Ostwürttemberg GmbH at the end of June. Almost all electricity and gas supply companies in the EnBW group have now received network user charge notices for 2008. Some of the notices contain substantial reductions in the charges applied for.

Transfer of residual electricity rejected
The Federal Ministry for the Environment rejects EnBW's application dated 21 December 2006 for transfer of residual electricity volumes from GKN II to GKN I.

Geothermal power station commissioned
The geothermal power station in the Alsatian town of Soultz-sous-Forêts starts producing electricity. The above-ground power station with an electrical output of 2.1 MW can supply 4,800 households with electricity CO_2-free, using rock at 200 °C some 5,000 metres under the earth's surface. The power station has been built by a syndicate made up of EnBW as well as EDF, Electricité de Strasbourg, STEAG Saarenergie and Pfalzwerke.

July 2008

CO_2 capture using microalgae
In cooperation with Subitec GmbH, Eutingen, EnBW examines the potential of CO_2 capture by cultivating microalgae in special reactors.

26% of EWE AG acquired
EnBW's bid to acquire 26% of EWE AG, with registered offices in Oldenburg, is accepted. The acquisition is subject to the approval of the German Anti-Trust Office.

New CFO
EnBW's Supervisory Board appointed Dr. Rudolf Schulten CFO of EnBW for a term of five years commencing 1 January 2009.

Letter to our shareholders

Dear shareholders,
investors and friends of EnBW,

EnBW Energie Baden-Württemberg AG continued its positive development in the first six months of 2008. We successfully increased revenue in all business segments and recorded a slight improvement in the key operating earnings indicators in the first six months compared to the prior period.

> The revenue of the EnBW group rose by 9.4% to € 8,071.4 million compared to the first six months of 2007.

> EBIT adjusted for non-operating effects on earnings rose on the comparative period of the prior year by 12.0% to € 1,017.0 million.

> Adjusted group net profit in terms of the profit attributable to the equity holders of EnBW AG rose by 13.0% to € 636.9 million on the first six months of 2007.

> Due to a marked decrease in the non-operating result, the group net profit in terms of the profit attributable to the equity holders of EnBW AG fell by 14.2% to € 631.7 million compared to the comparative period of the prior year.

As part of the growth strategy that we adopted just a few months ago, we plan to make total capital expenditures of € 7.6 billion by the year 2010. A lot has happened since then. We have acquired four offshore wind farm projects and have already obtained approval for the turbines in these offshore wind farms. In the medium term, this will allow us to successively establish a total installed wind power capacity of more than 1,200 megawatts, thus bringing us a big step closer to our target of practically doubling the share of renewable energies in EnBW's generation mix from roughly 11% to 20% by 2020. We have earmarked resources of around € 3 billion for the coming years to achieve this increase.

Generating 20% of power from renewable energies still implies that we will need to generate 80% using coal, gas or nuclear power. We will still need large-scale power stations in future to ensure that our generation facilities remain economically viable, safe, energy efficient and environmentally compatible. This will also help us to bridge the impending electricity gap of 15,000 megawatts that has been forecast. We received the approval required by the Federal Imission Control Act for the construction of a highly efficient hard coal unit (RDK 8) with an electrical output of 912 megawatts on the site of the Rheinhafen thermal power station in Karlsruhe on 14 May 2008. This was an important signal for us and for the energy industry as a whole. We will invest just over € 1 billion in this power station over the next three years.

We were most disappointed to see our application for transfer of residual electricity volumes (46.9 terawatt-hours) from GKN II to GKN I rejected by the Federal Ministry for the Environment. The application was based on the legal possibilities allowed by the German Atomic Power Act and was aimed at optimising the terms of both nuclear power plants and adjusting them to economic requirements.

The intended transfer is advisable not only considering operational and safety aspects, it is even in the interest of the economy as a whole. We believe that the Federal Ministry for the Environment was guided by considerations alien to the issue at hand and without a legal basis. EnBW will therefore file an appeal against the notice.

By contrast, I was delighted about our new strategic alliance with EWE AG in Oldenburg. The shareholders and boards of EWE AG decided on 10 July 2008, subject to the approval of the German Anti-Trust Office, to offer EnBW a 26% shareholding. We intend to seize the opportunities that this strategic shareholding in EWE offers to develop our central business segments in cooperation with EWE and to identify synergy potential for both companies. We see opportunities for cooperation especially in the generation of energy, joint acquisitions abroad and in the gas segment.

These capital expenditures will allow us to implement our value-added growth strategy step by step. By mid-2008 we have already achieved some of the targets we set ourselves. We will continue our work to secure the future of our company. I am confident that we will succeed and that we will continue to enjoy a positive development of business in future.

Yours sincerely,

Hans-Peter Villis

Hans-Peter Villis
Chairman of the Board of Management

Karlsruhe, August 2008

Hans-Peter Villis
Chief Executive Officer

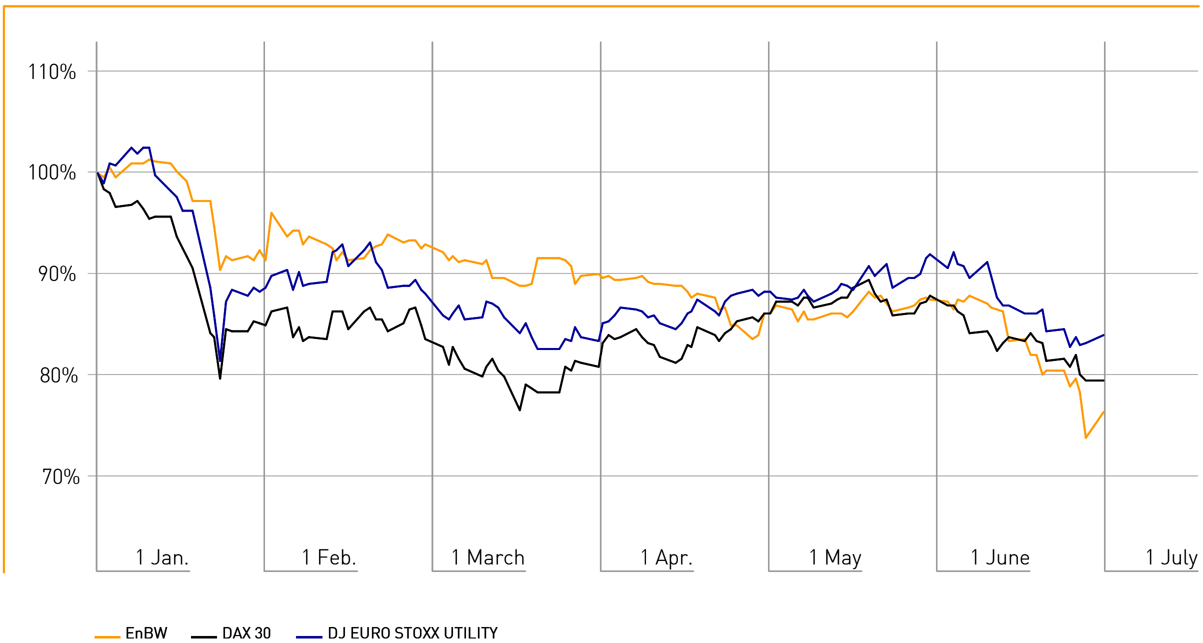
The EnBW share

EnBW share in figures[1]	30/06/2008	31/12/2007
Number of shares outstanding (millions of shares)	244.257	244.257
Closing price in €	45.97	60.16
Market capitalisation in € billions[2]	11.2	14.7

EnBW share prices[1]	1/1 – 30/6/2008	1/1 – 31/12/2007
High in €	61.00	60.84
Low in €	44.56	48.01

[1] The price information relates to the XETRA prices.
[2] Number of shares outstanding at the end of the quarter multiplied by the closing price.

Development of the EnBW share from 1 January to 30 June 2008



Shareholder composition

The shareholder composition of EnBW Energie Baden-Württemberg AG as of 30 June 2008 is as follows[1]:

Shareholder composition	
EDF International SA (EDFI)	45.01%
Zweckverband Oberschwäbische Elektrizitätswerke (OEW)	45.01%
EnBW Energie Baden-Württemberg AG	2.30%
Free float	2.05%
Badische Energieaktionärs-Vereinigung	2.58%
Gemeindeelektrizitätsverband Schwarzwald-Donau	1.28%
Landeselektrizitätsverband Württemberg	0.54%
Neckarelektrizitäts-Verband	0.48%
Other municipal shareholders	0.75%

[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 group management report

Economic and political environment

The energy policy and regulatory environment continue to impact EnBW's operating activities. Almost all electricity and gas supply companies in the EnBW group have received network user charge notices from the Federal Network Agency in the meantime. In June, the lower house of the German parliament passed the laws intended to assist implementation of the federal government's integrated energy and climate programme. The general economic situation continued to be influenced by a rise in prices on the commodities markets.

Energy policy

Energy and climate package

In August 2007, the federal cabinet decided at a meeting in Meseberg upon an ambitious energy and climate programme involving 29 measures. On 6 June 2008, the lower house of the German parliament passed the laws relating to the first part of the federal government's climate programme; the cabinet passed the second part on 18 June. The programme presented is intended to double Germany's efforts towards climate protection. Germany has already reduced its greenhouse gas emissions by 18% in comparison to 1990. The energy and climate programme is intended to achieve a reduction of 36%. This would take Germany a long way towards achieving its own goal of a 40% reduction in emissions by 2020.

The targets set out in the energy and climate programme have come under pressure in the wake of a wide range of developments (biofuels, extension and connections to grids offshore, bottlenecks in components for renewable energies, etc.). Discussion over the next few months will reveal whether they can be upheld.

It is expected that the following acts and bills in particular will have an impact on EnBW's operating activities:

The amendment of the German Renewable Energies Act (EEG): It is intended to abolish the physical transfer of the electricity covered by the EEG and to introduce a uniform national EEG account. Details are set out by way of an ordinance scheduled to be approved by the lower house of the German parliament in spring/summer 2009. The abolition of the physical transfer would reduce the burden of significant risks and losses on EnBW. However, the transition to a purely financial transfer might well lead to a higher level of procurement risk in the fiscal years 2009 and 2010 – depending on the exact wording of the ordinance.

The federal government has withdrawn the originally planned reduction in remuneration for power from large-scale hydropower. The remuneration for power from offshore wind power has been increased.

The amendment of the German Combined Heat and Power Act (KWKG): The subsidised period has been extended to the end of 2016, industrial CHP plants are now included in the subsidies.

Meter reading ordinance

The federal government intends to open the market for gas and electricity meter reading to competition. Plans are for electricity and gas customers to be able to choose between different providers in the future. The Act on the Liberalisation of Meter Reading has been passed by both houses of the German parliament in the meantime. The ordinance required in this context was passed by the federal government on 18 June 2008 and is scheduled to be put on the upper house's agenda in September.

Power line extension act

The draft legislation intended to accelerate the extension of extra-high voltage lines presented by the Federal Ministry of Economics in the first quarter of 2008 was passed by the federal cabinet in June. One major pillar of the legislation is a power line extension act prioritising line construction projects. After the Federal Ministry for the Environment and the state of Lower Saxony had been vociferous in their support for laying cables underground, the cabinet decision on the legislation added a regulation relating to underground cabling in part in four specified pilot projects. The additional costs caused by this can be divided up among all transmission network operators and allocated as fixed costs to the network user charges. Nevertheless, there are still numerous hurdles that may significantly delay the approval procedures for line construction projects. Such hurdles include the number of steps in the proceedings, the copiousness of the application documents and the lack of planning reliability for lines.

EnBW is advocating relevant changes in the course of the legislative process.

Federal Court of Justice decision on price adjustment clauses in special natural gas contracts

On 29 April 2008, the Federal Court of Justice (BGH) rejected the appeal on points of law by EnBW's subsidiary ENSO Energie Sachsen Ost AG against the ruling by Dresden Higher Regional Court and decided that price increases implemented in the special gas rate are ineffective. In its reasons for the ruling, the BGH stated that the corresponding price adjustment clause was ineffective because, while the specific wording of the price adjustment clause provided for price increases in the event of an increase in purchase costs, the wording of the clause did not exclude the possibility that sinking purchase prices would not be passed on to the customer to an appropriate extent. However, the company had in fact passed on falling purchase prices to its customers. This ruling has not clarified the legal situation regarding the effectiveness of price adjustment clauses. There are still numerous lawsuits pending before the courts, including the BGH, in connection with this topic. From the perspective of the energy industry, companies must be in a position to pass on to consumers the purchase costs of energy which have significantly increased, particularly in the past few years. The very existence of companies might otherwise be jeopardised. This was confirmed time after time by precedents (for example, the BGH's fundamental ruling of 13 June 2007 relating to the applicability of Sec. 315 German Civil Code (BGB)).

European energy policy

The EU Commission presented a package of measures relating to the areas of energy and climate protection already on 23 January 2008. It includes legislative proposals to expand renewable energies to bring about a reduction in carbon dioxide emissions and to promote geological storage of carbon dioxide.

The proposed directive to extend the share of renewable energies in the EU's primary energy consumption provides for a 20% share of renewable energies by 2020. Shared among the member states, this would mean a target of 18% for Germany. The proposal does not provide for any harmonisation of the various incentive systems within the EU.

The review of the emissions trading directive similarly relates to the period until 2020. The Commission will now assume responsibility for allocating emissions trading allowances, which was previously the responsibility of the member states. Nevertheless, a distribution of burdens will still be carried out nationally, derived from an EU-wide target of a 20% reduction in CO_2 by 2020. Using 2005 as the base year, Germany is to reduce its carbon dioxide emissions by 14%. The Commission's proposal does not provide for any allowances to be distributed to the energy sector free of charge.

The third material element contained in the package consists of proposed legislation on geological storage of CO_2. Geological storage is preceded by the capture of the carbon dioxide created when burning fossil fuels such as coal and gas to generate electricity. With this proposal, the European Commission's is responding to demands by the member states to create the technical, economic and regulatory environment necessary to develop operable carbon capture and storage technology as quickly as possible.

The European Parliament has already begun the first reading for all legislative procedures. Draft reports are available for all projects. However, the first plenary reading is not scheduled until the autumn. France will take on the presidency of the EU Council on 1 July and has already stated that it will prioritise this package of measures. Consequently, the package is expected to be passed in the first quarter of 2009 despite the European elections scheduled for June 2009.

In connection with another EU project, the third liberalisation package, the European Parliament has already held its first reading for the electricity segment. The Commissions proposals focus on ownership unbundling of transmission network operators and vertically integrated energy suppliers, i.e. the compulsory sale of the transmission networks by the energy suppliers. While the energy ministers had already agreed upon an alternative on 6 June, providing for greater independence of the transmission networks, the European Parliament has stated its full support for ownership unbundling. A final decision is expected before the end of the legislative period.

Network user charge proceedings of the Federal Network Agency

The Federal Network Agency issued its decision on EnBW Transportnetze AG's (TNG) application concerning the network user charges on 17 January 2008. The approved charges for the use of the transmission network were reduced by around 11% compared to the previous charges and by 30% compared to the charges it had applied for. A decision was likewise issued on EnBW Regional AG's network user charge application. In a notice issued on 29 February 2008, the Federal Network Agency cut the approved charges for use of EnBW Regional AG's distribution networks. Measured against the charges applied for, the reduction totals 25%. In each case, the approved charges apply with retroactive effect as of 1 January 2008.

The relatively high reductions in comparison to the network user charges applied for are due to the fact that, to preserve their legal position, EnBW Transportnetze AG and EnBW Regional AG had reapplied for cost components on which the Federal Network Agency had returned a negative ruling. Between the date of the application and the approval notice by the Federal Network Agency, changes were made in the ordinance on electricity network user charges in the course of the incentive regulation ordinance passing through the legislature, which similarly contributed to a cut in the network user charges applied for.

Stadtwerke Düsseldorf AG, NHF Netzgesellschaft Heilbronn-Franken mbH and Energiedienst Netze GmbH received their network user charge notices at the end of March. The notices for GVS Netz GmbH and Erdgas Südwest Netz GmbH followed in May. Netzgesellschaft Ostwürttemberg GmbH received the notice for user charges applied for just before the end of June. All companies had to deal with reductions. The reductions amounted to between 16% and 26% in comparison to the application.

Some of the gas grid companies within the EnBW group have so far only received consultation notices from the Federal Network Agency, but we expect to receive the last approval notices in the near future.

Incentive regulation

In accordance with the German Energy Industry Act (EnWG), the principle of cost regulation underlying the decisions on network user charges is to be replaced by an incentive-based system of regulation as of 1 January 2009. The corresponding ordinance took effect in the autumn of 2007. The incentive-based system of regulation establishes a cap on revenue on the basis of the costs set in the second round of network charge approvals. In addition to a prescribed uniform productivity increase generally applicable to all companies, the revenue cap also includes company-specific cost-saving targets which result from a comparison with the respective most efficient network operator.

The Federal Network Agency is currently preparing implementation of the incentive regulation ordinance. By resolution of 7 July 2008, it set the equity interest rates for 2009 at 9.29% for new plants and 7.56% for old plants. The interest rates are uniformly applicable to electricity and gas companies. The equity interest rates for electricity companies permissible under regulatory law increased by approx. 1% to 1.5% in comparison to the values previously applicable; the new interest rates for gas companies are roughly equivalent to the previous values.

Although this decision by the Federal Network Agency outlines further details of the future regulatory framework, it will not be possible to make any reliable statements on the impact of the incentive regulation on EnBW until the results of the efficiency benchmarking procedure have been published.

New regulation of balancing in the gas segment

The Federal Network Agency has passed new market regulations (GABi Gas) for balancing in the gas segment. These regulations are intended to simplify the processes between gas suppliers and gas grid operators. The demands placed by GABi Gas on the processes between balancing and exit grid operators and the allocation of duties are currently being established within the scope of reworking the cooperation agreement. Some processes will cease to apply, new ones will come into being. One important aspect of the new balancing regime is the switchover from the previous balancing on an hourly basis to balancing on a daily basis. Furthermore, it is intended for the price of the balancing energy to be based on selected market prices. As of 1 October 2008, all balancing agreements must be in accordance with the new market regime. The existing agreements will have to be amended.

Market situation

Electricity market

In the first quarter, the spot market prices were lower than expected due to the relatively mild temperatures, improvements in power station availability and higher levels of wind energy feed-ins. The average spot market prices of the base and peak products were around € 56.20/MWh and € 72.23/MWh. In the second quarter, the average spot market prices of the base and peak product were markedly above the level prevailing in the first quarter at € 65.54/MWh and € 88.88/MWh. This price increase was not anticipated on the forward market. The spot market price for the base product was € 8.37/MWh higher than the last forward market quotation for this quarterly product. The factors driving the price in the second quarter included the significant increase in fuel prices, the low level of nuclear power station availability in France and a relatively low level of wind energy feed-in.

The average spot price for the base product almost doubled in comparison to the prior year. The main reason for these different levels was the difference in prices for CO_2 allowances between the first and second trading periods. While the forward market price for CO_2 allowances for 2008 averaged € 25.66/t CO_2 in the second quarter, one-year contracts for CO_2 allowances for the year 2007 were quoted on average at € 0.41/t CO_2 over the comparative period of the prior year. The increase in the price of CO_2 allowances caused a significant rise in the margin costs of fossil-fuelled power stations and led to higher electricity prices on the spot market. There was also an increase in the price of coal, oil and gas.

On the forward market for electricity, the marked increase in the prices of fuels and CO_2 was reflected in higher electricity price quotations. The price of the base load product for delivery in 2009 followed the volatile fuel quotations, while the quarterly average rose from € 62.62/MWh in the first quarter to € 71.45/MWh in the second quarter. This represents an increase of € 12.61/MWh in comparison to the fourth quarter of 2007. The average quotation of peak deliveries rose by € 19.64/MWh to € 100.92/MWh in comparison to the fourth quarter of 2007. This price movement can also be seen in the base and peak products of the year 2010.

Comparison of average electricity prices in €/MWh

	EEX forward market (settlement price)				EEX spot market	
	2009	2009	2010	2010		
	Base	Peak	Base	Peak	Base	Peak
Q2 2007	54.60	80.01	54.48	80.29	33.21	49.28
Q1 2008	62.62	86.89	61.15	85.97	56.20	72.23
Q2 2008	71.45	100.92	70.18	100.63	65.54	88.88

CO_2 market

The average traded daily volume in the European emissions trading system amounted to around 9.1 million t CO_2 per day in the second quarter of 2008. Around 67% of this was traded over the counter and around 29% on the ECX CO_2 exchange. The remaining 4% was traded on the EEX, Nordpool and Powernext exchanges.

The average daily trading volume in the second quarter of 2008 rose compared to the second quarter of the previous year by around 60%. Compared to the preceding quarter, the trading volume rose by around 14%. It can therefore be assumed that activity on the CO_2 market will continue to increase again this year.

The price of the EUA 08 (EU Allowance, CO_2 allowances for 2008) was around € 22.23/t CO_2 at the end of the first quarter of 2008 and rose to € 28.70 t/CO_2 in the course of the second quarter of 2008. The decisive factors in the price development included movements on the oil market and the price difference between gas and coal as fuels. The fuel switch costs, i.e. the costs for the avoidance of one tonne of CO_2 when converting from coal to gas for electricity production, were just over € 30/t CO_2 for the summer of 2009; towards the end of the second quarter of 2008 they were around € 57/t CO_2.

One further major factor was the price development for CER 08 (Certified Emission Reductions, emissions allowance for 2008). This is generated from CDM (Clean Development Mechanism) projects pursuant to the Kyoto protocol and results from measures to reduce emissions implemented by an investor from an industrialised country in a developing country. The underlying principle of the CDM is that reductions in emissions can be more cost effective in their implementation in developing countries than in industrialised countries. Investors from industrialised countries are consequently able to use CDM projects to generate CER that can be offset against their payment dues in their home country, within certain limits. The price of the CER 08 was around € 15.35/t CO_2 at the end of the first quarter of 2008 and rose to just under € 21/t CO_2 in the course of the second quarter of 2008. This was caused by reports stating that CER are in short supply due to capacity bottlenecks with regard to validation and verification of CDM projects. Up to the pertinent limit, CER are a substitute for EUA, which is the reason why the rise in the price of CER also contributed to a rise in the price of EUA.

Comparison of average prices for CO_2 emission allowances in €/t CO_2

	Second trading period		
	2008	2009	2010
Q2 2007	20.45	20.81	-
Q1 2008	21.47	21.98	22.60
Q2 2008	25.66	26.31	27.03

Coal market

The prices of hard coal on the world market rose almost continuously over the course of the second quarter of 2008 apart from a small number of brief lulls. At the beginning of the quarter, quotations for deliveries in 2009 of imported coal in the ARA area (Amsterdam, Rotterdam, Antwerp) were around US$ 122/t, at the end of the quarter they were around US$ 212/t. The quotation for July crossed the US$ 200 threshold for the first time on 24 June 2008. This means that not even nine months have passed since the first trade in the ARA for US$ 100/t; the average prices for physical deliveries of coal in the ARA area in the first half of 2008 were almost five times the level of the second half of 2002.

One of the main reasons for the high price level are the extremely low levels of free export capacity. This is a result of the significant increase in demand in Asia in addition to recurring brief export bottlenecks due to adverse weather conditions in Australia and problems with the supply of electricity to coal mines in South Africa. The coal price was also driven by a price increase on the freight market.

In such a tense market situation, the market prices clearly exceed production-related costs and are very volatile (marked price movements).

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

	2009	2010	Delivery in the following quarter
Q2 2007	73.98	72.70	74.14
Q1 2008	121.06	111.60	131.39
Q2 2008	154.27	149.44	159.81

API – All Publications Index, various brokers

Oil market

The price increase seen in the first quarter continued in the second quarter. While the price for a barrel of North Sea Brent in the first quarter averaged around US$ 96, the mean price in the second quarter of 2008 was over US$ 122 per barrel.

On the basis of the US$ 100 per barrel seen on 1 April, the price of Brent remained almost constant until 26 May. This was the day that Brent reached the highest price level seen up to then of US$ 132 per barrel. The price hike was primarily due to a worldwide shortage of middle distillates (diesel, heating oil and kerosene) and an increasing number of production stoppages in Nigeria and the North Sea. The worldwide demand for middle distillates is growing rapidly. The increasing number of diesel-fuelled vehicles, the high demand for diesel for producing electricity with mobile generators in developing and emerging countries and the rapid rise in air traffic are factors here.

As refineries worldwide continue to be primarily geared to the production of petrol fuels, the market for middle distillates is generally characterised by a certain shortage. The situation was additionally exacerbated in the second quarter of 2008 by extensive maintenance work and unscheduled downtimes at several refineries in Europe. This led to an additional shortage in the supply of middle distillates, which in turn resulted in increased demand for those types of oil, such as Brent, from which the largest portion of middle distillates can be produced. In conjunction with extensive production stoppages in the North Sea and Nigeria in particular, this drove up the price of Brent. Nigerian oil is particularly suitable for the production of middle distillates. The increase in the number of attacks by Nigerian rebels on the oil infrastructure of this African OPEC country over the last few months has led to a marked decrease in oil production.

The only major interruption to the price increase in the second quarter was between 26 May and 4 June, when Brent prices dropped by more than US$ 10 per barrel on occasions after several Asian countries, including India, Indonesia and Malaysia, had significantly raised their state-controlled fuel prices as a consequence of the high oil prices. The effect of this news, which was only of psychological nature until such time as the actual cooling of demand sets in, did not last long, however. The price of Brent rose to US$ 137 per barrel on 6 June. It hovered around the level of US$ 134 per barrel, reaching a new record level of US$ 140 per barrel on 27 June.

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

	2009	2010	Delivery in the following quarter
Q2 2007	70.70	69.21	69.11
Q1 2008	93.12	91.84	95.47
Q2 2008	121.75	119.97	121.97

Gas market

Because the gas price is linked to the oil price, the development of oil prices affects the price of the long-term gas import agreements, albeit with a time lapse. These agreements have a material impact on the gas price level in Germany. The border price index of the Federal Office of Economics and Export Control (BAFA) stood at € 24.50/MWh in April 2008. This is a 2.9% increase compared to the import price in March 2008 of € 23.80/MWh and an increase of 22.6% compared to the average import price in 2007 of € 19.98/MWh.

The wholesale markets in north-west Europe are also guided by the development of the price of oil, even if they are not directly indexed.

In the second quarter of 2008, the forward prices were quoted on the Dutch TTF wholesale market at an average of € 34.05/MWh for the calendar year 2009 and at € 33.41/MWh for the calendar year 2010. Deliveries in the year 2009 thus rose in price by 31.5% and deliveries in the year 2010 by 32.2% in comparison to the first quarter of 2008.

The spot prices on the TTF in the second quarter of 2008 averaged € 25.85/MWh, i.e. 9.7% above the average spot prices of the previous quarter. Compared to the average price in the second quarter of 2007, the prices were as much as 147.1% higher. In this comparison, it should however be considered that the spot prices were unusually low in the summer of 2007 following the previous mild winter of 2006/2007.

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

	2009	2010	Spot market
Q2 2007	21.06	21.19	10.46
Q1 2008	25.89	25.28	23.56
Q2 2008	34.05	33.41	25.85

Company situation

In the first half of 2008, the adjusted group net profit in terms of the profit attributable to the equity holders of EnBW AG rose by 13.0% to € 636.9 million. Due to a marked decrease in non-operating result, the group net profit fell by 14.2% to € 631.7 million in terms of the profit attributable to the equity holders of EnBW AG. Capital expenditure rose by 26.8% to € 414.4 million.

Revenue and unit sales

In first six months of 2008, the EnBW group recorded external revenue before deducting electricity and natural gas tax of € 8,633.6 million, 9.4% more than in the first six months of 2007. External revenue after deducting electricity and natural gas tax increased by 9.4% to € 8,071.4 million.

Revenue increased in all segments.

Electricity: The electricity segment generated roughly 79.1% of the revenue of the group from January to June 2008. This segment's share of total group revenue therefore increased by 1.3% point in comparison to the first half of 2007.

In the reporting period, unit sales of electricity fell by 7.9%. This decrease primarily stems from trading. The success of our sales activities led to an increase in unit sales to industrial and retail customers.

Despite the drop in sales, revenue increased by 11.2%, thus totalling € 6,380.8 million. In the retail and industrial customer division, the increase in electricity sales and higher prices led to an increase in revenue. In the trading division, the higher prices more than made up for the decline in sales.

Gas: In the first six months of 2008, the gas segment accounted for 16.7% of the revenues of the EnBW group. The gas segment's share of total group revenue therefore declined in comparison to the prior year by 1.0% point.

In the B2C gas division, unit sales increased due to the winter, although mild, being colder in comparison to the prior-year period. In contrast, gas sales in the B2B segment – in particular to redistributors – fell due to customers lost in the wake of the ongoing liberalisation of the gas market despite the positive effects brought about by the weather. All in all, unit sales of gas fell by 5.5% to 37.8 billion kWh.

Despite the 3.5% fall in sales volume, revenue increased to € 1,350.9 million. This resulted from the fact that the increase in gas procurement prices caused by the development of the oil price was passed on to our customers.

Energy and environmental services: Over the period from January to June 2008, the energy and environmental services segment contributed a share of 4.2% to the revenue of the EnBW group. The energy and environmental services segment's share of total group revenue therefore declined in comparison to the prior-year period by 0.3% points.

Revenue in the energy and environmental services segment comprises revenue from disposal, water supply and other energy services, totalling € 339.7 million. This represents an increase of 2.4% compared to the first half of 2007. The higher revenue generated by other energy services was the main driver of this increase.

External revenue of the EnBW group by business segment in € millions[1]	1/1 – 30/6/2008	1/1 – 30/6/2007	Variance %	1/1 – 31/12/2007
Electricity	6,380.8	5,740.1	11.2	11,539.7
Gas	1,350.9	1,305.8	3.5	2,479.3
Energy and environmental services	339.7	331.6	2.4	693.2
Total	**8,071.4**	**7,377.5**	**9.4**	**14,712.2**

[1] After deducting electricity and natural gas tax.

Electricity sales of the EnBW group in billions of kWh	1/1 – 30/6/2008	1/1 – 30/6/2007	Variance %	1/1 – 31/12/2007
Retail customers (B2C)	11.8	11.2	5.4	22.2
Industry and redistributors (B2B)	31.3	30.9	1.3	62.1
Trade	20.8	27.3	-23.8	55.2
Total	**63.9**	**69.4**	**-7.9**	**139.5**

Gas sales of the EnBW group in billions of kWh	1/1 – 30/6/2008	1/1 – 30/6/2007	Variance %	1/1 – 31/12/2007
Retail customers (B2C)	7.2	6.3	14.3	12.2
Industry and redistributors (B2B)	30.6	33.7	-9.2	63.0
Total	**37.8**	**40.0**	**-5.5**	**75.2**

Earnings and business development

Adjusted EBIT went up by 12.0% to € 1,017.0 million compared to the first half of 2007. This increase is the result of the positive developments in our electricity segment. Adjusted group net profit in terms of the profit attributable to the equity holders of EnBW AG improved by 13.0% to € 636.9 million. The non-operating group net profit in terms of the profit attributable to the equity holders of EnBW AG fell compared to the first half of 2007 by € 177.6 million to € -5.2 million.

Adjusted and non-operating earnings

The most important key performance indicator within the EnBW group is adjusted EBIT – earnings before taxes, financial result and investment result. Adjusted EBIT is an earnings ratio adjusted for non-operating effects, which reflects the development of results of operations. Consequently, the development of segments is commentated on the basis of adjusted EBIT for the first time in the fiscal year 2008. All other material earnings ratios have also been presented on an adjusted basis in order to better reflect the results of operations.

The non-operating result contains extraordinary effects. These include gains on disposal of non-current assets, extraordinary effects relating to the nuclear power provisions, income from the reversal of other provisions, expenses relating to restructuring, material effects on earnings resulting from changes in the law as well as impairment losses. The most important components of non-operating results are reported separately.

Adjusted earnings

Adjusted EBIT in the electricity segment rose in relation to the comparative six months of the prior year by 15.9% to € 953.2 million. In the generation and trading division, an improved generation margin led to an increase in net profit. The increase in the generation margin results from higher sales prices from our electricity generation. Increased costs for the procurement of electricity, fuels and CO_2 allowances in addition to a decrease in the gain or loss from marking derivatives to market had a negative impact on the generation margin. Margins dropped due to not passing on the increase in wholesale market prices and burdens arising from the EEG.

With regard to the regulatory framework, the further reduction in network user charges imposed by the Federal Network Agency placed a burden on the results. A decrease in the expenses in connection with feeding in wind energy had a positive impact in the area governed by the regulatory framework. Earnings for the first half of 2007 had been negatively impacted by exceptionally windy weather in January.

In the gas segment, adjusted EBIT rose in the first six months of 2008 by 3.0% to € 99.4 million. Earnings in the gas segment were positively impacted by the winter being colder in comparison to the prior-year period. Stronger competition had a negative influence on earnings.

In the first half of 2008, adjusted EBIT in the energy and environmental services segment dropped by 30.4% to € 43.4 million. This resulted from less income relating to other periods and a decline in income from other energy services.

Adjusted EBIT for other activities/holding declined by 8.8% in the first six months of 2008 in comparison to the prior-year period to € -79.0 million.

In total, adjusted EBIT grew by 12.0% to € 1,017.0 million in the first half of 2008.

Adjusted investment income rose by 10.1% to € 145.4 million due to improved earnings of the entities accounted for using the equity method. The negative adjusted financial result fell by 1.6% to € 218.9 million. Borrowing costs fell by € 27.5 million in the first half of 2008, due to the repayment of our financial liabilities. Due to the decrease in short-term capital resources, interest and similar income fell by 8.1% to € 146.3 million in comparison to the first half of 2007.

Adjusted income taxes in the first half of 2008 amounted to € 261.4 million. This is equivalent to a tax rate of 27.7%.

Adjusted group net profit in terms of the profit attributable to the equity holders of EnBW AG rose by 13.0% to € 73.1 million in the first half of 2008.

Adjusted EBIT of the EnBW group by business segment in € millions	**1/1 – 30/6/2008**	**1/1 – 30/6/2007**	**Variance %**	**1/1 – 31/12/2007**
Electricity	953.2	822.1	15.9	1,413.1
Gas	99.4	96.5	3.0	175.1
Energy and environmental services	43.4	62.4	-30.4	126.4
Other activities/Holding	-79.0	-72.6	-8.8	-151.6
Total	**1,017.0**	**908.4**	**12.0**	**1,563.0**

Adjusted earnings indicators of the EnBW group in € millions	**1/1 – 30/6/2008**	**1/1 – 30/6/2007**	**Variance %**	**1/1 – 31/12/2007**
Adjusted EBITDA	1,403.8	1,281.8	9.5	2,328.3
Adjusted EBIT	1,017.0	908.4	12.0	1,563.0
Adjusted investment result[1]	145.4	132.1	10.1	195.9
Adjusted financial result	-218.9	-222.4	1.6	-475.5
Adjusted income tax	-261.4	-204.9	27.6	-383.6
Adjusted group net profit[1]	**682.1**	**613.2**	**11.2**	**899.8**
of which profit shares attributable to minority interests	(45.2)	(49.4)	-8.5	(78.8)
of which profit shares attributable to equity holders of EnBW AG	(636.9)	(563.8)	13.0	(821.0)

[1] The figures of the comparative period have been adjusted.

Non-operating result of the EnBW group in € millions	1/1 – 30/6/2008	1/1 – 30/6/2007	Variance %	1/1 – 31/12/2007
Income from the reversal of other provisions	8.9	49.4	-82.0	102.9
Gain/loss on disposal of non-current assets	2.7	0.0	-	-8.9
Expenses from restructuring	-12.7	-3.1	-	-62.2
Income from changes in nuclear power provisions	28.2	67.5	-58.2	32.5
Other non-operating result	-7.0	3.3	-	-56.2
Non-operating EBITDA	**20.1**	**117.1**	**-82.8**	**8.1**
Impairment losses	-61.8	-0.6	-	-11.9
Non-operating EBIT	**-41.7**	**116.5**	**-**	**-3.8**
Non-operating investment result	28.0	53.1	-47.3	76.3
Non-operating financial result	4.8	-5.0	-	17.0
Non-operating income tax	4.4	-44.2	-	426.8
Result of discontinued operations	0.0	55.5	-	97.9
Non-operating group net profit	**-4.5**	**175.9**	**-**	**614.2**
of which profit shares attributable to minority interests	(0.7)	(3.5)	-80.0	(71.1)
of which profit shares attributable to equity holders of EnBW AG	(-5.2)	(172.4)	-	(543.1)

Non-operating result

Compared to the first six months of 2007, non-operating EBIT fell by € 158.2 million. The decline is primarily a result of lower income from the reversal of other provisions, the change to the nuclear power provisions and impairment losses of € 61.0 million on the gas grid in the first half of 2008. The impairment losses on the gas grid resulted from a further reduction in the network user charges imposed by the Federal Network Agency.

The non-operating investment result in the first half of 2008 includes a gain on sale from the disposal of an equity investment. In the first six months of 2007, the reversal of a provision for potential losses with regard to the possible acquisition of an equity investment generated extraordinary income.

The income from discontinued operations in the first half of 2007 primarily relates to a gain on sale.

The non-operating group net profit in terms of the profit attributable to the equity holders of EnBW AG dropped by € 177.6 million to € -5.2 million.

Reconciliation of result

Prior to adjustment for non-operating effects on earnings, the group net profit in terms of the profit attributable to the equity holders of EnBW AG fell by 14.2% to € 631.7 million.

Capital expenditures and acquisitions

In the first six months of 2008, capital expenditures came to € 414.4 million. This is € 87.7 million or 26.8% more than in the first six months of 2007. Some 70% of capital expenditures was made in the electricity segment. Spending here focused on the expansion of the power stations and distribution plants. The increase in capital expenditure results from the new activities in connection with the construction of four offshore wind farms off the German coast of the North and Baltic Seas and from the construction of a hard coal power station in Karlsruhe. In the energy and environmental services segment, spending primarily related to the construction of EnBW City, our new administrative building located in Stuttgart.

Reconciliation of group net profit of the EnBW group in € millions	1/1 – 30/6/2008	1/1 – 30/6/2007	Variance %	1/1 – 31/12/2007
EBITDA	1,423.9	1,398.9	1.8	2,336.4
EBIT	975.3	1,024.9	-4.8	1,559.2
Investment result[1]	173.4	185.2	-6.4	272.2
Financial result	-214.1	-227.4	5.8	-458.5
Income tax	-257.0	-249.1	3.2	43.2
Result of discontinued operations	0.0	55.5	-	97.9
Group net profit[1]	**677.6**	**789.1**	**-14.1**	**1,514.0**
of which profit shares attributable to minority interests	(45.9)	(52.9)	-13.2	(149.9)
of which profit shares attributable to equity holders of EnBW AG	(631.7)	(736.2)	-14.2	(1,364.1)

[1] The figures of the comparative period have been adjusted.

Capital expenditures on intangible assets and property, plant and equipment by business segment in € millions[1]	1/1 – 30/6/2008	1/1 – 30/6/2007	Variance %	1/1 – 31/12/2007
Electricity	294.8	223.7	31.8	568.9
Gas	20.9	27.8	-24.8	71.7
Energy and environmental services	98.7	75.2	31.3	175.5
Total	**414.4**	**326.7**	**26.8**	**816.1**

[1] From continuing operations.

Financing

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

On 25 February 2008 the CHF 400 million bond issued by EnBW in 2003 became due for repayment. EnBW financed repayment by means of a new EnBW bond with a volume of CHF 300 million paid out the same day and using its own funds.

Overview of the bond issue in figures

Tranche	CHF 300 million
Term	5 years
Coupon	3.125%
Offering price	100,217
Swiss security number	3727411 (CH0037274112)
Lead managers	HVB/Unicredit and Deutsche Bank AG
Senior co-lead manager	Landesbank Baden-Württemberg
Stock exchange	SWX Stock Exchange

In May 2008, EnBW made use once again of the agreed renewal options for the first tranche of the syndicated loan, which was extended by a further year until May 2009 with a volume of € 1 billion. The entire syndicated line of credit in excess of € 2.5 billion remained unused in the reporting period.

Cash flow statement

Compared to the prior year, the cash flow from operating activities increased by € 210.3 million to € 901.5 million. The improvement primarily results from a marked decrease in income tax paid. The income tax paid in the first half of 2007 contained additional payments as a result of tax field audits.

The cash flow from investing activities climbed from € -139.1 million to € 3.0 million despite the increase in capital expenditure on intangible assets and property, plant and equipment. This was mainly the result of the acquisition of group entities in the first half of 2007 and greater amounts of cash received from the sale of securities in the first half of 2008.

The cash flow from financing activities rose by € 273.2 million on the comparative prior-year period to € -844.1 million. This increase is the result of a lower level of redemption of financial liabilities. The lower interest payments enabled us to compensate for higher dividend payments.

It was this development, taking exchange rate differences into account, that led to the cash and cash equivalents of the EnBW group climbing by € 63.4 million to € 1,381.2 million.

Despite the € 87.7 million increase in capital expenditure, free cash flow improved by € 119.3 million to € 530.8 million. This was mainly the result of the lower income tax payments.

Net debt

Net financial liabilities decreased by 7.0% to € 2,765.4 million due to a reduction in the financial liabilities. In contrast, net debt went up by € 76.8 million to € 5,946.5 million in the first half of 2008. The increase in net debt is primarily attributable to a € 79.1 million increase in liabilities resulting from put options and from a drop in the valuation reserves of our securities following the falls in capital market prices.

Composition of the balance sheet of the EnBW group

Compared with 31 December 2007, the total net assets of the group rose by € 3,820.4 million or 13.4%.

The non-current assets – accounting for 66.5% of total net assets – decreased by 0.5% to € 21,428.3 million.

Current assets increased by 57.2% to € 10,794.1 million. This is primarily the result of the increase in the market values of the derivative financial instruments.

Non-current assets held for sale increased by € 8.9 million to € 12.3 million.

The equity ratio in the group, including minority interests, decreased from 21.1% as of 31 December 2007, to 19.0% as of 30 June 2008. This drop can be attributed to the increase in total assets.

The non-current liabilities of the EnBW group rose by 2.1% to € 16,436.2 million. They comprise non-current provisions, deferred tax liabilities and non-current liabilities.

Current liabilities increased by 53.2% to € 9,665.0 million. This was the result of an increase in the carrying amounts of the derivative financial instruments.

The liabilities of discontinued operations remained unchanged at € 7.9 million.

Related parties

Transactions with related parties are disclosed in the notes and explanations contained in the interim consolidated financial statements.

Cash flow statement in € millions	**1/1 – 30/6/2008**	**1/1 – 30/6/2007**	**Variance %**	**1/1 – 31/12/2007**
Cash flow from operating activities	901.5	691.2	30.4	1,558.7
Cash flow from investing activities	3.0	-139.1	-	-381.6
Cash flow from financing activities	-844.1	-1,117.3	24.5	-1,786.6
Net change in cash and cash equivalents	60.4	-565.2	-	-609.5
Exchange rate changes in cash and cash equivalents	3.0	-6.9	-	-5.0
Change in cash and cash equivalents	**63.4**	**-572.1**	**-**	**-614.5**

Free cash flow in € millions	**1/1 – 30/6/2008**	**1/1 – 30/6/2007**	**Variance %**	**1/1 – 31/12/2007**
Cash flow from operating activities	901.5	691.2	30.4	1,558.7
Capital expenditures on intangible assets and property, plant and equipment	-414.4	-326.7	26.8	-816.9
Cash received from disposals of intangible assets and property, plant and equipment	7.0	10.5	-33.3	30.2
Cash received from construction cost and investment subsidies	36.7	36.5	0.5	81.2
Free cash flow	**530.8**	**411.5**	**29.0**	**853.2**

Net debt in € millions	**30/06/2008**	**31/12/2007**	**Variance %**
Cash[1]	-822.5	-829.2	-0.8
Short-term investments[1]	-139.2	-171.5	-18.8
Short-term capital resources[1]	**-961.7**	**-1,000.7**	**-3.9**
Bonds[2]	2,494.2	2,698.2	-7.6
Liabilities to banks	551.6	546.9	0.9
Other financial liabilities	681.3	727.9	-6.4
Financial liabilities[2]	**3,727.1**	**3,973.0**	**-6.2**
Net financial debt[1,2]	**2,765.4**	**2,972.3**	**-7.0**
Pension and nuclear power provisions	8,646.4	8,527.9	1.4
Long-term investments and loans	-4,872.4	-4,906.4	-0.7
Short-term capital resources of the special funds and short-term investments to cover the pension and nuclear power provisions	-929.3	-832.4	11.6
Liabilities from put options	476.5	397.4	19.9
Other	-140.1	-289.1	-51.5
Net debt[2]	**5,946.5**	**5,869.7**	**1.3**

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

Changes on the Board of Management

The CFO of EnBW, Dr. Christian Holzherr, left the company of his own volition as of 30 April 2008 after eight years. For the time being, CEO Hans-Peter Villis will also assume responsibility for the finance portfolio. The appointment of board member Dr. h. c. Detlef Schmidt ended as of 30 June 2008.

Employees

Employees of the EnBW group[1]	30/06/2008	31/12/2007	Variance %
Electricity	11,720	11,632	0.8
Gas	913	891	2.5
Energy and environmental services	7,072	7,187	-1.6
Holding	593	555	6.8
Continuing operations	**20,298**	**20,265**	**0.2**
Discontinued operations	0	0	-
Total	**20,298**	**20,265**	**0.2**
Full-time equivalents[2]	19,447	19,424	0.1

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

As of 30 June 2008, the EnBW group had 20,298 employees, that is 0.2% more than as of 31 December 2007. Two entities with a total of 162 employees were deconsolidated in the energy and environmental services segment. Adjusted for this effect, the number of employees rose by 0.7% in this segment and by 1.0% in the EnBW group.

At the holding company, the headcount increased by 38 persons or 6.8%. The increase is primarily due to the launch of the group's 2008/2009 trainee programme with 17 participants.

As in past years, the ratio of apprentices to total workforce in the core companies in Baden-Württemberg was 6.8%, which is considerably higher than what would be needed to cover the company's own needs. We expect this ratio to rise to around 8% at year-end 2008 due to the new hires planned for autumn 2008, thus again matching the prior-year level.

Personnel expenses for continuing operations rose in the period from January to June 2008 compared to the prior-year period by € 25.5 million or 3.6% to € 735.7 million (prior year: € 710.2 million). New hires, the pay rise effective as of 1 March 2008 of employees covered by the framework collective agreement of the Elektrizitätswerke Baden-Württemberg e.V. employer's association and the ver.di Vereinte Dienstleistungsgewerkschaft e.V. trade union, Baden Württemberg district, as well as termination of short-time work were the main drivers of the increase. The deconsolidations stated above had the reverse effect.

Subsequent events

EnBW's bid to acquire 26% of EWE AG, Oldenburg, was accepted on 10 July 2008. The total transaction volume amounts to around € 2 billion. The acquisition is subject to the approval of the anti-trust authorities responsible. The acquisition of the shareholding is not expected to have a significant impact on the results of operations of the EnBW group in 2008, as we do not expect to receive approval from the Federal Anti-Trust Office before the end of the year. The acquisition will be financed primarily via the debt market.

On 30 July 2008, EnBW's Supervisory Board appointed Dr. Rudolf Schulten CFO of EnBW for a term of five years commencing 1 January 2009.

Risk management

Continuing our in-depth reporting in the 2007 annual report and the supplementary interim reporting, we report as of 30 June 2008 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 "Forecast".

Industry risks

Regulation of network user charges

All electricity grid companies in the group have in the meantime received network user charge notices from the Federal Network Agency for 2008. Some of the notices contain substantial reductions in the charges applied for. The network user charges for 2008 are thus no longer subject to any risk. The current notices present the basis for incentive regulation as of 2009 and will thus have a sustainable impact on results of operations. The Federal Network Agency also issued notices for almost all gas grid companies in the group in the reporting period.

On account of the incentive regulation, there is still some uncertainty that could have a sustainable impact on our results of operations. For example, the benchmark assessments of the companies in the electricity and gas business are as yet unclear.

Our mid-term planning takes account of the risks of incentive regulation.

German act against restraints on competition

As a consequence of the introduction of Sec. 29 of the German Act Against Restraints on Competition (GWB), in the reporting period the competent antitrust authorities requested two EnBW group companies to comment on their gas prices in the course of the proceedings. This does not relate to any decision on the instigation of abuse proceedings. We are not able to provide any assessment of this situation at present.

Legal contestability of price adjustments

The Federal Court of Justice issued a ruling on 29 April 2008 in the proceedings against ENSO Energie Sachsen Ost AG (ENSO). It found the price adjustment clause contained in the general terms and conditions of ENSO to be invalid. We are currently examining the potential effects of the ruling.

German renewable energies act

In the first six months of 2008, the feed-in volume and remuneration was higher than the forecast and budgeted figures. This could mean that the costs for the year as a whole will be higher than budgeted, and it may not be possible to pass them on to end customers in full.

The lower house of German parliament decided to amend the law to give priority to renewable energies (Renewable Energies Act or EEG) on 6 June. The direct marketing of electricity generated within the legal framework hereby created makes forecasting the EEG feed-in volumes and remuneration more difficult at the various stages of the value-added chain.

In addition, the amendment authorises the Federal Ministry for the Environment to replace physical transfer of the EEG electricity by pure financial transfer. This would eliminate some of the aforementioned risks inherent in forecasting. In contrast, however, new risks would arise from the as yet unknown delivery and pricing of EEG electricity in a transitional period or if the system were changed without a transitional period.

Operating risks

There were no changes in the assessment of our operating risks in the reporting period.

Investment risks

Development of offshore wind farm project

EnBW is planning the construction of offshore wind farms and for this purpose has acquired two companies whose assets include four offshore wind farms at varying levels of project development. In connection with further project development and implementation, the planned investments may, among other things, give rise to approval, engineering, procurement market and technology-related risks, which would cause impediments to their economic viability in the event of delays, for example. These risks are monitored and taken into consideration in the decision-making process.

RDK 8 construction project

The project is progressing according to plan. The permit to discharge wastewater is still pending but is expected to be granted by October 2008. This does not have any effect on the scheduling of the project.

Market price, liquidity and credit risks

With regard to market price risks and credit risks in energy trading, the second quarter was characterised by strong increases in commodity prices. Our risk management, involving the necessary price hedging, prevents this leading to any extraordinary market price risks in the competitive areas. With regard to the electricity grid, there is a greater price risk arising from the procurement of energy for compensation of losses. Exposure to credit risk in trading has similarly increased due to the rising market prices. It was possible to agree measures to reduce credit risk with various trading partners.

Over the reporting period, the financial markets were marked by rising interest rates, a downward trend in share prices and increased volatilities. This put pressure on the short-term performance of our financial assets in the same way as their benchmark. We are not aware of any increased risk for our long-term return targets.

Forecast

Despite the risks from the volatile political and regulatory environment, EnBW expects adjusted EBIT for 2008 to exceed the prior-year level.

The forecast report 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 management section. The anticipated development of the fiscal year 2009 is elaborated in the annual report for the fiscal year 2007.

Electricity market

On the forward market, prices for the delivery of electricity between 2009 and 2011 are relatively similar. Pricing is determined to a large extent by expectations on the forward markets for fuel which we will detail below. We expect the electricity price to follow the development of the price of fuel and CO_2 allowances. On account of the uncertainty associated with the future development of prices on the fuel and CO_2 markets, the price of electricity can be expected to remain volatile.

CO_2 market

Future political decisions will have a major impact on the development of the market for emission allowances. The Commission proposal for a directive on the design of the emissions trading system in the third trading period is at the centre of current debates. Due to transferability of the allowances, the contents of the final version will already have an impact on the present trading period. The final version of the directive is to be presented in the autumn of 2009.

The European emissions trading system is also influenced by political decisions outside Europe. The introduction of an emissions trading system in the US in particular would also push up the price of European allowances due to international trading mechanisms. Despite the far-reaching climate security bill – the Lieberman-Warner Act – being rejected in the US Senate by the Republicans in June 2008, it is still highly probable that a trading system will be introduced in the US. The Democrat's candidate in the presidential elections, Obama, as well as the Republican McCain have come out in favour of introducing a trading system.

Coal market

The current market prices are far in excess of full costs due to the tight market situation. The situation on the market is expected to relax somewhat in the medium to long term due to expansion of the extraction and export capacities together with a drop in the level of prices.

Due to the low level of price elasticity of demand and in some cases considerable time required for the expansion of the extraction and export infrastructure, it is highly likely that prices will remain very volatile at a high level over the next six months provided the world economy does not experience a serious downturn. As of 2009, new export capacities (e.g. in Australia, South Africa, Columbia, Russia and Indonesia) and possibly an expansion of US exports could ease the market situation somewhat.

Oil market

Against the backdrop of an increase in demand for fuel during the US driving season, the upcoming hurricane season in the Gulf of Mexico, the growing number of production stoppages in Nigeria and the so far disappointing oil production in non-OPEC countries in 2008, in the next few months oil prices will almost certainly remain at the extremely high level of the past. The summit meeting of oil producers and consumers on 22 June did not produce any concrete resolutions, and the effects of demand in Asia triggered by the high level of oil prices will be felt with a certain time lag. At a global level, the demand for oil will continue to rise provided the world economy does not experience a serious downturn.

Gas market

The border price will continue to rise until the end of the year due to the upward trend of oil price quotations. The rise in oil prices over recent months has relegated fundamental gas market-specific factors to the background on the trading markets. At present there are not many arguments in favour of decoupling gas prices from the development of the oil market. Gas storage facilities will be filled earlier than usual this summer due to the rising market price level, supporting spot prices. When the storage facilities are filled to capacity, it is possible that prices will begin to fall on the spot markets towards the end of the summer. In turn, unscheduled maintenance or production downtimes could act as price drivers.

Other developments

Reimbursements under Sec. 17d of the Water Act (WG) of the state of Baden-Württemberg have been claimed from the state for the assessment periods 1998 to 2008 in administrative and court proceedings. There is an opportunity in this respect that reimbursements may be realised in the second half of 2008 from a proposal put forward in court composition proceedings.

Anticipated development of significant acquisitions

The investment programme includes €3 billion budgeted for financial investments. We see opportunities both in the field of German municipal utilities/regional suppliers and in central and south-eastern Europe (including Turkey).

The acquisition of a 26% interest in EWE AG is subject to the approval of the German Anti-Trust Office. As approval is not expected until the end of the year, the acquisition will not have a significant impact on the results of operations of the fiscal year 2008.

It will not be possible to consolidate any additional acquisitions until the fiscal year 2009; these will therefore not impact on the results of operations of the EnBW group in 2008.

Anticipated development of earnings (adjusted EBIT)[1]

It is anticipated that developments in the electricity segment will be highly varied in 2008 in terms of earnings.

With regard to the regulatory framework, the declared objective of the Federal Network Agency for 2008 is to reduce network user charges. The basis of this will be the costs of the year 2006. The costs of the network companies and transmission system operators have, however, increased since then. It will not be possible to include in the network user charges the increasing prices in 2008 for loss and balancing energy and for connecting offshore wind farms to the grid. In the opinion of the Federal Network Agency, it is only permissible to pass on the increase after a delay of two years. For this reason, we are aiming to minimise the drop in earnings by launching efficiency programmes (continual optimisation of operating processes) at the group's network companies.

Sales in 2008 are characterised by significantly increasing prices on the forward market. In addition, the situation remains where increasing quotas and prices for renewable energies can generally only be passed on with a time delay. It is currently not possible to foresee the effects of the amendments to Sec. 29 German Act Against Restraints on Competition (GWB). Competition and pressure on margins will impose a burden on earnings in 2008 in comparison to the prior year, despite the continued focus on increasing margins and improving efficiency.

In the areas of generation and trading, we are confident that we will be able to compensate for the negative effects on earnings caused by regulation and competition by improving our position in these fields.

In the gas segment, we anticipate marginally lower earnings due to regulatory activities and significantly fiercer competition.

After a very good year in the energy and environmental services segment in 2007, we anticipate a decline in earnings in 2008. Non-recurring expenditure will be incurred in 2008 and 2009 in connection with refurbishing the properties that will be vacated or put to other use after the move to EnBW City, the new administrative complex in Stuttgart.

Development of earnings 2008 (adjusted EBIT) compared to the prior year	
Electricity segment including trading	rising
Gas segment	falling slightly
Energy and environmental services segment	falling
Consolidation (no effects anticipated)	-
Adjusted EBIT, group	rising slightly

[1] Adjusted for changes in the consolidated companies.

Dividends

We aim to maintain a high dividend for the fiscal year 2008. 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 € 4.6 billion are planned for the period from 2008 to 2010. Approximately 75% of capital expenditure is accounted for by the electricity segment, while 12% is earmarked for the gas segment. The rest is allocated to the energy and environmental services segment.

Capital expenditures in the electricity segment focus on the replacement of power station capacities, for example the construction of a hard coal fired power plant in Karlsruhe, renewal of the distribution grids, restructuring of the extra-high voltage networks (380 kV and 220 kV). EnBW is also investing in renewable energies, focusing on the run-of-the-river power station in Rheinfelden and the acquisition of four offshore wind farm projects on the German North Sea coast and Baltic Sea coast. EnBW is planning to invest as much as up to € 3 billion in the expansion of renewable energies over the next few years. Another major capital investment is the construction of our new administrative complex in Stuttgart (EnBW City).

Financing

For the pending refinancing measures, EnBW can draw on the existing Euro Medium Term Note programme, the Commercial Paper programme and the established syndicated line of credit of € 2.5 billion, as in the past.

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 June 2008

Income statement of the EnBW group

€ millions[1]	1/4 – 30/6/2008	1/4 – 30/6/2007	1/1 – 30/6/2008	1/1 – 30/6/2007
Revenue including electricity and natural gas tax	3,914.2	3,538.7	8,633.6	7,891.7
Electricity and natural gas tax	-253.9	-217.4	-562.2	-514.2
Revenue	**3,660.3**	**3,321.3**	**8,071.4**	**7,377.5**
Changes in inventories	1.8	10.8	12.7	11.0
Own work capitalised	11.5	15.1	20.0	22.3
Other operating income	312.5	257.7	420.0	457.4
Cost of materials	-2,681.8	-2,487.5	-5,809.1	-5,365.8
Personnel expenses	-385.1	-368.0	-735.7	-710.2
Amortisation and depreciation	-255.3	-185.3	-448.6	-374.0
Other operating expenses	-337.3	-169.1	-555.4	-393.3
Result from operating activities	**326.6**	**395.0**	**975.3**	**1,024.9**
Share of profit of entities accounted for using the equity method	59.3	56.9	110.7	102.0
Other income from investment	26.7	76.4	62.7	83.2
Finance revenue	115.5	108.0	206.7	183.5
Finance costs	-214.6	-211.9	-420.8	-410.9
Earning before tax	**313.5**	**424.4**	**934.6**	**982.7**
Income taxes	-84.1	-82.0	-257.0	-249.1
Result of continuing operations[2]	**229.4**	**342.4**	**677.6**	**733.6**
Result of discontinued operations	0.0	51.0	0.0	55.5
Group net profit	**229.4**	**393.4**	**677.6**	**789.1**
of which profit shares attributable to minority interests	(19.1)	(24.1)	(45.9)	(52.9)
of which profit shares attributable to equity holders of EnBW AG	(210.3)	(369.3)	(631.7)	(736.2)
Shares outstanding (millions), weighted average	**244.257**	**244.257**	**244.257**	**244.257**
Earnings per share from continuing operations[3]	**0.86**	**1.30**	**2.59**	**2.79**
Earnings per share from group net profit[3]	**0.86**	**1.51**	**2.59**	**3.01**

[1] The figures of the comparative period have been adjusted.
[2] Of which profit shares attributable to the equity holders of EnBW AG:
1/4 – 30/6/2008: € 210.3 million (comparative period: € 318.3 million)
1/1 – 30/6/2008: € 631.7 million (comparative period: € 680.7 million)
[3] Basic and diluted; in relation to the profit shares attributable to the equity holders of EnBW AG.

Balance sheet of the EnBW group

€ millions	30/06/2008	31/12/2007
Assets		
Non-current assets		
Intangible assets	1,671.8	1,636.4
Property, plant and equipment	11,327.3	11,416.2
Investment properties	94.7	87.7
Entities accounted for using the equity method	1,975.2	1,856.5
Other financial assets	5,557.6	5,734.4
Trade receivables	357.9	372.6
Income tax refund claims	256.0	253.8
Other non-current assets	181.8	179.8
Deferred taxes	6.0	6.0
	21,428.3	**21,543.4**
Current assets		
Inventories	765.5	732.7
Financial assets	590.0	727.6
Trade receivables	2,088.3	2,108.7
Income tax refund claims	289.2	255.1
Other current assets	5,679.9	1,725.6
Cash and cash equivalents	1,381.2	1,317.8
	10,794.1	**6,867.5**
Non-current assets held for sale	12.3	3.4
	10,806.4	**6,870.9**
	32,234.7	**28,414.3**
Equity and liabilities		
Equity		
Group shares		
Subscribed capital	640.0	640.0
Capital reserve	22.2	22.2
Revenue reserves	4,050.6	3,787.7
Revaluation reserve in accordance with IFRS 3	49.6	49.6
Treasury shares	-204.1	-204.1
Total net income recognised in equity	705.0	756.0
	5,263.3	**5,051.4**
Minority interests	862.3	950.3
	6,125.6	**6,001.7**
Non-current liabilities		
Provisions	9,101.3	8,989.1
Deferred taxes	1,709.5	1,616.8
Financial liabilities	3,497.2	3,364.2
Other liabilities and subsidies	2,128.2	2,127.0
	16,436.2	**16,097.1**
Current liabilities		
Provisions	1,066.1	1,131.3
Financial liabilities	204.4	588.3
Trade payables	1,991.4	2,323.3
Income tax liabilities	7.2	6.3
Other liabilities and subsidies	6,395.9	2,258.4
	9,665.0	**6,307.6**
Liabilities of discontinued operations	7.9	7.9
	9,672.9	**6,315.5**
	32,234.7	**28,414.3**

Cash flow statement of the EnBW group

€ millions	1/1 – 30/6/2008	1/1 – 30/6/2007
1. Operating activities		
EBITDA	1,423.9	1,398.9
EBITDA of discontinued operations	0.0	71.4
Change in non-current provisions	-115.5	-157.4
Gain/loss on disposal of non-current assets	-2.7	-34.7
Other non-cash expenses/income	-18.1	-31.5
Funds from operations (FFO) before tax and financing	**1,287.6**	**1,246.7**
Change in working capital and current provisions	-170.1	-113.4
Income tax paid	-216.0	-442.1
Cash flow from operating activities	**901.5**	**691.2**
of which discontinued operations	(0.0)	(-8.8)
2. Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-414.4	-326.7
Cash received from disposals of intangible assets and property, plant and equipment	7.0	10.5
Cash received from construction cost and investment subsidies	36.7	36.5
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method	-20.4	-183.0
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method	3.2	73.6
Change in securities and investments	153.3	-20.1
Interest received	130.4	168.4
Dividends received	107.2	101.7
Cash flow from investing activities	**3.0**	**-139.1**
of which discontinued operations	(0.0)	(72.4)
3. Financing activities		
Interest paid	-167.1	-258.4
Dividends paid	-415.7	-316.3
Borrowing of financial liabilities	255.0	963.7
Repayment of financial liabilities	-508.5	-1,501.2
Capital reduction for minority interests	-7.8	-5.1
Cash flow from financing activities	**-844.1**	**-1,117.3**
of which discontinued operations	(0.0)	(2.6)
Net change in cash and cash equivalents	**60.4**	**-565.2**
Exchange rate changes in cash and cash equivalents	3.0	-6.9
Change in cash and cash equivalents	**63.4**	**-572.1**
Cash and cash equivalents at the beginning of the period	1,317.8	1,932.3
Cash and cash equivalents at the end of the period	**1,381.2**	**1,360.2**

Statement of changes in equity of the EnBW group

€ millions[1]	Group shares	Minority interests	Total
As of 31 December 2006	**3,562.9**	**929.5**	**4,492.4**
Total net income recognised in equity	49.6	-3.6	46.0
Group net profit	736.2	52.9	789.1
of which result of discontinued operations	(55.5)	(0.0)	(55.5)
Total income recognised directly in equity and group net profit	**785.8**	**49.3**	**835.1**
Dividends paid	-278.5	-37.8	-316.3
Other changes	0.0	-56.7	-56.7
As of 30 June 2007	**4,070.2**	**884.3**	**4,954.5**
As of 31 December 2007	**5,051.4**	**950.3**	**6,001.7**
Total net income recognised in equity	-51.0	-4.6	-55.6
Group net profit	631.7	45.9	677.6
of which result of discontinued operations	(0.0)	(0.0)	(0.0)
Total income recognised directly in equity and group net profit	**580.7**	**41.3**	**622.0**
Dividends paid	-368.8	-46.9	-415.7
Other changes	0.0	-82.4	-82.4
As of 30 June 2008	**5,263.3**	**862.3**	**6,125.6**

[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 have not been adopted.

The accounting policies applied for the interim consolidated financial statements as of 30 June 2008 are the same as those for the consolidated financial statements as of 31 December 2007 with the exception of the following new policies.

In compliance with IAS 34, the reporting scope selected for the presentation of the consolidated financial statements of EnBW AG as of 30 June 2008 was abbreviated compared to that of the consolidated financial statements as of 31 December 2007.

Besides the balance sheet and the income statement, the financial statements include a condensed cash flow statement and a condensed statement of changes in equity.

All significant transactions and events in the reporting period are explained in the interim group management report.

The interpretations IFRIC 12 "Service Concession Agreements" and IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" which generally become effective as of 1 January 2008, were not early adopted because they had not yet been endorsed by the EU as European law. The effects of first-time adoption of IFRIC 12 and IFRIC 14 on EnBW's consolidated financial statements are currently being assessed.

Changes in accounting policies

The International Financial Reporting Interpretations Committee (IFRIC) issued the following interpretations which must be adopted from fiscal year 2008 onwards:

> **IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions":** The interpretation deals with the question of how IFRS 2 "Share-based Payment" applies to agreements on share-based payments which contain group or treasury shares.

First-time adoption of IFRIC 11 had no material effect on the EnBW consolidated financial statements.

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 policies apply to entities accounted for using the equity method. Goodwill is recognised in the carrying amount of the investment. Negative differences are recognised in profit or loss via investment income.

Consolidated companies

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

Jointly controlled entities are included in the consolidated financial statements by way of proportionate consolidation. In the case of the proportionate consolidation, the assets and liabilities of the subsidiary are only considered in the consolidated financial statements in proportion to the shareholding of the parent company.

The equity method is used when a significant influence may be exercised on the business policy of the associate, but the entity does not qualify as a subsidiary or a joint venture. When measuring shares this means that only the pro rata equity of the entity is included in consolidated financial statements, and not its assets and liabilities.

Type of consolidation and number[1]	30/06/2008	31/12/2007	30/06/2007
Full consolidation	87	95	91
Proportionate consolidation (joint ventures)	10	10	9
Entities accounted for using the equity method	17	17	25

[1] The figures of the comparative period have been adjusted.

Share of profit of entities accounted for using the equity method and other investment income

€ millions[1]	1/1 – 30/6/2008	1/1 – 30/6/2007
Share of profit of entities accounted for using the equity method	**110.7**	**102.0**
Investment income	34.5	30.1
Write-downs of investments	0.0	-1.1
Income from the sale of investments	28.2	-0.1
Other	0.0	54.3
Other income from investment	**62.7**	**83.2**
Investment result	**173.4**	**185.2**

[1] The figures of the comparative period have been adjusted.

Finance revenue and finance costs

€ millions	1/1 – 30/6/2008	1/1 – 30/6/2007
Interest and similar income	146.3	159.2
Other finance revenue	60.4	24.3
Finance revenue	**206.7**	**183.5**
Borrowing costs	-113.3	-140.8
Other interest and similar expenses	-16.3	-19.1
Interest portion of increases in provisions	-239.9	-229.7
Personnel provisions	(-107.6)	(-103.1)
Provisions relating to nuclear power	(-124.9)	(-121.7)
Other non-current provisions	(-7.4)	(-4.9)
Other finance costs	-51.3	-21.3
Finance costs	**-420.8**	**-410.9**
Financial result	**-214.1**	**-227.4**

Notes to the cash flow statement

Funds from operations (FFO) € millions	1/1 – 30/6/2008	1/1 – 30/6/2007
Funds from operations before tax and financing	**1,287.6**	**1,246.7**
Income tax paid	-216.0	-442.1
Interest and dividends received	237.6	270.1
Interest paid	-167.1	-258.4
Funds from operations after tax and financing	**1,142.1**	**816.3**

Contingent liabilities and financial commitments

Contingent liabilities and financial commitments have increased by € 3,952.5 million compared to 31 December 2007. The increase is primarily attributable to the planned acquisition of a 26% shareholding in EWE AG and to the higher purchase commitment relating to the construction of the hard coal power plant in Karlsruhe.

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 € millions	1/1 – 30/6/2008	1/1 – 30/6/2007
Revenue	412.1	376.2
Cost of materials	-472.3	-335.7

Balance sheet € millions	30/06/2008	31/12/2007
Receivables	38.3	111.6
Payments on account	37.5	37.7
Liabilities	88.0	90.1
Payments on account received	41.6	44.4

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

The business relations with joint ventures conducted at market conditions were as follows:

Income statement € millions	1/1 – 30/6/2008	1/1 – 30/6/2007
Revenue	33.5	22.7
Cost of materials	-25.2	-19.2

Balance sheet € millions	30/06/2008	31/12/2007
Other loans	7.4	7.4
Receivables	7.4	7.4
Payments on account	0.7	1.4
Liabilities	2.3	5.1
Payments on account received	0.7	1.3

In the course of ordinary business activities, relation ships also exist with associates, including among others municipal entities (public utilities, in particular) accounted for using the equity method. Goods and service transactions with these entities took place at arm's length and had the following impact on the balance sheet and income statement of the EnBW group:

Income statement € millions	1/1 – 30/6/2008	1/1 – 30/6/2007
Revenue	102.0	60.5
Cost of materials	-30.8	-19.8

Balance sheet € millions	30/06/2008	31/12/2007
Other loans	0.6	0.0
Receivables	22.9	9.3
Liabilities	5.0	4.8
Payments on account received	0.4	0.4

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

Dividends

On 25 April 2008, the annual general meeting of EnBW approved the proposal put forward by the Board of Management and Supervisory Board to pay a dividend of € 1.51 per share for the fiscal year 2007. This corresponds to a dividend payment of € 368.8 million.

Treasury shares

As of 30 June 2008, EnBW AG holds 5,749,677 treasury shares that are valued at € 35.79 in the separate financial statements of EnBW AG. They account for 2.3% of the capital stock.

Segment reporting

The segment information contained below relates to continuing operations.

1/1 –30/6/2008 in € millions	Electricity	Gas	Energy and environmental services	Holding / consolidation	Total
External revenue	6,380.8	1,350.9	339.7	0.0	8,071.4
Internal revenue	68.1	74.2	280.4	-422.7	0.0
Total revenue	6,448.9	1,425.1	620.1	-422.7	8,071.4
Adjusted EBIT	953.2	99.4	43.4	-79.0	1,017.0
EBIT	974.7	39.1	41.6	-80.1	975.3
Amortisation and depreciation	-285.0	-49.3	-51.7	-0.8	-386.8
Impairment losses	-0.8	-61.0	0.0	0.0	-61.8

1/1 –30/6/2007 in € millions	Electricity	Gas	Energy and environmental services	Holding / consolidation	Total
External revenue	5,740.1	1,305.8	331.6	0.0	7,377.5
Internal revenue	81.5	56.0	274.0	-411.5	0.0
Total revenue	5,821.6	1,361.8	605.6	-411.5	7,377.5
Adjusted EBIT	822.1	96.5	62.4	-72.6	908.4
EBIT	929.7	98.8	69.0	-72.6	1,024.9
Amortisation and depreciation	-277.1	-45.6	-50.5	-0.2	-373.4
Impairment losses	-0.2	0.0	-0.4	0.0	-0.6

Review report

To EnBW Energie Baden-Württemberg AG

We have reviewed the interim condensed consolidated financial statements, comprising the income statement, balance sheet, condensed cash flow statement, condensed statement of changes in equity and selected explanatory notes, together with the interim group management report of EnBW Energie Baden-Württemberg AG, Karlsruhe, for the period from 1 January to 30 June 2008, which are part of the six-monthly financial report pursuant to Sec. 37w German Securities Trading Act (WpHG). The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the company's management. Our responsibility is to issue a review report on the interim condensed consolidated financial statements and the interim group management report based on our review.

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

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

Stuttgart, 31 July 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Wollmert
Benzenhöfer

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

Declaration of the legal representatives

We assure to the best of our knowledge that in accordance with the accounting principles applicable for the interim financial reporting the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group and that the interim group management report gives a true and fair view of the business development including the result and situation of the group and also describes the significant opportunities and risks relating to the anticipated development of the group for the remaining fiscal year.

Karlsruhe, 30 July 2008

EnBW Energie Baden-Württemberg AG

Villis | Lederer

Dr. Beck | Dr. Zimmer

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 1 October 2007
also Chief Financial Officer since 1 May 2008
Appointed until 30 September 2012
Castrop-Rauxel

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

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

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

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

Dr. Christian Holzherr
Born 1963 in Tübingen
Member of the Board of Management
Chief Financial Officer from 1 January 2005
until 30 April 2008
Stuttgart

As of 30 June 2008

Supervisory Board

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

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

Marc Boudier, Sèvres
Directeur Europe at
Electricité de France SA

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

Dirk Gaerte, Sigmaringendorf
District administrator of the
Sigmaringen district

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

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

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

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

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

Klaus Schörnich, Düsseldorf
Chairman of the works council of
Stadtwerke Düsseldorf AG

Heinz Seiffert, Ehingen
District administrator of the
Alb-Donau district

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

Laurent Stricker, Paris
Conseiller auprès du Président
Directeur Général at
Electricité de France SA
Member since 25 April 2008

Werner Vorderwülbecke, Stuttgart
Regional department head at ver.di,
Baden-Württemberg

Christoph Walther, Langebrück
Deputy chairman of the works council
of ENSO Energie Sachsen Ost AG

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

Kurt Widmaier, Ravensburg
District administrator
of the Ravensburg district

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

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

Prof. Joachim Bitterlich, Paris
Directeur des Affaires Internationales
at Veolia Environnement SA
Member until 25 April 2008

As of 30 June 2008

Financial calendar

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

13 November 2008
Publication of the nine-monthly financial report
January to September 2008

Scheduled for 10 February 2009
Press briefing on annual results/
preliminary results of the 2008 fiscal year

27 February 2009
Publication of the 2008 annual report

23 April 2009
Annual general meeting

8 May 2009
Publication of the quarterly financial report
January to March 2009

30 July 2009
Publication of the six-monthly financial report
January to June 2009

6 November 2009
Publication of the nine-monthly financial report
January to September 2009

Contact

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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.

All reports and brochures of the group can be downloaded from the internet. The German and English versions of the annual report can also be accessed as an interactive annual report online.

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Publication of the EnBW six-monthly financial report
January to June 2008:
1 August 2008

Photo credits

Photo of the Board of Management
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Rüdiger Nehmzow, Düsseldorf

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