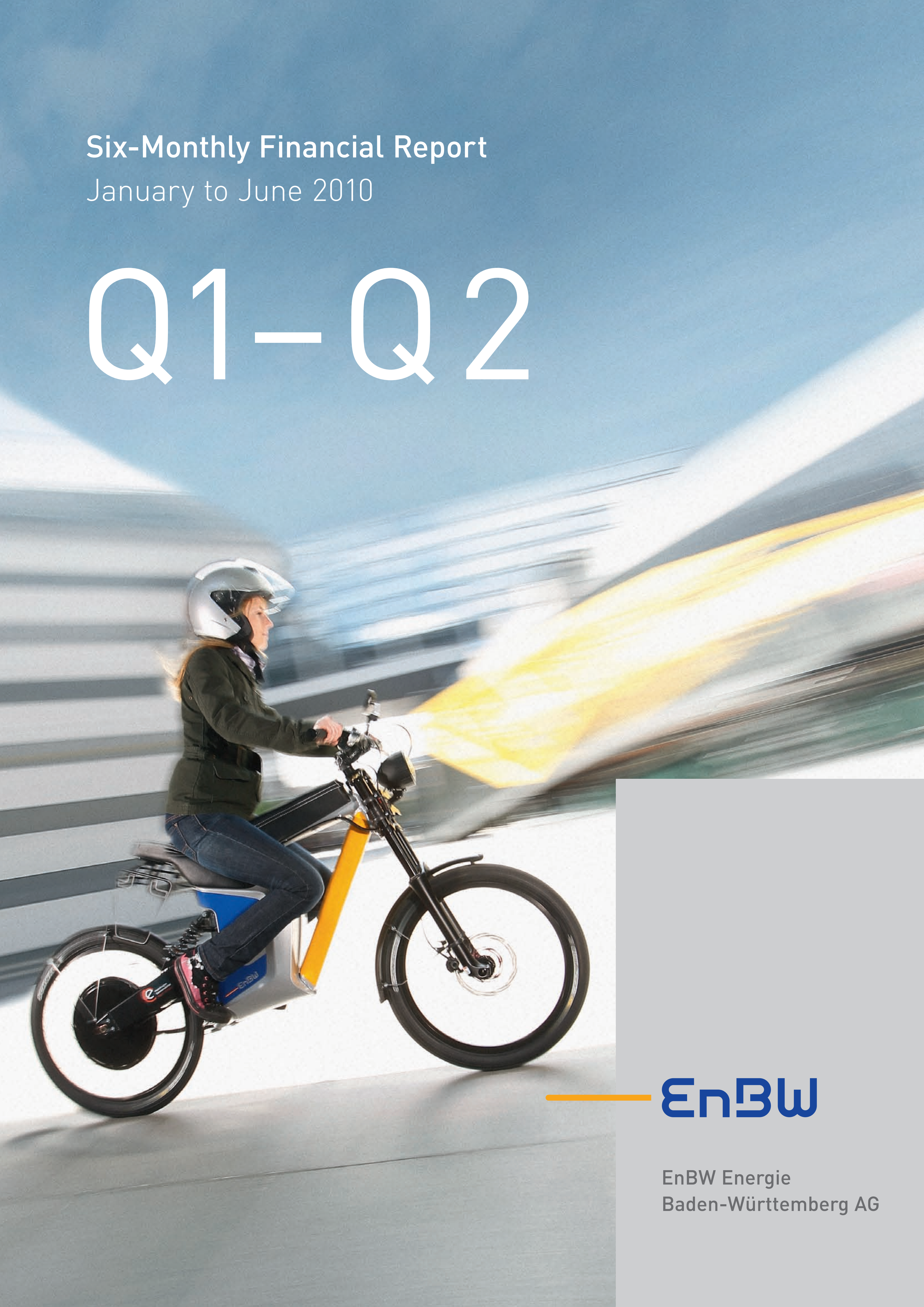
Six-Monthly Financial Report
January to June 2010

Q1–Q2



EnBW Energie
Baden-Württemberg AG

At a glance

EnBW group		1/1–30/6/2010	1/1–30/6/2009	Variance %	1/1–31/12/2009
Revenue					
Electricity generation and trading	€ millions	2,384.2	1,208.3	97.3	2,357.5
Electricity grid and sales	€ millions	5,148.6	5,050.9	1.9	10,031.3
Gas	€ millions	1,076.2	1,572.9	-31.6	2,453.1
Energy and environmental services	€ millions	342.4	342.4	0.0	722.3
External revenue, total	**€ millions**	**8,951.4**	**8,174.5**	**9.5**	**15,564.2**
Adjusted EBITDA	€ millions	1,592.1	1,466.9	8.5	2,615.3
EBITDA	€ millions	1,873.2	1,479.8	26.6	2,748.2
Adjusted EBIT	€ millions	1,158.6	1,066.8	8.6	1,793.9
EBIT	€ millions	1,427.7	1,069.2	33.5	1,889.3
Adjusted group net profit[1]	€ millions	696.5	637.0	9.3	879.1
Group net profit[1]	€ millions	899.0	611.3	47.1	768.2
Earnings per share from group net profit[1]	€	3.68	2.50	47.2	3.15
Cash flow from operating activities	€ millions	1,301.0	980.5	32.7	2,443.4
Free cash flow[2]	€ millions	751.9	554.1	35.7	1,292.1
Capital expenditures	€ millions	932.6	1,437.1	-35.1	4,374.1

Energy sales of the EnBW group		1/1–30/6/2010	1/1–30/6/2009	Variance %	1/1–31/12/2009
Electricity	billions of kWh	74.4	57.9	28.5	119.7
Gas	billions of kWh	32.5	37.0	-12.2	65.8

Employees of the EnBW group[3]		30/6/2010	30/6/2009	Variance %	31/12/2009
Employees	Number	19,972	20,809	-4.0	21,124

[1] In relation to the profit shares attributable to the equity holders of EnBW AG.
[2] Free cash flow before financing.
[3] Number of employees without apprentices and without inactive employees.

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

EnBW

With approximately six million customers and some 20,000 employees, EnBW Energie Baden-Württemberg AG generated annual revenue of some € 15.5 billion in 2009.

As the third-largest energy company in Germany, we focus on the electricity and gas business as well as energy and environmental services.

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

CONTENT

Significant financial developments

- In the first half of 2010, the operating performance of the EnBW group benefited from the economic recovery and the network business. Adjusted EBIT grew by 8.6% to € 1,158.6 million.

- On account of the divestiture of GESO Beteiligungs- und Beratungs-AG and its subsidiaries, group net profit came to € 899.0 million, after € 611.3 million in the prior year.

- Capital expenditure on intangible assets and property, plant and equipment was raised by 19.4% to € 590.2 million.

- Cash flow from operating activities increased by 32.7% to € 1,301.0 million.

- Net debt totalled € 8,589.1 million. This is € 582.9 million less than at the end of 2009.

Top issues April to July 2010

April

Inauguration of EnBW's first large-scale solar farm

EnBW's first large-scale solar farm in Leibertingen marks the start of investment in photovoltaics. It has an output of 2.1 MW and will generate some 2.1 million kWh of electricity p.a. – enough to supply around 600 households with electricity.

More electricity generated from biomass

EnBW signs a master purchase agreement with Altus AG on the acquisition of twelve biogas plants. There has been a joint venture between the two companies since 2009. The facilities will be built mainly in Lower Saxony and eastern Germany and integrated into agricultural enterprises.

May

Foundation stone laid for EnBW Baltic 1 offshore wind farm

Germany's first commercial offshore wind farm in the Baltic Sea is being built 16 km to the north of the Darss/Zingst peninsula. It is scheduled to go online in late 2010. The 21 wind turbines will have a total output of some 50 MW a year. They will generate 185 GWh of electricity a year for around 50,000 households.

Formation of the Enz-Neckar-Rems energy efficiency network

By collaborating in the regional network, ten energy-intensive companies want to achieve a sustainable reduction in their energy consumption in the next three years. In the meantime, more than 200 industrial companies throughout Germany have become involved in EnBW's energy efficiency networks.

June

Launch of the e-mobility in Baden-Württemberg campaign

The goal of EnBW and Daimler AG's joint initiative is to take Baden-Württemberg to the forefront in local emission-free electromobility with fuel cells and batteries within the next two years. EnBW is planning to set up more than 700 electricity charging stations and two to three hydrogen filling stations by the end of 2011.

New fuel cell supplies school in Heilbronn

Pupils at Fritz Ulrich school in Heilbronn are supplied with electricity and heat by a new generation fuel cell. EnBW continues the development of this efficient and eco-friendly technology in cooperation with the town of Heilbronn with a view to future-proofing sustainable energy supplies.

July

New solar farm in Ulm-Eggingen

With an output of 6.5 MW, one of the largest solar farms in Baden-Württemberg is put into operation by EnBW. The solar farm will generate some 6.9 million kWh of electricity each year, which is sufficient to supply around 2,000 households and save 3,990 t of CO_2.

Germany's largest electric fleet gets up to speed in Stuttgart

EnBW's electric fleet consists of 500 electric motorbikes and is currently considered the largest in Germany. These e-bikes will be on the road around Stuttgart as part of the electromobility model region. For one year, these pioneers in the use of electric power will be testing the mobility of the future – going easy on the environment and without exhaust fumes.

Hans-Peter Villis, Chief Executive Officer

Letter to our shareholders

Dear shareholders,
investors and friends of EnBW,

The first half of 2010 was rather mixed for EnBW. The operating business saw satisfactory development in the first two quarters. Adjusted EBIT rose to € 1,158.6 million in the first six months of 2010, a rise of 8.6% in comparison to the corresponding prior-year period, which, however, had still been overshadowed by the financial and economic crisis. This stands in contrast to higher regulatory and political risks.

Over the first half of 2010, EnBW benefited from the economic recovery in Germany, a long winter and improved earnings in the network business. In the electricity generation and trading segment, the positive influences – primarily better terms for forward contracts concluded for 2010 – and negative effects on earnings, such as Neckarwestheim nuclear power plant I (GKN I) operating at reduced capacity, generally balanced each other out. We achieved an increase in the operating result in the electricity grid and sales segment. This was the result of higher network user charges and an increase in the volumes of electricity transmitted. In the gas segment, adjusted EBIT remained below the prior-year results on account of increased competition.

In the reporting period, adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG increased by 9.3% on the prior-year period, and now comes to € 696.5 million. Group net profit, which also contains extraordinary effects, grew significantly to € 899.0 million, after € 611.3 million seen in the prior year. The divestiture of GESO Beteiligungs- und Beratungs-AG and its subsidiaries played a major role in this respect.

EnBW's operating result for the first six months of 2010 exceeded expectations. One should not, however, extrapolate this result to the year as a whole as the significant fall in the contribution to earnings made by GKN I will have a considerable impact on the income statement. In addition, the earnings generated in the gas segment are expected to be impacted by the intense competition. On account of business developing more favourably in the electricity grid and sales segment than originally forecast and the positive effects from consolidation, we are working on the assumption that it will nevertheless be possible to marginally increase the adjusted EBIT of the EnBW group in 2010.

EnBW is in the course of implementing an ambitious growth and investment programme. Gross investments for the period from January to June 2010 totalled € 932.6 million. We have budgeted net investments of a total of € 5.1 billion for the period from 2010 to 2012. Based on our current plans, this amount can be financed from current cash flow. We do not want to increase our net financial liabilities on any account.

This balanced and responsible forward strategy and the associated ratings are at risk, however. The introduction of the Nuclear Fuel Tax Act proposed by the federal government would, based on the information currently available, cost EnBW somewhere between around € 500 million and € 700 million as of 1 January 2011.

EnBW and I personally have been pointing out these impending burdens in the course of numerous discussions with policymakers. We also unambiguously emphasise that the Nuclear Fuel Tax Act planned by the government would only be acceptable to the energy industry in combination with an appropriate extension of the term of nuclear power plants. We consider a one-sided financial burden imposed on the operators of nuclear facilities without a considerable extension of their working lives to be questionable. However, we are currently working on the assumption that a basis acceptable to the energy industry as a whole will be found within the framework of a comprehensive energy concept and an adequate extension of the working lives of nuclear power plants.

I will keep you up to date on this as the year progresses depending on the specific details that are decided on for that tax at the political decision-making level.

Yours sincerely,

Hans-Peter Villis

Hans-Peter Villis
Chief Executive Officer

Karlsruhe, July 2010

EnBW on the capital market

Following numerous events in the first quarter of this year, EnBW's financial communications in the second quarter were characterised by in-depth meetings held in person with investors and analysts.

The debt capital market continues to play an important role in EnBW's corporate financing, in addition to internal financing from its cash flow from operating activities. EnBW's flexible access to the capital market is ensured by numerous short- to long-term debt financing instruments. In addition to a commercial paper programme and the Euro Medium Term Note programme, these include a syndicated line of credit of € 2.5 billion. The company pursues the objective of safeguarding its A rating in the medium term. EnBW has always met this objective in the past. The present ratings are also in the A region. Fitch's rating is A/outlook stable, Moody's A2/outlook stable and Standard & Poor's A-/outlook negative.

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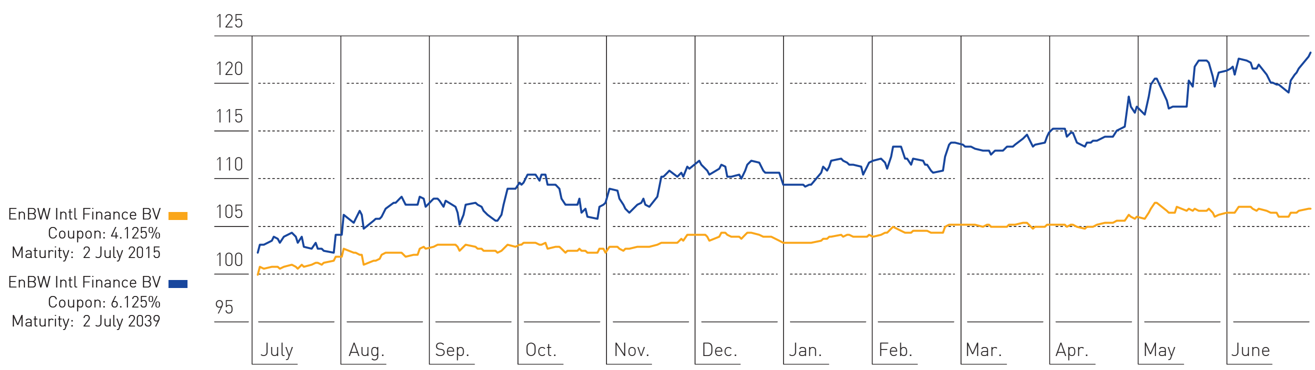
Investors >
Rating development

We are constantly optimising our capital structure with a view to meeting the requirements for A ratings. The level of debt is an important aspect in this regard. We use the dynamic leverage ratio (net liabilities to adjusted EBITDA) to manage the gearing level within an appropriate range. We therefore aim to achieve a net investment volume of € 5.1 billion under the investment programme for the period from 2010 to 2012, by making divestitures at the same time. The first major divestiture was made in the first quarter of 2010 involving the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries generating cash inflow of € 834.4 million as of 31 March 2010. We work on the assumption that we will be able to finance the planned net investment volume from the expected cash flow over the period.

Development on the bond market

In the first half of 2010, government bond prices were overshadowed in particular by the budgetary problems of individual members of the euro area such as Greece, Portugal and Spain. For example, the iBoxx € Eurozone index, which tracks the return on government bonds of a number of European countries, showed a significant increase in returns, i.e. of the risk premium, over the period from mid-April to mid-May. The level of returns normalised over the following period. At the end of June 2010, the returns on government bonds were, however, higher than those on bonds of European energy companies listed in the iBoxx € Utilities index. The latter saw a significant drop in returns since the beginning of the year. EnBW's bonds developed differently over the first six months of the year, but some of them continue to be priced significantly above par. Of the bonds issued in 2009, it was the bond that matures in 2039 and has a high coupon that saw considerable price growth.

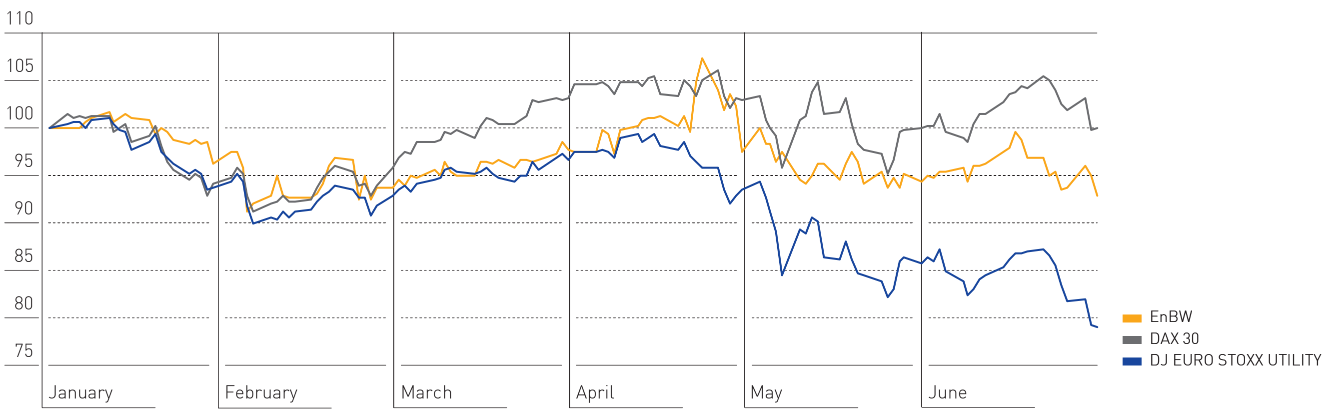
Performance of the EnBW bonds issued in 2009 in %



The EnBW share in the first half of 2010

The EnBW share saw stable prices over the first six months of 2010. After the price of exactly € 40 seen at the beginning of the year, the share reached on 4 February the lowest price so far this year of € 36.51 in light of a weaker overall market. The price recovered over the following period and increased to € 43.00 (on 23 April), falling again to a level of around € 38 and closing a little lower at € 37.20 on 30 June. The leading share index in Germany, the DAX, saw fluctuations of almost 900 points in the first half of 2010, but closed at 5,965 points at the end of June, roughly the level seen at the end of 2009. This means that the DAX always succeeded in recovering from any losses since then. The DJ EURO STOXX UTILITY index, which reflects European utilities, remained down on the beginning of the year for virtually all of the reporting period. On 30 June 2010, it closed 21% down on the end of 2009.

Performance of the EnBW share from January to June 2010 in %



The capital market revalued German energy suppliers in the wake of the plans to introduce a fuel rod tax for energy companies. In a survey, the bank LBBW lowered its price targets for large German energy companies. For EnBW, this meant a downgrade from "buy" to "hold" with a price target of € 39.70 in comparison to € 45.00 previously.

As of the reporting date 30 June 2010 there were minor changes to the shareholder composition in comparison to the end of 2009. E.D.F. INTERNATIONAL SA and OEW Energie-Beteiligungs GmbH continue to each hold 45.01% of the capital stock of EnBW. Badische Energieaktionärs-Vereinigung reduced its shareholding from 2.55% to 2.54%. This means that the free float comes to 1.85% (previously 1.84%). Further shareholders are Gemeinde-elektrizitätsverband Schwarzwald-Donau (1.28%), Neckar-Elektrizitätsverband (0.69%), Landeselektrizitätsverband Württemberg (0.54%) and other municipal shareholders (0.78%). EnBW holds treasury shares of 2.30% of the capital stock.

Face-to-face meetings dominated financial communications in the second quarter of 2010

EnBW aspires to strengthen and further boost capital market participants' confidence in the company, its strategy and its management through open and transparent communication. In the first half of the year, the focus was on two investor conferences, a spring road show, conference calls and a Bankers' Day. In addition, there were numerous face-to-face talks with analysts and investors. The main topics in this context included the progress made with offshore wind farm projects, details of the CO_2 emissions of the generation portfolio, the possibility of a fuel rod tax being introduced and the outlook for 2010.

With the publication of this six-monthly financial report, EnBW announces in good time the dates for 2011, such as those for the publication of provisional figures, the annual general meeting and the interim reports.

FURTHER INFORMATION
Financial calendar on back cover

Business activity and economic environment

EnBW is active on different markets with its segments along the entire value added chain and pursues an extensive investment programme. The economic recovery continued in the first half of 2010. In particular, the price of primary energy sources and CO_2 emission allowances saw significant increases. Important political decisions are still pending in Germany.

Business activity

The EnBW group operates along the entire value added chain. The group operates in two segments: electricity generation and trading as well as electricity grid and sales. The activities in the gas segment currently extend to the midstream and downstream areas. The midstream business includes import agreements, import infrastructure, gas storage, and trading and portfolio management. Downstream covers the transmission, distribu tion and sale of gas. Our energy and environmental services segment provides network and energy-related services, thermal and non-thermal waste disposal and water supply services. Contracting constitutes the largest portion of energy-related services. It covers the entire value added chain from the initial needs analysis as well as planning, financing and realisation through to the operation, servicing and maintenance of facilities at the customer. This not only includes energy and (combined power and) heating plants but also the media infrastructure. The electricity generation and trading segment is vital to the results of operation situation of the group.

FURTHER INFORMATION
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The Group

Heterogeneous market structures

EnBW has a broad business portfolio. Its products and services are provided by four segments in three markets. These cover a very wide range. The wholesale markets in which EnBW procures primary energy sources and CO_2 allowances, and generates and trades in electricity are characterised by intense competition. The efficiency and flexibility of the generation and procurement portfolio are decisive success factors in this respect. In contrast, prices on the regulated market are formed through regulatory procedure. This market environment applies to our grids and to renewable energies, in particular hydro-electric and wind power. On the end customer market, EnBW provides services to and supplies a total of some six million business and retail customers (date of information: 31 December 2009). The traditional energy business is in a state of upheaval: customer-focused energy consulting and services relating to energy use are increasingly gaining in competitive importance and constitute a central aspect of EnBW's positioning on the market.

Growth and investment programme

In Europe, EnBW is one of the ten largest energy companies; in Germany it takes third place. We intend to reinforce and expand this position. In the gas segment, we aim to strengthen our position through assets that provide us with flexibility and the potential to optimise our business. The increasing share of renewable energies means that flexible power stations will be needed in future to balance out the fluctuations in the amounts of wind and solar energy being fed in. Our objective is to double revenue in the energy and environmental services segment by 2020. EnBW's strategic development involves greater capital expenditure over the next few years. We have budgeted gross investments of € 7.9 billion for the period from 2010 to 2012. Growth projects account for a 59% share of investments. The remaining 41% is attributable to replacement and renewal measures, in particular for power stations and grids. With our growth and investment programme, we are concentrating on the following strategic areas:

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Capital expenditures and acquisitions › p. 19 f

- Developing of generation capacity: We are investing € 2.9 billion over the next three years in the construction of thermal power stations and facilities to exploit renewable energies (hydro-electric and wind power).
- Expanding the gas business: We see further business potential in the gas sector, especially in expanding midstream activities. We have budgeted for investments of € 1.6 billion in this field. The focus is on our gas storage project in Etzel and the call option for a share of 48% in VNG.
- Core market Germany, select growth abroad: The focus of investments totalling € 1.0 billion are hydro-electric power stations and wind turbines in Turkey. Our objective is to create generation capacities of 2,000 MW here by 2020 as part of a joint venture. The Czech Republic is another target strategic market and is linked to the plans to reinforce our equity investment in Pražská energetika a.s. (PRE).
- Establishing new fields of business: With a volume of € 400 million, we intend to push forward the energy-related services and contracting business with new products for our end customers.
- Exploiting process improvements and synergies: An amount of € 2.0 billion will be put into securing and optimising existing business by 2012. This will also benefit our grids as we see them as an integral part of our electricity and gas business. They generate a positive cash flow and contribute to diversification of our business portfolio. Efficiency measures are put into practice on an ongoing basis under the !mpuls programme. Joint projects with our strategic partner and major shareholder EDF will be used to exploit synergies.

Economic environment

EnBW's business is influenced by various external factors. These include, in particular, the general economic environment and price developments on the markets for electricity, fuels and CO_2 allowances. Furthermore, political and regulatory decisions have a considerable impact on the company in some cases.

Overall economic developments

According to statistics published by the International Monetary Fund (IMF), the global economy contracted in 2009 by 0.6% in comparison to 2008 in the wake of the severe financial and economic crisis. The incipient recovery seen in the second half of 2009 continued in the first six months of 2010. Statistics provided by Germany's Bundesbank reveal that in January and February 2010 global industrial production achieved growth of more than 10% on the prior year. However, the speed of growth differed greatly between regions. Emerging economies in South America and Asia – headed by Brazil, China and India – saw considerable growth. Industrialised countries such as Japan and the USA returned moderate growth, the euro area only slight growth.

In 2009, gross domestic product (GDP) in the euro area contracted by 4.1.% in comparison to 2008. For the first quarter, Eurostat estimates minor growth of 0.6% in comparison to the first three months of 2009. This constitutes a slight increase of 0.2% on the previous quarter and underlines the low rate of growth. In addition, the massive public debt of some southern European countries constitutes a further burden on economic recovery. For Germany, the German Institute for Economic Research (DIW) anticipates an increasing impetus and forecasts an increase of 0.7% in the second quarter of 2010 in comparison to the previous quarter. According to the DIW, overall economic output grew by 0.2% in each of the two quarters before that. These developments should be seen, however, in light of a drop in economic performance of 5.0% in the previous year.

Electricity and gas consumption in Germany in 2009 was roughly down 5.0% on 2008, according to statistics provided by the German Energy and Water Association (BDEW). According to BDEW estimates, electricity consumption in the period from January to April 2010 increased by 3.3% on the prior-year period. Natural gas consumption in the first quarter of 2010 increased by some 7% on the prior year.

Market situation for primary energy sources, CO_2 allowances and electricity

EnBW strives to reduce the uncertainties for the generation margin arising from developments in the price of primary energy sources, CO_2 allowances and electricity on the wholesale markets. EnBW uses the forward market not only to procure the quantities of primary energy sources and CO_2 emission allowances required for electricity generation but also at the same time to sell the budgeted electricity production. The conditions agreed in the supply contracts concluded in previous years have a significant impact on costs and revenue in the first half of 2010. This means that prices seen in the first six months of 2010 will mainly have an effect on the results of subsequent periods. The same interaction applies to the quantities of electricity procured by the sales function on the forward market.

Oil market: At the beginning of May 2010 the price of one barrel (159 l) of Brent oil stood at US$ 88.94 for short-term deliveries (front month) and at US$ 94.72 for the front year 2011. These prices marked the peaks in an upward movement that began in February 2010. The prices subsequently fell significantly until the end of June. On average, quotations in the first half of 2010 were nevertheless up 48% (front month) and 24% (front year) on the prior-year period, in which the price for short-term deliveries fell to a low of US$ 39.55/bbl in the wake of the global economic crisis in February 2009. All in all, the price of oil has seen a sideward movement since mid-2009 but with great fluctuations. For example, the price rise was initially driven by expectations of higher demand for oil. They were based on positive signals from early indicators, Chinese economic data and more optimistic forecasts for global growth. The difficult situation in the euro area, triggered by the problem of massive debt in some EU member states, in addition to a downturn in some early indicators then cast doubt on a quick recovery of the global economy, and therefore demand for oil. This led to a decline in prices in May and June. Market participants have in the past virtually ignored factors exerting a moderating effect on prices. The following would exert downward pressure on prices: large stockpiles of oil and oil products, OPEC's high level of reserve capacities and declining quota discipline with regard to the reduced production levels in OPEC countries. On 30 June, oil quotations closed at US$ 75.01/bbl (front month) and US$ 78.98/bbl (front year).

Coal market: Coal prices for deliveries to the ARA ports (Amsterdam, Rotterdam, Antwerp) proved to be very changeable in the first half of 2010. By mid-March quotations on the spot and forward markets had fallen to US$ 71.71/t and US$ 85.51/t, respectively. A significant price rise was seen in the second quarter of 2010. At the end of the second quarter, spot prices of US$ 93.43/t and forward prices of US$ 100.48/t for the front year product had virtually returned to the previous annual highs seen at the beginning of January. Spot prices in the first half of 2010 averaged 17% above the prior-year period, while forward prices were up 10%. In this regard, prices were buoyed in the second quarter by a return to increasing demand from Asia for imported coal, driven by rapid economic recovery on the world market as well as rising electricity and gas prices in Europe. Additional upward impetus came from higher price fixings on the coke market. These prices radiated onto the market for boiler coal. A temporary rise in high sea freight prices for dry bulk cargo similarly exerted upward pressure on the spot market as this also caused an increase in cost of transporting coal.

Price development on the oil and coal markets	Average H1 2010	Average H1 2009	Average 2009
Crude oil (Brent) front month (daily quotes in US$/bbl)	78.40	52.87	62.67
Crude oil (Brent) annual price 2011 (daily quotes in US$/bbl)	84.04	67.76	74.50
Coal – weekly index for short-term delivery (API #2 index) in US$/t	83.15	71.24	70.42
Coal – API #2 Y2011 in US$/t	95.83	86.79	94.91

Gas market: Long-term gas import contracts form the basis of gas supplies in Germany. Their price tracks oil quotations with a time lapse of around six months. The drop in the price of oil continued into the first quarter of 2009. As a consequence, the border price index for natural gas compiled by the Federal Office of Economics and Export Control (BAFA) fell by around 44% between January and August 2009 to € 16.84/MWh. The border price index then started to rise again in the wake of recovering oil prices, standing at € 19.38/MWh in April.

The wholesale market is another source of natural gas. The most liquid of the Continental European markets is currently the Dutch Title Transfer Facility (TTF) and the trading point of the NetConnect Germany (NCG) market territory. On account of the significant decline in demand for gas as a consequence of the economic crisis there were significant quantities of gas available on the wholesale markets, which led to a significant fall in prices. On the TTF, the price of natural gas for immediate delivery (spot market) averaged € 12.12/MWh in 2009, more than 50% below the prior-year figure. A rise in prices could be seen in particular in the second quarter of 2010 despite a good supply situation. The price reached a high of € 20.95/MWh in June. This development was related to positive expectations for the economic recovery. In addition, there was an increase in demand from the storage market on account of the low capacity levels following the colder than average winter. In all probability, prices were buoyed by improved flexibility with regard to quantities on the part of gas importers and the related fall on the supply side. The price for delivery in 2011 similarly saw a significant rise in the second quarter of 2010, coming to as much as € 22.90/MWh at the end of June. This ended the downward movement prevailing since mid-2009 that had reached its lows towards the end of the first quarter of 2010. All in all, it can be noted in particular that quotations on the spot market once again approximate the prices for long-term gas import contracts and contracts indexed to the price of oil. This can be seen in the fact that the wholesale price for natural gas grew much more strongly in the second quarter of 2010 than the border price, which reflected the development of oil prices. This caused the spread between the border price and the market price to become successively smaller, standing at € 4.12/MWh on 30 April 2010 in comparison to this year's high of € 8.95/MWh.

Development of prices for natural gas on the TTF (Dutch wholesale market) in €/MWh	Average H1 2010	Average H1 2009	Average 2009
Spot	14.95	14.46	12.12
Delivery 2011	18.01	22.96	21.76

CO_2 emission allowances: Under the European emissions trading system, the requisite number of emission allowances have to be evidenced for the CO_2 emissions from EnBW's power stations. In 2009, the prices for emission allowances (EU Allowances – EUA) for delivery in December 2010 (EUA-10) stood at € 13.77/t CO_2 in light of the downward trend in the global economy, averaging 42% below the 2008 average. After fluctuating in a range from around € 12.50/t CO_2 to € 13.50/t CO_2 in the first quarter of 2010, prices increased in April to above € 16/t CO_2. It was at this point that the verified 2009 emissions were published, thus eliminating the uncertainties regarding the volume of emissions. Further price buoyancy came from positive expectations regarding the economy and rising fuel switching costs (triggered by rising gas prices in Europe). Demand effects constituted another factor in the price rise. This was triggered by companies increasingly securing allowances for the subsequent third trading period. One other reason for this development is the European Commission's proposal to implement a 30% reduction in CO_2 emissions by 2020 instead of the previous 20%. The debt crisis in several European countries prevented a further increase in the price of CO_2 allowances, however. This was due to uncertainty on the part of market participants as to how the economy would develop in future. Quotations have fluctuated around € 15/t CO_2 since mid-May. At the same time, there was a significant increase in trading volume in the second quarter of 2010 in comparison to the previous quarter. At 1.59 billion EUAs, trading volume in the second quarter of this year was markedly in excess of the 1.11 billion EUAs traded in the first quarter of this year.

Companies can cover part of their emissions with allowances from projects to reduce emissions in emerging and developing countries (Certified Emission Reductions – CER). The price of CER-10 allowances generally tracked the development of the price of EUA-10 allowances over the first half of 2010. The price level was lower, however, on account of the greater risks associated with the projects. The spread expanded from € 1.50 to more than € 2 in the course of the second quarter.

Development of prices for emission allowances/daily quotes in €/t CO_2	Average H1 2010	Average H1 2009	Average 2009
EUA-10	14.11	13.17	13.77
CER-10	12.28	10.98	11.73

Wholesale electricity market: After the average price for immediate delivery (base load product on the spot market of the European Energy Exchange – EEX) in the first quarter of 2010 had fallen to a level below that seen in the first three months of 2009, this development reversed in the second quarter of 2010 in comparison to the second quarter of 2009. The price averaged € 41.52/MWh. This represents an increase of around € 9 in comparison to the prior-year period. This development is attributable to higher spot market prices on the wholesale markets for coal, natural gas and CO_2 allowances and the further fall in the euro exchange rate to the US dollar. Upward pressure was also exerted by increased demand for electricity in the wake of economic recovery and relatively low temperatures in May. As of April, these weather-related factors also brought about a higher price level on the forward market of the EEX for delivery in 2011. Averaging € 51.88/MWh over the period from April to June, prices were around € 4 higher in comparison to the first quarter of 2010. In comparison to the second quarter of 2009 this is equivalent to a drop of around € 5 resulting from the comparatively low price level on the forward market for natural gas.

Development of prices for electricity (EEX) base load product, in €/MWh	Average H1 2010	Average H1 2009	Average 2009
Spot	41.27	39.83	38.85
Delivery 2011	49.98	54.26	53.91

Prices for retail and industrial customers: BDEW statistics reveal that an average household (annual consumption of 3,500 kWh) paid € 67.70 a month for its electricity in 2009, following some € 63 in the prior year (date of information: November 2009). One of the factors reflected here is the marked increase in the electricity price on the wholesale market in the first half of 2008. In order to reduce the risk of price peaks, some quantities of electricity for retail customers and commercial businesses are purchased in advance, as much as several years in some cases, and in individual tranches via the wholesale market. This causes a delay in any adjustment to rapidly falling prices. Furthermore, increasing expenses relating to the German Renewable Energies Act (EEG) contributed to the higher price level. In April the Federation of German Consumer Organisations announced that it anticipates an additional 10% rise in electricity prices over the next few years. According to BDEW statistics, the prices for typical industrial SMEs fell from 13.25 ct/kWh in 2008 to 11.23 ct/kWh in 2009, as they are as a rule more closely linked to the current price level on the wholesale market. According to the German Federal Statistical Office, the decline in gas prices for retail customers beginning as of July 2009 also continued in the first five months of 2010. Prices fell substantially and continually in comparison to summer 2009.

Political and regulatory environment

European energy policy

The climate package ("green package") and the third energy liberalisation package were the most recent legislation to be passed in April and June 2009. The climate package contains regulations on reductions in greenhouse gas emissions, on emissions trading, renewable energies and carbon capture and storage (CCS). Fossil-fuelled generation will involve higher costs in future as this legislation provides for all CO_2 allowances for the energy industry to be auctioned as of the beginning of the third trading period from 2013 onwards. In this respect, the additional costs to individual energy companies will depend on the share of CO_2-based electricity generation. Alternatives to ownership unbundling of the transmission networks when transposing the legislation into national law are the focus of the energy liberalisation package. There is still the option of creating an independent system operator or an independent transmission operator ("third way"). Disposal of transmission grids is not mandatory. Neither package has been transposed into national law in Germany so far. Furthermore, energy policy at European level is currently characterised primarily by numerous consultations on various measures. Representatives of the energy industry are also taking part in this process. At this early stage it is impossible to predict outcomes with any degree of certainty.

Directive on industrial emissions: The EU is planning to implement a directive aimed at lowering the upper emission limits for industrial facilities in order to reduce the pollution burden to air, water and soil before the year is out. It would then likewise be followed by transposition into national law. The consequences for EnBW essentially depend on the upper emission limits that are set.

Energy policy in Germany

Both the CCS directive and directive on energy services and energy end-use efficiency have yet to be transposed into national law. The latter is scheduled to be transposed before the end of summer 2010. It is likely that further regulations will follow in the wake of the federal government's energy concept announced for November 2010. The CCS bill failed to be passed in the last legislative period and will be returned for further debate in the autumn.

The Federal Network Agency's regulation governing implementation of the Compensation Mechanism Ordinance (AusglMechV), which regulates the marketing of the electricity for which remuneration has to be paid under the Renewable Energies Act, has been in force since the end of February 2010. It thus provides detailed regulations for transparent and cost-efficient marketing of electricity fed in under the EEG by transmission system operators. The TSOs are provided with clear guidelines on marketing as well as on the publication duties regarding their marketing activities and the keeping of accounts.

Amendment of the German Energy Tax Act: The Federal Ministry of Finance plans to amend the energy and electricity tax act in such a way that tax relief is only granted for certain contracting agreements in order to prevent windfall gains from agreements concluded solely for the purpose of tax savings. A corresponding expert bill has already been drafted.

Amendment of the German Renewable Energies Act (EEG): The amendment of the EEG passed in May 2010 included a significant reduction in subsidies for electricity from photovoltaic systems. Before the amendments came into effect on 1 July 2010 the upper house of the German parliament invoked the mediation committee, thus causing a delay. However, the mediation committee only decided that the subsidies for rooftop systems should be subject to slightly lesser cuts for a limited period of time. The amended act will take retroactive effect as of 1 July. The reduction in the subsidy rates will have comparatively little impact on EnBW's activities in the field of photovoltaics.

German Energy Industry Act (EnWG): The draft of the Energy Industry Act, which had been scheduled for May, has been postponed indefinitely. This means that important issues such as ownership unbundling of grids in Germany remain unresolved.

Fuel rod tax and withdrawal of the decision to reduce the working lives of nuclear power plants: As part of finding a consensus on the austerity package, the federal cabinet agreed on taxing nuclear power ("fuel rod tax") at its retreat in June. This tax is planned to generate as much as € 2.3 billion per annum for the federal budget, presumably as of 2011. How it will be structured is still unclear, however. In addition, it is still unclear, despite affirmative statements from the parliamentary groups of the CDU/CSU parties, as to whether the fuel rod tax is linked withdrawal of the decision to reduce the working lives of German nuclear power plants set out in the three-party (CDU/CSU and FDP) coalition agreement of November 2009. No details on the extent or any conditions for a potential withdrawal of the decision to reduce their working lives have been revealed to date.

Regulation of the electricity and gas markets

Grid balancing organisation for German electricity grids: The Germany-wide electricity grid balancing organisation decided by the Federal Network Agency was introduced effective as of 31 May 2010. For more than one year, EnBW had already been one of three transmission system operators participating in a grid balancing organisation that the remaining operator has now joined.

Gas Grid Access Ordinance (GasNV): The federal cabinet agreed on an amended version of the GasNV in May. Approval was passed by the upper house of German parliament on 9 July. The ordinance came into immediate effect. Its aim is to further promote competition on the gas market. To this end, it is planned to reduce the number of gas market territories in which providers can operate without restriction from the current six to a maximum of two by 2013. Access to scarce transmission capacities is facilitated by employing an auction procedure and limiting the share of long-term capacity agreements at feed-in and feed-out points. In addition, the period for which transmission capacities in the gas grid may be reserved is limited to a maximum of three years. This makes it easier for the operators of new gas power stations and storage facilities to access grids as it means that capacities are not blocked for long periods to come, nor do capacities have to be reserved long before the actual decision to invest has been made.

Long-term supply agreements: The Federal Anti-Trust Office decided not to extend the restriction expiring on 30 September 2010 imposed on long-term gas supply agreements on the market for supplies to regional and local redistributors. This now makes it possible once again for supra-regional and regional long-distance gas companies to conclude agreements with redistributors spanning several years to cover total requirements, without this practice being in contravention of anti-trust law from the outset due to market foreclosure. The decision by the Federal Anti-Trust Office can be seen in light of the intense competition on the gas market on account of the positive changes to the market established by the Federal Anti-Trust Office. This rendered regulation of this nature unnecessary.

Gas price increases confirmed: Over the period from 2005 to 2008, EnBW Gas GmbH implemented price rises for basic supplies on account of increased procurement costs. Some customers had objected to these price adjustments on account of inequity of the gas price increase pursuant to Sec. 315 German Civil Code (BGB). Already in its fundamental rulings of 13 June 2007 and 19 November 2008, the Federal Court of Justice (BGH) ruled that gas suppliers are entitled to pass on to their customers changes in procurement costs. In the reporting period, an appeal judgment by Stuttgart regional court confirmed the ruling passed by Stuttgart local court, which had first instance jurisdiction, in November 2009 in favour of EnBW Gas GmbH. This meant that EnBW's price adjustments were lawful. EnBW Gas GmbH also has its gas prices reviewed by independent auditors on a regular basis. The present ruling is further confirmation of the legitimacy of the company's actions.

Network user charges: 2010 is the second year of incentive regulation. This principle sets an individual upper limit on the revenue from network user charges for gas and electricity networks of four and five years, respectively. After the positive effects on EnBW's revenue and earnings emanating from this in fiscal year 2009, the negative impact on account of the absorption of surplus revenues will make itself felt in 2010. In addition to this, since 1 January 2010 expenses for managing fluctuating power supplies from EEG sources are no longer transferred via the network user charges but are invoiced to the sales functions through an EEG cost allocation. If there is a permanent change to their supply duties, network operators may apply for a higher cap on revenue in the course of the regulation period. This was possible for the first time as of 30 June 2009 with regard to the 2010 revenue cap. Such an extension factor was approved for virtually all of EnBW's system operators. A proposal of the Federal Network Agency has been available since the end of May 2010 under which distribution network operators may also take into account expenses relating to the network integration of local generation facilities. Up to now, the only possibility was to apply for this through investment budgets. By 30 June 2010, the relevant EnBW companies had once again filed for an extension factor for the 2011 revenue cap.

The EnBW group

The grids had a positive impact on EnBW's operating performance in the first half of 2010. Adjusted EBIT increased by 8.6% to € 1,158.6 million. Group net profit rose significantly to € 899.0 million in a year-on-year comparison, mostly on account of the non-operating result. The divestiture of GESO Beteiligungs- und Beratungs-AG and its subsidiaries played a major role in this respect.

Results of operations

Unit sales and revenue

Electricity sales of the EnBW group in billions of kWh	Generation and trading		Grid and sales		Total	
	1/1–30/6/2010	1/1–30/6/2009	1/1–30/6/2010	1/1–30/6/2009	1/1–30/6/2010	1/1–30/6/2009
Retail customers (B2C)	0.0	0.0	10.9	11.9	10.9	11.9
Industry and redistributors (B2B)	1.6	1.4	22.4	23.3	24.0	24.7
Trade	32.6	15.7	6.9	5.6	39.5	21.3
Total	**34.2**	**17.1**	**40.2**	**40.8**	**74.4**	**57.9**

At 74.4 billion kilowatt-hours (kWh), the EnBW group's unit sales of electricity were 28.5% above the prior-year figure in the first half of 2010. This development was driven by noticeably higher unit sales in the trading function. Unit sales increased here by a total of 85.4% to 39.5 billion kWh, among other things due to the marketing of generation capacity added at the start of the year and the power station capacity exchanged with E.ON. Roughly half of the fall totalling 1.7 billion kWh in unit sales to retail and business customers is due to the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries. The drop in unit sales to retail customers was partly also caused by fiercer competition. Unit sales to business customers dropped marginally to 24.0 billion kWh.

Gas sales of the EnBW group in billions of kWh	1/1–30/6/2010	1/1–30/6/2009	Variance %	1/1–31/12/2009
Retail customers (B2C)	7.8	7.4	5.4	12.3
Industry and redistributors (B2B)	24.7	29.6	-16.6	53.5
Total	**32.5**	**37.0**	**-12.2**	**65.8**

Unit sales of gas declined by 12.2% in the EnBW group in the first six months of 2010 to 32.5 billion kWh. The sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries accounted for just under 30% of the decline in unit sales. The main reason for the decline in unit sales to B2B customers was more intense competition as a result of the merger of gas market territories. In contrast, unit sales to retail customers increased by 5.4% to 7.8 billion kWh due to the extended winter period.

External revenue of the EnBW group by segment in € millions[1]	1/1–30/6/2010	1/1–30/6/2009	Variance %	1/1–31/12/2009
Electricity generation and trading	2,384.2	1,208.3	97.3	2,357.5
Electricity grid and sales	5,148.6	5,050.9	1.9	10,031.3
Gas	1,076.2	1,572.9	-31.6	2,453.1
Energy and environmental services	342.4	342.4	0.0	722.3
Total	**8,951.4**	**8,174.5**	**9.5**	**15,564.2**

[1] After deducting electricity and natural gas tax.

External revenue of the EnBW group including electricity and natural gas tax rose substantially to € 9,453.9 million in the first half of 2010. This was mainly the result of the increase in unit sales of electricity. After deducting electricity and natural gas tax, external revenue amounted to € 8,951.4 million compared with € 8,174.5 million in the prior year. This represents an increase of 9.5%. Adjusted for consolidation effects, external revenue rose by 10.4% or € 845.9 million.

Electricity generation and trading: At € 2,384.2 million, external revenue almost doubled in this segment in the first six months of 2010 compared to the prior year. This is principally attributable to the increase in unit sales, due to the EnBW group's higher generation capacity in Germany and increased trading activity. Adjusted for consolidation effects, the increase in the electricity generation and trading segment in comparison to the prior-year period comes to 76.7% or € 1,034.8 million. Owing to the strong growth in revenue, this segment's share in the group's total revenue came to 26.6% in the reporting period after 14.8% in the prior year.

Electricity grid and sales: Revenue in the electricity grid and sales segment was, at € 5,148.6 million, higher in the first half of 2010 compared to the prior year. A drop in unit sales was more than offset by positive price effects. Adjusted for consolidation effects, external revenue rose by 5.3% or € 258.9 million. Due to the strong growth in revenue recorded in the electricity generation and trading segment, the electricity grid and sales segment's share in revenue was reduced from 61.8% in the prior year to 57.5% in the first half of 2010.

Gas: Revenue in the gas segment fell by 31.6% compared to the prior year to € 1,076.2 million. In addition to the decline in unit sales, this development also reflected negative price effects. The drop in gas procurement prices was passed on to customers. Adjusted for consolidation effects, external revenue in the gas segment fell by 29.3% or € 446.9 million. This segment accounts for a 12.0% share of the EnBW group's revenue in the reporting period, following 19.2% in the prior year.

Energy and environmental services: Revenue was unchanged in the energy and environmental services segment in the first half of 2010 compared to the prior-year level of € 342.4 million. This segment's share in total group revenue dropped marginally by 0.4 percentage points to 3.8%.

Material developments in the income statement

Other operating income was € 256.4 million higher than in the prior year. This significant increase totalling € 605.2 million was above all due to the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries and on EnBW's compensation claim due to premature termination of a long-term electricity supply agreement. Cost of materials increased as a result of the rise in revenue volume, reaching € 6,433.1 million. This is an increase of 10.7%. Personnel expenses increased slightly by 3.4% to € 811.1 million. The reason for this was the collective wage increase effective as of April 2009, which affected the entire first half of 2010. The drop in headcount as a result of the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries at the end of the first quarter of 2010 had the opposite effect here. The current investment programme led to an 8.5% increase in amortisation and depreciation to € 445.5 million in comparison to the prior year. Earnings before tax (EBT) rose by 38.1%, while income taxes were up only 16.6%. The reason here was the tax-free gain on the disposal of GESO Beteiligungs- und Beratungs-AG and its subsidiaries.

Earnings

Group net profit in terms of the profit shares attributable to the equity holders of EnBW AG reached € 899.0 million in the first half of 2010. This increase of 47.1% is due first and foremost to the very positive non-operating group net profit of € 202.5 million. A loss of € 25.7 million was recorded here in the prior year. The adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG improved by € 59.5 million to € 696.5 million. This is an increase of 9.3%. Earnings per share came to € 3.68 in the first six months of 2010 after € 2.50 in the prior year.

Adjusted earnings and non-operating result

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

Adjusted EBIT of the EnBW group by segment in € millions	1/1–30/6/2010	1/1–30/6/2009	Variance %	1/1–31/12/2009
Electricity generation and trading	910.2	921.0	-1.2	1,590.9
Electricity grid and sales	162.4	59.8	-	130.9
Gas	106.1	113.4	-6.4	152.0
Energy and environmental services	58.6	47.5	23.4	86.2
Holding/consolidation	-78.7	-74.9	-5.1	-166.1
Total	**1,158.6**	**1,066.8**	**8.6**	**1,793.9**

At € 1,158.6 million, the EnBW group's adjusted EBIT exceeded the prior-year figure by 8.6% in the first half of 2010. After eliminating consolidation effects, adjusted EBIT increased by 7.0%.

Adjusted EBIT in the electricity generation and trading segment dropped slightly by 1.2% to € 910.2 million. Taking consolidation effects into account, the decrease would have been 3.3%. The positive factors were outweighed by the negative effects. In this context, higher costs and a drop in the contribution margin owing to operation of GKN I nuclear power plant at reduced capacity played an important role. In addition, the prior-year period had included profit-enhancing effects from derivatives which were no longer prevalent in the reporting period. Earnings were buoyed above all by better terms and conditions due to the forward contracts concluded in the past for electricity generation in the fiscal year 2010. A large volume of electricity for 2010 was secured in the first half of 2008 on the basis of the sharp increase in electricity prices on the wholesale market. The first half of 2009 was burdened by additional expenses from the resale of quantities not sold to B2B customers; this effect was absent in the reporting period.

A significant improvement in operating result was achieved in the electricity grid and sales segment. After € 59.8 million in the prior-year period, adjusted EBIT in the segment amounted to € 162.4 million in the first half of 2010. Adjusted to eliminate consolidation effects, the increase was € 106.4 million. This is attributable to higher network user charges due to increased revenue caps and the higher volume of electricity transmitted compared to the prior year. In addition, lower expenses were incurred for energy needed to cover grid losses. Earnings also improved in the sales function in the first six months of 2010. This was mainly due to the absence of the seasonal EEG expenses which had been incurred in the first half of 2009.

In the gas segment, adjusted EBIT remained below the prior-year level. The current level of € 106.1 million is equivalent to a decrease of 6.4%. Adjusted to eliminate consolidation effects, the decrease was 5.7% or € 6.4 million. Increased network user charges due to higher revenue caps and a rise in the quantities of gas transmitted had a positive impact on earnings in relation to the prior year. However, this was completely offset by price and quantity effects incurred in the sales function as a result of keener competition.

In the energy and environmental services segment, earnings increased from € 47.5 million to € 58.6 million in the first half of 2010. This was driven by positive developments in waste disposal, among other things.

Earnings indicators of the EnBW group (adjusted) in € millions	1/1–30/6/2010	1/1–30/6/2009	Variance %	1/1–31/12/2009
Adjusted investment result	159.3	163.3	-2.4	221.2
Adjusted financial result	-280.9	-305.0	7.9	-680.5
Adjusted income taxes	-301.2	-261.5	-15.2	-403.4
Adjusted group net profit	**735.8**	**663.6**	**10.9**	**931.2**
of which profit shares attributable to non-controlling interests	(39.3)	(26.6)	47.7	(52.1)
of which profit shares attributable to the equity holders of EnBW AG	(696.5)	(637.0)	9.3	(879.1)

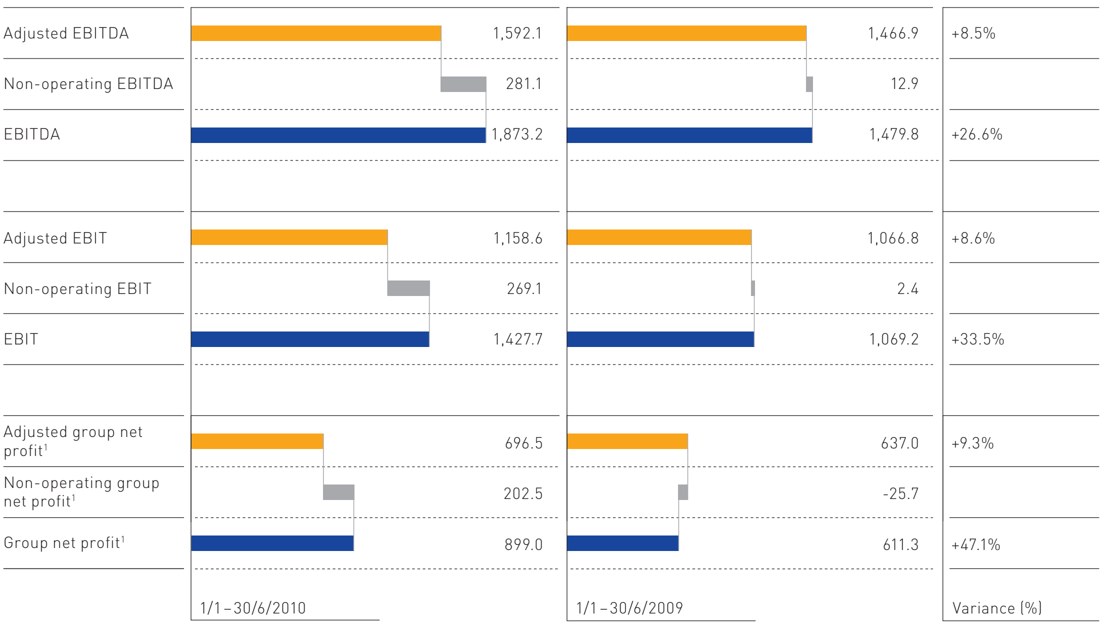
At € 159.3 million, the adjusted investment result remained virtually at the same level as in the comparable period of the prior year. The deconsolidation of DREWAG in the course of the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries had a negative effect here. Adjusted to eliminate consolidation effects, the adjusted investment result would be 6.9% up on the prior-year figure. Due to the higher income from securities, the adjusted financial result improved from € -305.0 million to € -280.9 million in the reporting period. The prior-year result had been favourably impacted by interest income from cash held for the acquisition of shares in EWE Aktiengesellschaft. The increase in adjusted EBIT led to a rise in adjusted income taxes from € 261.5 million to € 301.2 million. The adjusted income tax rate remained essentially unchanged at 29.0%, after 28.3% in the prior year. On balance, adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG increased by 9.3% in relation to the prior year to € 696.5 million.

Non-operating result of the EnBW group in € millions	1/1–30/6/2010	1/1–30/6/2009	1/1–31/12/2009
Non-operating EBIT, electricity generation and trading	51.9	-33.4	39.1
Non-operating EBIT, electricity grid and sales	199.8	28.4	32.7
Non-operating EBIT, gas	0.1	1.0	-1.0
Non-operating EBIT, energy and environmental services	1.6	-6.3	1.0
Non-operating EBIT, holding/consolidation	15.7	12.7	23.6
Non-operating EBIT	**269.1**	**2.4**	**95.4**
Non-operating investment result	-2.5	9.4	-138.9
Non-operating financial result	-53.9	-32.0	-33.9
Non-operating income taxes	-7.8	-3.6	-29.4
Non-operating group net profit	**204.9**	**-23.8**	**-106.8**
of which profit shares attributable to non-controlling interests	(2.4)	(1.9)	(4.1)
of which profit shares attributable to the equity holders of EnBW AG	(202.5)	(-25.7)	(-110.9)

Non-operating EBIT grew perceptibly, reaching € 269.1 million at the end of the first six months of 2010, after € 2.4 million in the prior-year period. One key reason is the € 85.3 million increase in non-operating EBIT in the electricity generation and trading segment to € 51.9 million, primarily based on EnBW's compensation claim due to premature termination of a long-term electricity supply agreement. In the electricity grid and sales segment, non-operating EBIT was impacted above all by the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries, bringing it to € 199.8 million, a level well above that of the same period of the prior year of € 28.4 million.

The non-operating financial result deteriorated from € -32.0 million in the first half of 2009 to € -53.9 million in the first six months of the current fiscal year. This is attributable to the impairment losses of € 57.8 million recorded on securities (prior year: € 39.5 million). In total, non-operating group net profit in terms of the profit shares attributable to the equity holders of EnBW AG came to € 202.5 million; this figure had been negative at € 25.7 million in the prior year.

Financial performance of the EnBW group in € millions



[1] In relation to the profit shares attributable to the equity holders of EnBW AG.

Financial position

Financing

EnBW uses its high cash flow from operating activities that amounted to € 1,301.0 million in the first six months of 2010 for financing purposes. Furthermore, the company has various debt instruments at its disposal, some not fully utilised:

- Commercial paper programme for a total of € 2.0 billion (undrawn as of 30 June 2010)
- Syndicated line of credit for € 2.5 billion (undrawn as of 30 June 2010, € 1.0 billion of the line of credit revolves on an annual basis)
- Bilateral short-term lines of credit (€ 317 million, undrawn as of 30 June 2010)
- Euro Medium Term Note (EMTN) programme with a line of € 7.0 billion (€ 5.2 billion utilised as of 30 June 2010)
- Measures to strengthen equity and issue special products (e.g. bond denominated in Swiss francs from 2008 with a volume of CHF 300 million)

Throughout the group, two bonds issued with a volume of € 217 million will become due for repayment in the third quarter of 2010. There are no maturities on the capital market in 2011. EnBW's bonds have a well-balanced maturity profile.

Capital expenditures and acquisitions

Total investments in the first half of 2010 amounted to € 932.6 million, which corresponds to a fall of € 504.5 million compared to the prior-year period. Of this amount, € 590.2 million or 63.3% relates to capital expenditure on intangible assets and property, plant and equipment. The electricity generation and trading segment accounted for an amount of € 338.2 million thereof. Major projects in this field include the construction of the RDK 8 hard coal power station in Karlsruhe and the hydro-electric power station in Rheinfelden as well as offshore wind farms. Ongoing investments in the modernisation and extension of our networks are included in the € 127.4 million pertaining to the electricity grid and sales segment. We invested € 35.7 million in expanding the gas segment, in particular for the construction of the gas storage facility in Etzel. In the energy and environmental services segment, we invested € 88.9 million in the construction of a substitute fuel power plant in Eisenhüttenstadt in the course of the first six months of 2010.

EnBW's financial acquisitions came to a total of € 342.4 million in the first half of 2010. They primarily consist of the acquisition of the shareholding in Gesellschaft für die Beteiligung an dem Kraftwerk Rostock mbH and the acquisition of additional onshore wind farms. Acquisitions fell by € 600.4 million compared to the prior-year period.

In the first half year of 2010 we made divestitures of € 879.3 million. These were mainly due to the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries as well as the disposal of grids and construction cost subsidies. Total net investments thus came to € 53.3 million.

Net cash investments of the EnBW group in € millions	**1/1–30/6/2010**	**1/1–30/6/2009**	**Variance %**	**1/1–31/12/2009**
Electricity generation and trading	338.2	234.8	44.0	620.7
Electricity grid and sales	127.4	145.1	-12.2	385.7
Gas	35.7	19.3	85.0	62.8
Energy and environmental services	88.9	95.1	-6.5	240.2
Total capital expenditures on intangible assets and property, plant and equipment	**590.2**	**494.3**	**19.4**	**1,309.4**
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method[1]	333.6	941.0	-64.5	3,041.5
Cash paid for the acquisition of investments[2]	8.8	1.8	-	23.2
Total investments	**932.6**	**1,437.1**	**-35.1**	**4,374.1**
Cash received from disposals of intangible assets and property, plant and equipment	-19.4	-44.0	-55.9	-93.0
Cash received from construction cost and investment subsidies	-21.7	-23.9	-9.2	-65.1
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method[3]	-834.4	0.0	-	-45.0
Cash received from the sale of investments[2]	-3.8	0.0	-	-1.3
Total divestitures	**-879.3**	**-67.9**	**-**	**-204.4**
Net investment (effect on cash)	**53.3**	**1,369.2**	**-**	**4,169.7**

[1] This does not include cash and cash equivalents acquired. In the reporting period, these amounted to € 0.3 million (1 January to 30 June 2009: € 2.0 million; 1 January to 31 December 2009: € 24.8 million).
[2] Without investments held as financial assets.
[3] This does not include cash and cash equivalents disposed of upon sale. In the reporting period, these amounted to € 24.2 million (1 January to 30 June 2009: € 0.0 million; 1 January to 31 December 2009: € 0.0 million).

Liquidity analysis

Free cash flow in € millions	1/1–30/6/2010	1/1–30/6/2009	Variance %	1/1–31/12/2009
Funds from operations (FFO) before taxes and financing	**1,597.7**	**1,261.2**	**26.7**	**2,427.7**
Change in assets and liabilities from operating activities	-196.5	-171.0	-14.9	212.7
Income tax paid	-100.2	-109.7	-8.7	-197.0
Cash flow from operating activities	**1,301.0**	**980.5**	**32.7**	**2,443.4**
Capital expenditures on intangible assets and property, plant and equipment	-590.2	-494.3	19.4	-1,309.4
Cash received from disposals of intangible assets and property, plant and equipment	19.4	44.0	-55.9	93.0
Cash received from construction cost and investment subsidies	21.7	23.9	-9.2	65.1
Free cash flow before financing	**751.9**	**554.1**	**35.7**	**1,292.1**
Interest and dividends received	223.7	249.7	-10.4	378.5
Interest paid for financing activities	-128.0	-169.2	-24.3	-357.4
Free cash flow after financing	**847.6**	**634.6**	**33.6**	**1,313.2**

The funds from operations (FFO) before taxes and financing increased by 26.7%, reaching € 1,597.7 million in the first half of this year. This is mainly due to the increase in EBITDA of 26.6%. The cash flow from operating activities also increased significantly to € 1,301.0 million, after € 980.5 million in the prior year. This development was reduced by an increase in the balance of assets and liabilities from operating activities in comparison to the prior-year period. Despite higher investments made in the reporting period, free cash flow before financing activities improved to € 751.9 million, an increase of € 197.8 million. Free cash flow after financing activities exceeded the prior-year figure considerably, reaching € 847.6 million. Interest and dividends received were lower in the first half of 2010 because in the prior year interest was still received on the cash held for acquisition of the shareholding in EWE Aktiengesellschaft. Interest paid for financing activities, however, fell at a higher rate above all because there were no longer any liabilities from put options.

Cash flow statement in € millions	1/1–30/6/2010	1/1–30/6/2009	Variance %	1/1–31/12/2009
Cash flow from operating activities	1,301.0	980.5	32.7	2,443.4
Cash flow from investing activities	279.1	-1,601.8	-	-4,629.6
Cash flow from financing activities	-535.4	-313.9	-70.6	678.6
Net change in cash and cash equivalents	**1,044.7**	**-935.2**	**-**	**-1,507.6**
Net foreign exchange difference	5.6	1.3	-	2.0
Change in cash and cash equivalents	**1,050.3**	**-933.9**	**-**	**-1,505.6**

In particular the divestiture of GESO Beteiligungs- und Beratungs-AG and its subsidiaries led to a cash inflow from investing activities of € 279.1 million in the first six months of 2010. The same period of the prior year had seen a cash outflow of € 1,601.8 million, mostly due to cash paid for the acquisition of shareholdings in power stations. The cash outflow from financing activities increased by € 221.5 million to € 535.4 million compared to the same period of the prior year. However, the prior-year figure had been boosted by the financial liabilities taken out. Taking into account lower exchange rate fluctuations, the group’s cash and cash equivalents rose by € 1,050.3 million in the reporting period. A fall of € 933.9 million had been recorded here in the prior year.

Net assets

As of 30 June 2010, the EnBW group's total assets amounted to € 34,411.9 million. This is just under the level as of year-end 2009 of € 34,698.3 million on account of the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries. On the assets side, property, plant and equipment increased by € 601.1 million to € 12,526.3 million owing to the capital expenditures made. Lower trade payables meant that current liabilities were reduced considerably. Non-current liabilities rose by 2.6% to € 20,320.4 million due to higher provisions and deferred taxes. As of the end of the reporting period, the equity ratio came to 20.4%, following 18.5% as of 31 December 2009. As of 30 June 2010, the EnBW group had cash and cash equivalents of € 2,587.3 million. This is € 1,116.5 million more than at the end of 2009 and is attributable to the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries.

Net debt

Compared to year-end 2009 net debt was down by € 582.9 million to € 8,589.1 million as of the end of June 2010. This decrease is due to the positive free cash flow and the divestitures made in the first quarter of 2010. This was partly offset by financial acquisitions and dividend payments.

Net debt in € millions	30/6/2010	31/12/2009	Variance %
Cash[1]	-1,963.0	-1,217.8	61.2
Short-term investments[1]	-140.3	-154.3	-9.1
Cash and cash equivalents[1]	**-2,103.3**	**-1,372.1**	**53.3**
Bonds[2]	5,501.1	5,446.6	1.0
Liabilities to banks	1,058.0	962.5	9.9
Other financial liabilities	706.2	726.1	-2.7
Financial liabilities[2]	**7,265.3**	**7,135.2**	**1.8**
Net financial liabilities[1, 2]	**5,162.0**	**5,763.1**	**-10.4**
Pension and nuclear power provisions	9,681.0	9,355.8	3.5
Long-term investments and loans[3]	-4,953.4	-4,983.3	-0.6
Cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions	-1,194.9	-785.2	52.2
Other	-63.3	-117.9	-46.3
Subtotal[2, 3]	**8,631.4**	**9,232.5**	**-6.5**
Net debt directly associated with the assets classified as held for sale	-42.3	-60.5	-30.1
Net debt[2, 3]	**8,589.1**	**9,172.0**	**-6.4**

[1] Without cash and cash equivalents 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.
[3] Includes investments held as financial assets.

Related parties

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

Employees

Employees of the EnBW group[1]	30/6/2010	31/12/2009	Variance %
Electricity generation and trading	5,037	4,794	5.1
Electricity grid and sales	6,236	6,420	-2.9
Gas	697	733	-4.9
Energy and environmental services	7,518	8,586	-12.4
Holding	484	591	-18.1
Total	**19,972**	**21,124**	**-5.5**
Number of full-time equivalents[2]	19,103	20,064	-4.8

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

As of 30 June 2010, the EnBW group had a total of 19,972 employees, that is 1,152 or 5.5% fewer than as of the end of 2009. The main reason for this decrease is the deconsolidation of GESO Beteiligungs- und Beratungs-AG and its subsidiaries, involving a total of 1,487 employees. New employees joined when former trainees were taken over as well as through new hires and newly consolidated companies. The strategic alignment of the holding company meant that the share of operating activities was reduced. Tasks were transferred to other group companies, reducing the number of employees in the holding company by 107 employees to 484. The increase in headcount in the electricity generation and trading segment is due, among other things, to the consolidation of KNG Kraftwerks- und Netzgesellschaft mbH. In the energy and environmental services segment, ESG Operations GmbH was consolidated for the first time. Adjusted for the above changes in the consolidated group, the number of employees increased by 0.9%.

Committed employees are key to reaching the corporate targets. The more employees identify with their company, the higher their commitment tends to be. The compatibility of work and private life is an important element in raising employee motivation and satisfaction at the company and enhancing its appeal on the labour market. That is why EnBW has added a large number of new measures to its family-friendly personnel policy over the last few years. As a result, the company was once again awarded the certificate issued by the charitable Hertie foundation for achieving a balance of work and private life. It had received the certificate for the first time in 2007. Examples of the measures taken are leave arrangements for employees with family members in need of care and related counselling offers. The child daycare centres Mikado and Energiebündel were established at the Karlsruhe and Stuttgart locations, expanding the childcare programme offered by the company. EnBW intends to introduce additional measures in this field in the future.

FURTHER INFORMATION
www.enbw.com › Career

The diversity day is an event that has been held every year since 2008 as part of an initiative of the EDF group. Diversity is key to success for EnBW. A mix of employees in terms of age, gender, marital status, ethnic background and religion or employees with and without disability contribute diverse backgrounds and experiences to their working relationships, learn from each other and together achieve more sustainable results. This year's diversity day focused on cultural diversity and on the topic of gender. Teams including men and women often arrive at more innovative and creative solutions to issues. In this context EnBW plans to increase the share of female professionals and executives significantly in the next few years. To support this, it has founded a network for women as a platform for sharing knowledge and experiences within and outside the company.

Research and development

EnBW's research and innovation function implements new developments along the company's entire value added chain and directly at customer applications. We use various approaches in this context.

- **Using conventional energy sources more efficiently and reducing emissions:** Our work focuses on raising the efficiency of power stations and capturing carbon dioxide from flue gases.
- **New viable sources of energy:** With regard to geothermal energy, we will continue our efforts in future in collaboration with EDF to reduce the cost of generating electricity from this form of energy. We are also working on solutions to improve how energy fed in from wind power plants is integrated in the grid via the market for electricity. Other projects are aimed at tapping new sources of bioenergy for the purpose of winning biogas.
- **Better grid management at both the consumer and generation ends (smart grid):** In order to avoid greenhouse gas emissions and to reduce costs, work is going ahead on integrating decentralised renewable sources of energy into the grid and making them available locally. Other focal points are the development of new small-scale power stations and improvements in geothermal heating systems for retail customers.
- **Pressing forward with electromobility:** EnBW is cooperating with partners in a number of model and pilot projects to research and test ways of providing the emission-free individual mobility of tomorrow.

Guided by the aim of sustainable energy supplies, we work on solutions that generate added value in our own facilities and at our customers. The following projects are exemplary of our activities in certain key areas of research in the second quarter of 2010.

Test plant for CO_2 capture: The objective with regard to carbon capture and storage (CCS) is to develop the most energy-efficient methods of capturing carbon dioxide from flue gases and subsequently storing it. Otherwise, carbon dioxide capture would involve a considerable loss of efficiency for the power stations. Together with the University of Stuttgart EnBW put into operation a test plant in May 2010 which uses the carbonate looping method. This method uses burnt lime at temperatures of between 600 and 700° C to bind CO_2 from the power station's flue gases. The limestone thus created is then heated to 900° C. This way, the carbon dioxide is captured from the lime and is available for storage after cleaning and liquefaction. The carbonate looping method involves a lower loss of efficiency compared to other methods of capturing carbon dioxide.

Research in energy efficiency: The more efficient use of energy is a great step forward on the path to lower consumption and reduced emissions. EnBW's research activities have traditionally been carried out in close cooperation with universities. The company is now going another step forward and will support the Institute for Energy Economics and Rational Use of Energy at the University of Stuttgart with a total of € 3.5 million over the next ten years. The emphasis will be placed on setting up and managing a graduate school. The future Ph.D. students will closely examine the topics of efficient energy use in businesses and at consumers as well as potential key technologies for energy efficiency. With this cooperation, EnBW seeks to promote the development of innovation with practical relevance.

Electromobility: Germany's largest electric fleet took to the roads in Stuttgart in July with the first 300 of around 500 test riders. The test riders of the electric scooters will record their mobility and charging habits for one year for research purposes. This EnBW project is part of the government's "electromobility model region" subsidy programme in Stuttgart and is intended to show the contribution that independent electricity storage facilities can make to the smart electricity grids of the future.

Risk management

There were changes in some individual risks of the EnBW group in the course of the second quarter of 2010. Besides the risk of a higher EEG cost allocation and keener competition, the debates surrounding plans to introduce a fuel rod tax, the details of which are yet to be revealed, led to additional planning uncertainty. On the other hand, risks relating to economic development continued to fall. On the whole, a shift in the overall risk position towards regulatory and political risks can be observed. There are no risks that could jeopardise the group's ability to continue as a going concern.

The risk management of the EnBW group covers the identification, analysis as well as the assessment and reporting of risks. This process facilitates the early detection of risks in an appropriate manner. The group's risk management at the level of the holding company is responsible for specifying group-wide methods and processes and determining the group's risk exposure and risk reporting to the Board of Management. The risks for the EnBW group can be subdivided into the following areas: systemic and industry risks, strategic risks, IT risks, personnel risks, financial risks, operating risks and other risks. Building on the reporting contained in the annual report 2009 and the first quarter of 2010, we report here on the material risks that have changed or come into being in the second quarter of 2010.

FURTHER INFORMATION
Quarterly Financial Report Q1 2010 > Risk management p. 25 ff

Systemic and industry risks

Economic risks

Development of the economy: The improvement seen over the last few months in the situation of the economy as a whole coincided with a rise in the demand for electricity and gas as well as higher prices on the wholesale markets. In 2009, the economic crisis had affected EnBW's earnings in terms of lower unit sales and the resale at lower prices of quantities not purchased by customers. This risk potential continued to fall over the second quarter of 2010. An unexpected strong recovery could, however, lead to an increasing procurement risk, depending on the development of market prices.

Market and price risks: Competition in the B2C sector increased further, both in the electricity and in the gas market, and the risk of losing customers has grown accordingly. In addition to more intense competition, the gas segment is faced with price risks as a result of the oil price development.

Political and regulatory risks

Offsetting of redispatch costs: Redispatch costs are incurred for measures taken by transmission system operators to avoid grid bottlenecks. These costs are borne by each individual system operator. Due to the regional concentration of generation capacity from renewable energies in northern Germany and the steadily rising demand for electricity in southern Germany over recent years, combined with the existing grid infrastructure, the costs vary from one system operator to another. Consequently, some grid companies are now calling for nationwide offsetting of redispatch costs. This would lead to additional costs for TNG. Refunds are possible only with a delay by means of adjustment of the individual revenue caps for network user charges. For EnBW, there is initially therefore a risk of higher costs.

Fuel rod tax and the federal government's energy concept: In the course of negotiations for an austerity package, the federal cabinet agreed to introduce a fuel rod tax that is supposed to generate additional income for the federal budget of € 2.3 billion a year as of 2011. The fuel rod tax would cost EnBW somewhere between around € 500 million and € 700 million from 1 January 2011 based on the information currently available. This could lead to a situation where viable operation of nuclear facilities might be jeopardised. At present, the effective date of introduction and details of the new tax have yet to be finalised. At the same time, the federal government's energy concept is also still pending. It is therefore not clear yet whether the introduction of a fuel rod tax is being considered in isolation and separately from the possibility of extending the life of nuclear power plants. These two factors could have a significant impact on the results of operation, financial position and net assets of the EnBW group. If revenues were to be absorbed this would lead to a considerable reduction in the operating result and could have an adverse effect on future investment projects and EnBW's position on the capital market. The risk of EnBW being downgraded by rating agencies has increased in particular in view of the possible introduction of the fuel rod tax.

German Renewable Energies Act: EnBW's sales functions are faced with the risk that, should the cost allocation under the German Renewable Energies Act (EEG) be higher than expected, it may not be possible to pass on such additional costs to the final customer for competitive reasons. The amount of the EEG cost allocation payable in subsequent years is estimated on a regular basis using the most recent information. In contrast to the reporting in the first quarter of 2010, the most recent forecast includes a rise in the EEG cost allocations for 2011 and 2012. The latest assumptions lead to an increase in the risk for all sales companies in the group.

Anti-trust pricing reviews: Based on statements made by the Federal Anti-Trust Office on the definition of market territories for electricity, the conditions for anti-trust reviews as defined by Sec. 29 German Act against Restraints on Competition (GWB) will change for EnBW on the market for standard load profile (SLP) customers. In future, it is likely that it will be assumed that there is a nationwide market for SLP customers with special electricity contracts, which would mean that EnBW would lose its dominant market position in this group of customers. For SLP customers with basic supply contracts and heater current customers, however, the Federal Anti-Trust Office is leaving unchanged the existing regional definition of market territories by basic supply territory or grid territory. In conclusion, these latter markets will remain subject to the risk of anti-trust reviews under Sec. 29 GWB and developments towards a national market have been ruled out. On the gas market, no distinction is made between customers with basic supply or special supply contracts and, therefore, anti-trust reviews pursuant to Sec. 29 GWB are still possible.

Strategic risks

Implementation of the strategy: The EnBW group's extensive investment programme provides for a large number of construction projects to safeguard EnBW's generation capacity and expand its market position. Such large-scale projects are highly complex and involve the interaction of a large number of participants. It is therefore not possible to rule out disruptions in the process. We seek to minimise the resulting risks, such as delays or further costs, with an extensive project and claim management system. These factors and other changes in the market environment, however, still give rise to risks that may lead to impairments in the investments. This could lead to the need to recognise impairment losses. There is a possibility in the current market environment that planned divestitures may be postponed or that the proceeds received may be lower than budgeted. If the achievable sales prices are inadequate this would, based on current estimations, entail impairment losses amounting to a nine digit figure being recognised on the group's assets.

Financial risks

Counterparty risk: Despite the improvement in the situation of the economy as a whole, there is still an increased risk of longer terms of receivables and of default in conjunction with an increasing number of company insolvencies. In order to curtail these effects, EnBW actively manages customer and trading partner credit risks. The increasing number of company insolvencies also leads to higher obligations from the cross-industry pension guarantee association.

Asset management: The capital markets continue to be characterised by phases of high volatility. In addition, securities issued by individual European countries such as Greece, Italy or Spain have come under severe pressure due to their budgetary situation. For the purpose of its own investments EnBW tracks and monitors the development of these countries as part of its credit risk management. While EnBW pursues a conservative cash investment strategy guided by the aims of achieving a good credit standing, a high level of liquidity and broad diversification of the investments, it is not possible to preclude impairment loss of the securities portfolio.

Overall assessment

The risk situation of the EnBW group deteriorated with respect to the regulatory, political and competition risks in the course of the second quarter of 2010, but improved where risks relating to the economic development are concerned. In our opinion, there are no discernable risks to the continued existence of the EnBW group either from individual risks or from its overall risk position.

Subsequent events

Dr. Hans-Josef Zimmer resigned from his office as Chief Technical Officer of EnBW Energie Baden-Württemberg AG of his own volition as of 20 July 2010.

Forecast

On the basis of the positive business development over the first six months of 2010, we expect adjusted EBIT to be slightly above the level of the prior year. Adjustments to the company's medium-term planning may become necessary in connection with the planned fuel rod tax.

FURTHER INFORMATION
Quarterly Financial Report Q1 2010 > Forecast p. 27 ff

In the following forecast, we take an in-depth look at the expected future development of EnBW and the business environment for the current fiscal year. It can be seen that the present economic environment increases the uncertainty with regard to predictions of future development, as the premises on which they were based can quickly become outdated. The framework conditions give rise to opportunities and risks for the business development of EnBW. Current risks are summarised in the section entitled "risk management". An exhaustive presentation of anticipated business development up to 2011 can be found in our annual report 2009. In addition, the potential implications of the planned fuel rod tax for the company's medium-term development should be noted. The tax is to add to the federal budget additional revenue of € 2.3 billion each year, probably from 2011 onwards. Up to 20% of this amount could be allocable to EnBW, but the exact details are not yet clear. The fuel rod tax also reduces opportunities identified in relation to the possibility of the decision to reduce the working lives of nuclear power plants being withdrawn.

Future economic conditions

Overall economic developments: As the global economy started to recover the International Monetary Fund (IMF) revised its growth forecast upwards at the beginning of the second quarter. For the year 2010 it now anticipates a 4.2% increase in global gross domestic product (GDP) compared to its previous forecast of 3.9%. Emerging and developing countries are expected to grow at a rate of 6.3%, exhibiting more dynamism than industrialised countries, which are to grow by 2.3%. The European Commission also raised its growth forecasts slightly and now anticipates GDP in the euro area to rise by 1% for 2010. The federal government anticipates growth of 1.4% in Germany, while the German Institute for Economic Research (DIW) works on the assumption that German GDP will grow by 1.7% in 2010. Surveys of the expected economic development from June (Ifo business climate index and ZEW expectations index by the Centre for European Economic Research) currently highlight a risk of an economic downturn in the second half of 2010.

Demand for energy: As became very apparent in 2009, phases of strong growth or contraction in the economy as a whole primarily affect industrial demand for energy. As the economy exhibits a moderate recovery, demand for electricity and gas should grow slightly in 2010 in comparison to the prior year.

Markets for primary energy sources: In view of the anticipated recovery of the global economy and an associated increase in the demand for oil, the forward market prices for 2011 and 2012 stood at US$ 78.98/bbl and US$ 81.56/bbl, respectively, at the end of June 2010. To what extent the expected price increases will become reality greatly depends on how supply (production quotas of the OPEC countries) and demand (global economic growth) actually develop as well as on the future value of the US dollar and the attractiveness of crude oil as an asset class. The price of coal will in future be shaped to a large extent by the quantities imported by China and India as well as economic growth in Asia and Europe. Prices for forward contracts for subsequent years are currently at a higher level. With regard to natural gas, production outages at sources in the North Sea and maintenance-related supply disruptions at the LNG terminals could lead to prices rising in the short term. In the medium term the supply situation should, however, remain good. Overall, the forward contracts also reveal a moderate upward price trend for subsequent years. The average price of import gas (border price) is likely to continue to rise due to the higher oil price level.

CO_2 emission allowances: Apart from the future energy demand and the related volume of emissions, political decisions in particular will determine the future development of the price of CO_2 allowances. Market participants are awaiting in particular the upcoming decision on what form the auction of allowances will take as of 2013. The key point in this is the determination of quantities to be auctioned ahead of time in the next few years. In addition, a climate protection conference will be held in Mexico in December this year. Following the conference in Copenhagen at the end of 2009 which produced virtually no results, this conference is intended to define binding aims and climate protection measures. These could also have an impact on the emission volumes permitted in future.

Electricity market: The forward products for subsequent years reveal an upward price trend. They are caused by the forward price curves of primary energy sources and CO_2 allowances. The increasing fluctuation on the wholesale market, including lower or negative prices in some hours, is attributable to the growing volume of renewable energies being fed in based on the purchase obligation set forth in the German Renewable Energies Act (EEG). For end customers, the cost allocation under the Renewable Energies Act causes a rise in the costs. From a supply perspective, there are uncertainties in the medium term surrounding the possibility of the decision to reduce the working lives of nuclear power plants being withdrawn.

Future development of the company

Capital expenditure, strategy and financing: For the period from 2010 to 2012, EnBW has budgeted gross investments of € 7.9 billion. Capital expenditures account for around € 5.2 billion of this total and financial acquisitions for € 2.7 billion. A 59% share of investments is allocable to growth projects. The remaining 41% is earmarked for replacement and renewal measures, in particular for power stations and grids. The investment programme is accompanied by divestitures that are expected to amount to € 2.8 billion. Of these, an amount of € 800 million was already realised by the end of March 2010 through the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries. Overall, this brings net investments for the period from 2010 to 2012 to € 5.1 billion. It is anticipated that this amount can be financed completely from current cash flow which means that, apart from any short-term borrowings, net financial liabilities will probably fall until the end of 2012 compared to year-end 2009. The introduction of the planned fuel rod tax may require adjustments to this scenario, depending on the specific details of that tax.

Anticipated development of earnings: The operating result for the first six months of 2010 exceeded expectations. The reasons were the improved general economic conditions and an extended winter period. However, there were also counter-effects which will continue to be felt throughout the year. We amended our forecast as follows: In the electricity generation and trading segment, the nuclear power plant GKN I is operating at reduced capacity on account of the currently valid nuclear energy agreement. This means that this power plant will make a much smaller contribution to earnings than in the prior year. For the year as a whole we now expect earnings to remain stable in this segment. Based on the positive results of operations in the regulated area, we expect a slight increase in adjusted EBIT in the electricity grid and sales segment. Compared to our forecast in the annual report 2009, we have now budgeted a small, positive contribution to earnings arising from consolidation. This is mostly due to the fact that the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries was effected at a later point in time than originally scheduled. On aggregate, this will also lead to an increase in adjusted EBIT at group level for 2010; we had previously assumed that it would remain unchanged. The non-operating result will also be clearly positive in 2010.

Development of earnings 2010 (adjusted EBIT) compared to the prior year	Annual report 2009	H1 2010
Electricity generation and trading segment	rising slightly (+1 to +3%)	stable (-1 to +1%)
Electricity grid and sales segment	stable (-1 to +1%)	rising slightly (+1 to +3%)
Gas segment	falling (double digit)	falling (double digit)
Energy and environmental services segment	rising (double digit)	rising (double digit)
Consolidated companies	-1% of adjusted EBIT, group	rising slightly (+1 to +3%)
Adjusted EBIT, group	**stable (-1 to +1%)**	**rising slightly (+1 to +3%)**

INTERIM FINANCIAL STATEMENTS OF THE ENBW GROUP

Income statement

€ millions	1/4–30/6/2010	1/4–30/6/2009	1/1–30/6/2010	1/1–30/6/2009
Revenue including electricity and natural gas tax	4,266.5	3,582.2	9,453.9	8,684.7
Electricity and natural gas tax	-214.7	-200.0	-502.5	-510.2
Revenue	**4,051.8**	**3,382.2**	**8,951.4**	**8,174.5**
Changes in inventories	16.5	3.7	20.0	8.9
Own work capitalised	15.5	12.8	26.6	19.7
Other operating income	175.8	139.6	605.2	348.8
Cost of materials	-3,059.4	-2,339.4	-6,433.1	-5,813.1
Personnel expenses	-405.5	-414.9	-811.1	-784.4
Other operating expenses	-250.5	-219.7	-485.8	-474.6
EBITDA	**544.2**	**564.3**	**1,873.2**	**1,479.8**
Amortisation and depreciation	-238.3	-203.7	-445.5	-410.6
Earnings before interest and taxes (EBIT)	**305.9**	**360.6**	**1,427.7**	**1,069.2**
Investment result	66.0	116.6	156.8	172.7
of which net profit from entities accounted for using the equity method	(50.4)	(95.8)	(132.4)	(139.0)
of which other income from investments	(15.6)	(20.8)	(24.4)	(33.7)
Financial result	-196.0	-149.8	-334.8	-337.0
of which finance revenue	(110.1)	(73.2)	(218.5)	(198.9)
of which finance costs	(-306.1)	(-223.0)	(-553.3)	(-535.9)
Earnings before tax (EBT)	**175.9**	**327.4**	**1,249.7**	**904.9**
Income taxes	-84.5	-104.3	-309.0	-265.1
Group net profit	**91.4**	**223.1**	**940.7**	**639.8**
of which profit shares attributable to non-controlling interests	(9.5)	(9.4)	(41.7)	(28.5)
of which profit shares attributable to the equity holders of EnBW AG	(81.9)	(213.7)	(899.0)	(611.3)
Shares outstanding (millions), weighted average	**244.257**	**244.257**	**244.257**	**244.257**
Earnings per share from group net profit (€)[1]	**0.33**	**0.87**	**3.68**	**2.50**

[1] Basic and diluted; in relation to the profit shares attributable to the equity holders of EnBW AG.

Statement of comprehensive income

€ millions	1/4–30/6/2010	1/4–30/6/2009	1/1–30/6/2010	1/1–30/6/2009
Group net profit	**91.4**	**223.1**	**940.7**	**639.8**
Difference from currency translation	-26.6	27.9	-10.6	-12.3
Cash flow hedge	404.4	172.9	299.8	149.6
Available-for-sale financial assets	28.9	142.5	78.6	52.4
Entities accounted for using the equity method	-15.8	-42.1	-62.1	-178.6
Income taxes on other comprehensive income	-113.9	-27.1	-88.0	-4.5
Other comprehensive income	**277.0**	**274.1**	**217.7**	**6.6**
Total comprehensive income	**368.4**	**497.2**	**1,158.4**	**646.4**
of which profit shares attributable to non-controlling interests	(10.8)	(14.8)	(39.3)	(34.7)
of which profit shares attributable to the equity holders of EnBW AG	(357.6)	(482.4)	(1,119.1)	(611.7)

Balance sheet

€ millions	30/6/2010	31/12/2009
Assets		
Non-current assets		
Intangible assets	1,822.9	1,806.4
Property, plant and equipment	12,526.3	11,925.2
Investment properties	101.0	70.3
Entities accounted for using the equity method	3,754.5	3,756.7
Other financial assets	5,648.2	5,691.4
Trade receivables	446.0	425.9
Income tax refund claims	221.8	215.9
Other non-current assets	298.4	203.8
Deferred taxes	43.0	29.2
	24,862.1	**24,124.8**
Current assets		
Inventories	918.9	944.8
Financial assets	736.6	771.7
Trade receivables	2,601.8	2,807.5
Income tax refund claims	213.8	241.2
Other current assets	2,331.0	2,639.5
Cash and cash equivalents	2,587.3	1,470.8
	9,389.4	**8,875.5**
Assets held for sale	160.4	1,698.0
	9,549.8	**10,573.5**
	34,411.9	**34,698.3**
Equity and liabilities		
Equity		
Group shares		
Subscribed capital	640.0	640.0
Capital reserve	22.2	22.2
Revenue reserves	5,127.9	4,596.9
Revaluation reserve in accordance with IFRS 3	43.9	49.6
Treasury shares	-204.1	-204.1
Total net income recognised in equity	445.3	225.2
	6,075.2	**5,329.8**
Non-controlling interests	961.8	1,077.9
	7,037.0	**6,407.7**
Non-current liabilities		
Provisions	9,744.4	9,399.8
Deferred taxes	1,810.8	1,677.0
Financial liabilities	6,806.6	6,737.0
Other liabilities and subsidies	1,958.6	1,993.0
	20,320.4	**19,806.8**
Current liabilities		
Provisions	1,103.9	1,006.2
Financial liabilities	567.1	447.3
Trade payables	2,209.8	2,803.4
Income tax liabilities	33.4	27.1
Other liabilities and subsidies	3,120.1	3,431.7
	7,034.3	**7,715.7**
Liabilities directly associated with the assets classified as held for sale	20.2	768.1
	7,054.5	**8,483.8**
	34,411.9	**34,698.3**

Cash flow statement

€ millions	1/1–30/6/2010	1/1–30/6/2009
1. Operating activities		
EBITDA	1,873.2	1,479.8
Change in non-current provisions	-48.2	-68.4
Gain/loss on disposal of non-current assets	-178.6	-8.3
Other non-cash expenses/income	-48.7	-141.9
Funds from operations (FFO) before taxes and financing	**1,597.7**	**1,261.2**
Change in assets and liabilities from operating activities	-196.5	-171.0
Inventories	(-11.9)	(11.2)
Net balance of trade receivables and payables	(-399.1)	(-382.4)
Net balance of other assets and liabilities	(234.4)	(263.8)
Current provisions	(-19.9)	(-63.6)
Income tax paid	-100.2	-109.7
Cash flow from operating activities	**1,301.0**	**980.5**
2. Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-590.2	-494.3
Cash received from disposals of intangible assets and property, plant and equipment	19.4	44.0
Cash received from construction cost and investment subsidies	21.7	23.9
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method	-333.3	-939.0
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method	810.2	0.0
Change in securities and investments	127.6	-486.1
Interest received	106.3	141.8
Dividends received	117.4	107.9
Cash flow from investing activities	**279.1**	**-1,601.8**

€ millions	1/1–30/6/2010	1/1–30/6/2009
3. Financing activities		
Interest paid for financing activities	-128.0	-169.2
Dividends paid	-417.0	-539.0
Proceeds from financial liabilities	157.0	570.3
Repayment of financial liabilities	-147.4	-176.0
Cash flow from financing activities	**-535.4**	**-313.9**
Net change in cash and cash equivalents	**1,044.7**	**-935.2**
Net foreign exchange difference	5.6	1.3
Change in cash and cash equivalents	**1,050.3**	**-933.9**
Cash and cash equivalents at the beginning of the period	1,578.9	3,084.5
Cash and cash equivalents at the end of the period	**2,629.2**	**2,150.6**
of which cash and cash equivalents recognised as current assets	(2,587.3)	(2,108.3)
of which cash and cash equivalents of assets held for sale	(41.9)	(42.3)

€ millions	1/1–30/6/2010	1/1–30/6/2009
Interest paid for investing activities (capitalised borrowing costs)	-14.1	-12.8
Interest paid for financing activities	-128.0	-169.2
Total interest paid in the period	**-142.1**	**-182.0**

Statement of changes in equity

€ millions	Subscribed capital	Capital reserve	Revenue reserves	Revaluation reserve in accordance with IFRS 3	Treasury shares
As of 31 December 2008	**640.0**	**22.2**	**4,319.7**	**49.6**	**-204.1**
Other comprehensive income					
Group net profit			611.3		
Total comprehensive income	**0.0**	**0.0**	**611.3**	**0.0**	**0.0**
Dividends paid			-491.0		
Other changes					
As of 30 June 2009	**640.0**	**22.2**	**4,440.0**	**49.6**	**-204.1**
As of 31 December 2009	**640.0**	**22.2**	**4,596.9**	**49.6**	**-204.1**
Other comprehensive income					
Group net profit			899.0		
Total comprehensive income	**0.0**	**0.0**	**899.0**	**0.0**	**0.0**
Dividends paid			-373.7		
Other changes			5.7	-5.7	
As of 30 June 2010	**640.0**	**22.2**	**5,127.9**	**43.9**	**-204.1**

[1] Of which other comprehensive income directly associated with assets classified as held for sale amounting to € 13.2 million as of 30 June 2010 (31 December 2009: € 22.1 million). Of which attributable to the equity holders of EnBW AG: 13.2 million (31 December 2009: € 19.0 million). Of which attributable to non-controlling interests: € 0.0 million (31 December 2009: € 3.1 million).

	Other comprehensive income[1]						
	Difference from currency translation	Cash flow hedge	Available-for-sale financial assets	Entities accounted for using the equity method	Group shares	Non-controlling interests	Total
	-3.2	**-184.7**	**16.8**	**131.8**	**4,788.1**	**803.4**	**5,591.5**
	-12.1	144.7	46.3	-178.5	0.4	6.2	6.6
					611.3	28.5	639.8
	-12.1	**144.7**	**46.3**	**-178.5**	**611.7**	**34.7**	**646.4**
					-491.0	-48.0	-539.0
					0.0	19.4	19.4
	-15.3	**-40.0**	**63.1**	**-46.7**	**4,908.8**	**809.5**	**5,718.3**
	-4.3	**-130.3**	**336.0**	**23.8**	**5,329.8**	**1,077.9**	**6,407.7**
	-7.6	207.2	82.6	-62.1	220.1	-2.4	217.7
					899.0	41.7	940.7
	-7.6	**207.2**	**82.6**	**-62.1**	**1,119.1**	**39.3**	**1,158.4**
					-373.7	-43.3	-417.0
					0.0	-112.1	-112.1
	-11.9	**76.9**	**418.6**	**-38.3**	**6,075.2**	**961.8**	**7,037.0**

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 2010 are the same as those for the consolidated financial statements as of 31 December 2009 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 2010 was condensed compared to that of the consolidated financial statements as of 31 December 2009.

The income statement as well as statement of comprehensive income, the balance sheet, the condensed cash flow statement and the statement of changes in equity of the EnBW group are presented separately.

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

Changes in accounting policy

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following new standards and interpretations, the adoption of which is mandatory as of the fiscal year 2010:

- **Omnibus of amendments to various IFRSs (2009) "Improvements to International Financial Reporting Standards":** The amendments are the product of the IASB's annual improvements project and affect a number of IFRSs. The amendments are intended to clarify the wording of the standards and remove any unintended inconsistencies between them. First-time adoption of these amendments did not have any significant effect on EnBW's consolidated financial statements.
- **IFRS 1 (2008) "First-time Adoption of International Financial Reporting Standards":** The amendments to IFRS 1 only relate to the formal structure of the standard. The amendments to IFRS 1 did not have any effect on EnBW's consolidated financial statements.
- **Additional Exemptions for First-time Adopters – amendment to IFRS 1 (2009) "First-time Adoption of International Financial Reporting Standards":** The amendments concern the retrospective application of IFRSs in special situations and are designed to ensure that first-time adopters do not incur unreasonably high costs when transitioning to IFRS. The amendments did not have any effect on EnBW's consolidated financial statements.
- **Group Cash-settled Share-based Payment Transactions – amendments to IFRS 2 (2009) "Share-based Payment":** The amendments are intended to clarify the accounting for cash-settled share-based payment transactions within the group. First-time adoption of the amended IFRS 2 did not have any effect on EnBW's consolidated financial statements.
- **IFRS 3 (2008) "Business Combinations":** The main changes relate to the scope and accounting for business combinations achieved in stages. The standard also introduces an option: Non-controlling interests can either be measured at fair value or at the proportionate share of the net identifiable assets. Depending on how the option is used, any goodwill arising in the course of the business combination is either disclosed in full or on a pro rata basis. The revised standard also contains new provisions regarding the recognition and measurement of acquired assets and liabilities. The amendments to IFRS 3 have an effect on the accounting for business combinations in the EnBW group.

- **IAS 27 (2008) "Consolidated and Separate Financial Statements":** The amended IAS 27 contains in particular amended rules on accounting for changes in ownership interests. In future, the transactions by which a parent company has changed its ownership interest in a subsidiary without losing control of the subsidiary will be recorded directly in equity. The amended IAS 27 affects accounting for changes in ownership interests.
- **Eligible hedged items – amendment to IAS 39 (2008) "Financial Instruments: Recognition and Measurement":** The amendment to IAS 39 clarifies how the principles of hedge accounting should be applied in the designation of inflation as a hedged risk and the designation of a one-sided risk in a hedged item. The amendment did not have any effect on EnBW's consolidated financial statements.
- **IFRIC 12 "Service Concession Arrangements":** IFRIC 12 governs the accounting for arrangements under which a public sector entity as the grantor awards contracts to private operators for the provision of services to the public such as airports, prisons, utilities, etc. In order to perform these duties, the operator uses infrastructure which continues to be controlled by the grantor. Nevertheless, the operator is responsible for construction, operation and maintenance. First-time adoption of IFRIC 12 did not have any material effect on EnBW's consolidated financial statements.
- **IFRIC 15 "Agreements for the Construction of Real Estate":** IFRIC 15 addresses the accounting treatment for the sale of real estate where an agreement is reached with a third party before the construction of the real estate is completed. IFRIC 15 clarifies when IAS 11 "Construction Contracts" or IAS 18 "Revenue" apply. In addition, the interpretation determines the timing of revenue recognition. The interpretation did not have any effect on EnBW's consolidated financial statements.
- **IFRIC 16 "Hedges of a Net Investment in a Foreign Operation":** IFRIC 16 provides guidance on identifying the risks that qualify for hedge accounting in the hedge of a net investment in a foreign operation and on where within the group the hedging instruments can be held in the hedge of a net investment. The interpretation did not have any effect on EnBW's consolidated financial statements.
- **IFRIC 17 "Distributions of Non-cash Assets to Owners":** This interpretation addresses the accounting treatment for distributions of non-cash assets in the financial statements, prepared in accordance with IFRSs, of the entity making the distribution. The obligation arising from a distribution of non-cash assets is measured in accordance with IAS 37. It is recognised when the distribution is appropriately authorised and is no longer at the discretion of the entity. First-time adoption of IFRIC 17 did not have any effect on EnBW's consolidated financial statements.
- **IFRIC 18 "Transfers of Assets from Customers":** This interpretation applies to the accounting for assets that an entity receives from a customer and must use to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. First-time adoption of IFRIC 18 did not have any material effect on EnBW's consolidated financial statements.

Changes in estimates in the application of the accounting policies

The assessment of whether there is a prolonged decline in the fair value of an investment in an equity instrument was changed compared to the fiscal year 2009. The change gave rise to additional impairment losses of € 39.2 million.

Basis of consolidation

The financial statements of the domestic and foreign subsidiaries and joint ventures included in consolidation were prepared in accordance with the accounting policies of EnBW.

Subsidiaries are consolidated in accordance with the acquisition method. The cost of a business combination is measured based on the fair value of the assets acquired and liabilities assumed or entered into as of the acquisition date. Non-controlling interests are measured at the proportionate share of fair value of the assets acquired and liabilities assumed. Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's equity interest previously held in the acquiree is remeasured to fair value as at the acquisition date through profit and loss. Goodwill is measured at cost being the excess of the consideration transferred over the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets acquired, the difference is recognised immediately in profit or loss following further review.

A change in the ownership interest of a subsidiary which continues to be fully consolidated is accounted for as an equity transaction. All remaining shares are revalued at fair value upon loss of control.

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 included in the carrying amount of the investment. Negative differences are recognised in profit or loss via investment result.

Changes in the consolidated companies

Acquisitions

Rostock power station mbH

In order to increase its domestic generation capacities, EnBW acquired a 100% share in Gesellschaft für die Beteiligung an dem Kraftwerk Rostock mbH, Hanover, with effect as of 1 January 2010. The company holds a 50.4% shareholding in Rostock power station. The purchase price came to € 320.9 million and was settled in cash. The company accounted for revenue of € 43.4 million and earnings after tax of € 5.1 million in the financial statements for the first six months of 2010. The following assets and liabilities were acquired in the acquisition.

€ millions	Carrying amount under IFRS	Recognised on acquisition
Intangible assets	0.0	7.8
Property, plant and equipment	44.8	266.9
Current assets	10.0	42.9
Total assets	**54.8**	**317.6**
Non-current liabilities	0.0	0.0
Current liabilities	2.8	2.8
Total liabilities	**2.8**	**2.8**
Net assets[1]	52.0	314.8
Cost		320.9
Goodwill		6.1

[1] The calculation of the fair value of the assets and liabilities has not been finalised yet. As a result, provisional values were recognised pursuant to IFRS 3.45.

Compared to the reporting for the first quarter of 2010, the following significant changes occurred in determining fair value: The value of property, plant and equipment rose from € 116.7 million to € 266.9 million. In contrast, intangible assets fell from € 164.2 million to € 7.8 million. These developments are based on the fair value opinion that has been made available in the meantime and is practically final.

Disposals of entities

GESO Beteiligungs- und Beratungs-AG (GESO)

Based on a condition imposed by the anti-trust authorities in connection with the purchase of shares in EWE Aktiengesellschaft, EnBW AG's Supervisory Board passed a resolution in December 2009 to sell the shares in GESO. The sale of GESO and its subsidiaries was completed in March 2010. The purchaser was Technische Werke Dresden GmbH (TWD), a wholly owned subsidiary of Dresden, the capital city of the German state of Saxony. The gain on sale before costs to sell came to € 176.6 million. The purchase price amounted to € 834.4 million and includes settlement of group loans of € 220.6 million.

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 over 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	30/6/2010	31/12/2009	30/6/2009
Full consolidation	99	99	99
Proportionate consolidation (joint ventures)	35	36	11
Associates	17	17	17

Investment result

€ millions	1/1–30/6/2010	1/1–30/6/2009
Share of profit of entities accounted for using the equity method	132.4	139.4
Write-downs of entities accounted for using the equity method	0.0	-7.1
Write-ups of entities accounted for using the equity method	0.0	6.7
Net profit from entities accounted for using the equity method	**132.4**	**139.0**
Investment income	28.1	33.7
Write-downs of investments	-3.7	0.0
Other income from investments	**24.4**	**33.7**
Investment result	**156.8**	**172.7**

Financial result

€ millions	1/1–30/6/2010	1/1–30/6/2009
Interest and similar income	104.1	133.1
Other finance revenue	114.4	65.8
Finance revenue	**218.5**	**198.9**
Borrowing costs	-146.1	-142.0
Other interest and similar expenses	-22.8	-20.7
Interest portion of increases in provisions	-258.7	-256.1
Personnel provisions	(-114.4)	(-114.8)
Provisions relating to nuclear power	(-142.7)	(-134.1)
Other non-current provisions	(-1.6)	(-7.2)
Other finance costs	-125.7	-117.1
Finance costs	**-553.3**	**-535.9**
Financial result	**-334.8**	**-337.0**

Assets held for sale and liabilities directly associated with assets classified as held for sale

The decrease in assets held for sale and liabilities directly associated with assets classified as held for sale is attributable to the disposal of GESO Beteiligungs- und Beratungs-AG (GESO) and its subsidiaries in March 2010. The assets and liabilities of Pražská teplárenská Holding a.s. (PT), Prague, Czech Republic, and its subsidiaries continue to be classified as held for sale as of 30 June 2010. EnBW intends to sell its interest in PT in 2010 as part of restructuring measures for the Czech equity investments.

The assets and liabilities of the PT disposal group (prior year: PT and GESO) break down as follows:

€ millions	30/6/2010	31/12/2009
Non-current assets		
Intangible assets	0.6	157.6
Property, plant and equipment	100.0	908.2
Other non-current assets	1.1	409.1
	101.7	**1,474.9**
Current assets	52.4	221.4
Assets held for sale	**154.1**	**1,696.3**
Non-current liabilities		
Provisions	0.3	65.3
Deferred taxes	8.3	108.1
Liabilities and subsidies	0.0	164.7
	8.6	**338.1**
Current liabilities		
Provisions	1.3	40.6
Liabilities and subsidies	10.3	389.4
	11.6	**430.0**
Liabilities directly associated with the assets classified as held for sale	**20.2**	**768.1**

The remaining assets held for sale totalling € 6.3 million essentially relate to land, buildings and distribution plants (prior year: € 1.7 million).

Notes to the cash flow statement

Funds from operations (FFO) in € millions	1/1–30/6/2010	1/1–30/6/2009
FFO before taxes and financing	**1,597.7**	**1,261.2**
Income tax paid	-100.2	-109.7
Interest and dividends received	223.7	249.7
Interest paid for financing activities	-128.0	-169.2
FFO after taxes and financing	**1,593.2**	**1,232.0**

Contingent liabilities and financial commitments

Compared to 31 December 2009, contingent liabilities and financial commitments have decreased by € 1,316.3 million to € 21,507.0 million. The decrease stems in particular from the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries and from the acquisition of Gesellschaft für die Beteiligung an dem Kraftwerk Rostock mbH.

Related parties

Related parties mainly 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 of the year had the following impact on the consolidated financial statements of EnBW:

Income statement in € millions	1/1–30/6/2010	1/1–30/6/2009
Revenue	873.5	523.2
Cost of materials	-907.9	-532.6

Balance sheet in € millions	30/6/2010	31/12/2009
Receivables	121.9	149.7
Payments on account	60.7	47.1
Liabilities	196.2	258.1
Payments on account received	30.2	33.0

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

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

Income statement in € millions	1/1–30/6/2010	1/1–30/6/2009
Revenue	12.8	22.8
Cost of materials	-8.9	-11.5

Balance sheet in € millions	30/6/2010	31/12/2009
Other loans	14.0	12.7
Receivables	4.5	6.8
Liabilities	0.5	5.9
Payments on account received	0.1	0.1

In the course of ordinary business activities, transactions are also made with associates, including among others municipal entities (public utilities, in particular) that are 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 income statement and balance sheet of the EnBW group:

Income statement in € millions	1/1–30/6/2010	1/1–30/6/2009
Revenue	129.0	97.7
Cost of materials	-66.8	-41.1

Balance sheet in € millions	30/6/2010	31/12/2009
Other loans	3.2	2.4
Receivables	45.2	24.1
Liabilities	106.2	118.8
Payments on account received	0.1	0.0

The EnBW group has not entered into any significant transactions with individuals that are related parties.

Dividends

On 29 April 2010, the annual general meeting of EnBW approved the proposal put forward by the Board of Management and the Supervisory Board to pay a dividend of € 1.53 per share for the fiscal year 2009. This corresponds to a dividend payment of € 373.7 million.

Treasury shares

As of 30 June 2010, EnBW AG holds 5,749,677 treasury shares (31 December 2009: € 5,749,677). The cost of acquiring the treasury shares of € 204.1 million was deducted from the carrying amount of equity. The attributable amount of share capital amounts to € 14,719,173.12 (2.3% of subscribed capital).

Segment reporting

1/1–30/6/2010 in € millions	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	Total
External revenue	2,384.2	5,148.6	1,076.2	342.4	0.0	8,951.4
Internal revenue	2,264.6	132.2	53.3	207.2	-2,657.3	0.0
Total revenue	4,648.8	5,280.8	1,129.5	549.6	-2,657.3	8,951.4
Adjusted EBIT	910.2	162.4	106.1	58.6	-78.7	1,158.6
EBIT	962.1	362.2	106.2	60.2	-63.0	1,427.7
Amortisation and depreciation	-206.6	-117.2	-36.6	-72.2	-0.9	-433.5
Impairment losses	-11.9	0.0	0.0	0.0	-0.1	-12.0
Capital employed as of 30/6/2010	6,320.6	4,116.5	1,382.5	1,337.7	2,468.8	15,626.1

1/1–30/6/2009 in € millions[1]	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	Total
External revenue	1,208.3	5,050.9	1,572.9	342.4	0.0	8,174.5
Internal revenue	2,226.0	197.2	40.6	209.5	-2,673.3	0.0
Total revenue	3,434.3	5,248.1	1,613.5	551.9	-2,673.3	8,174.5
Adjusted EBIT	921.0	59.8	113.4	47.5	-74.9	1,066.8
EBIT	887.6	88.2	114.4	41.2	-62.2	1,069.2
Amortisation and depreciation	-165.1	-120.4	-45.1	-69.5	0.0	-400.1
Impairment losses	-2.9	0.0	0.0	-7.6	0.0	-10.5
Capital employed as of 31/12/2009	5,473.7	3,973.3	1,682.1	1,351.0	3,099.6	15,579.7

[1] The figures of the comparative period (capital employed) have been restated.

One of the key performance indicators within the EnBW group is adjusted EBIT. Adjusted EBIT is an earnings ratio adjusted for non-operating effects, which accurately reflects the development of results of operations. The management report describes the development of segments on the basis of adjusted EBIT. Adjusted EBIT can be reconciled to earnings before tax (EBT) as follows:

€ millions	1/1–30/6/2010	1/1–30/6/2009
Adjusted EBIT	1,158.6	1,066.8
Non-operating EBIT	269.1	2.4
Earnings before interest and taxes (EBIT)	**1,427.7**	**1,069.2**
Investment result	156.8	172.7
Financial result	-334.8	-337.0
Earnings before tax (EBT)	**1,249.7**	**904.9**

The non-operating result breaks down as follows:

€ millions	1/1–30/6/2010	1/1–30/6/2009
Income/expenses from changes in nuclear power provisions	-9.8	-34.6
Income from the reversal of other provisions	33.9	45.5
Gain on sale	192.6	23.8
Other non-operating result	64.4	-21.8
Impairment losses	-12.0	-10.5
Non-operating EBIT	**269.1**	**2.4**

Segment reporting is based on internal reporting. The electricity generation and trading segment comprises the value added stages of generation as well as trading and procurement. The electricity grid and sales segment comprises the value added stages of transmission, distribution and sales. The gas segment comprises the midstream area including import agreements and infrastructure, storage, trading, portfolio management as well as the downstream area including transmission, distribution and sales. The energy and environmental services segment includes the areas of thermal disposal, non-thermal disposal, water and other services.

Assets, liabilities, revenue and expenses allocable to EnBW AG, our shareholdings in EWE Aktiengesellschaft and EVN AG and other activities not allocable to the segments presented separately are disclosed in the holding/consolidation column together with eliminations. EVN AG is allocable to the holding segment from 2010 onwards. The prior-year figures have been restated. The direct costs of EnBW AG are allocated between the individual segments using allocation keys.

The segment figures have been determined in accordance with the accounting policies used in the consolidated financial statements. Internal revenue shows the level of sales between group companies. Intersegment sales were made at market prices.

Review report

To EnBW Energie Baden-Württemberg AG

We have reviewed the interim condensed consolidated financial statements, comprising the income statement, statement of comprehensive income, balance sheet, condensed cash flow statement, statement of changes in equity and selected explanatory notes, together with the interim group management report of EnBW Energie Baden-Wüttemberg AG, Karlsruhe, for the period from 1 January to 30 June 2010, 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.

Mannheim, 29 July 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Walter	Pfaff
Wirtschaftsprüfer	Wirtschaftsprüfer
[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, 29 July 2010

EnBW Energie Baden-Württemberg AG

Villis Dr. Beck Buchel

Board of Management and Supervisory Board

Board of Management

Hans-Peter Villis,
Castrop-Rauxel/Karlsruhe
Chief Executive Officer
since 1 October 2007
Appointed until 30 September 2012

Dr. Bernhard Beck LL.M., Leonberg
Chief Personnel Officer
since 1 October 2002
Appointed until 30 September 2012

Christian Buchel, Karlsruhe
Chief Operating Officer
since 1 February 2009
Appointed until 31 January 2012

Dr. Rudolf Schulten, Mühlhausen
Chief Financial Officer
from 1 January 2009
until 11 March 2010

Dr. Hans-Josef Zimmer,
Steinfeld (Rhineland-Palatinate)
Chief Technical Officer
since 1 October 2007
Appointed until 20 July 2010

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 Exécutif Groupe Activités Internationales & Stratégie at Electricité de France SA

Dirk Gaerte, Sigmaringendorf
District administrator of the
Sigmaringen district

Josef Götz, Stuttgart
Officer with special responsibilities at
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

Pierre Lederer, Paris
Directeur Exécutif en charge du Commerce, de l'Optimisation et du Trading
at Electricité de France SA
(since 8 June 2010)

Thomas Piquemal, Paris
Directeur Exécutif Groupe des Finances
at Electricité de France SA
(since 8 June 2010)

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
Advisor to the president
at Electricité de France SA
(until 7 June 2010)

Werner Vorderwülbecke, Stuttgart
Regional department head at ver.di,
Baden-Württemberg
(until 18 June 2010)

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
(until 7 June 2010)

Dr. Bernd-Michael Zinow, Pfinztal
Senior vice president public affairs
at EnBW Energie Baden-Württemberg AG

As of 30 June 2010

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Our cover picture shows one of the 500 e-bikes that have been on the roads in Stuttgart region since this summer. Some 400 men and 100 women between 18 and 77 years of age are testing their individual mobility habits and the charging infrastructure. Routes and charging times are recorded electronically, anonymised and evaluated. The objective of the project is to provide fundamental data on future network usage, infrastructure, charging stations and payment systems. In Stuttgart, electromobility is no longer merely a vision for the future. The Federal of Ministry of Transport intends Germany to become the lead market for electromobility over the next few years – with at least a million electric vehicles by 2020. EnBW’s project is part of the programme to promote electromobility model regions sponsored by the Federal Ministry of Transport, Building and Urban Development.

Financial calendar

30 | 07 | 2010

Publication of the Six-Monthly Financial Report January to June 2010

12 | 11 | 2010

Publication of the Nine-Monthly Financial Report January to September 2010

8 | 2 | 2011

Press briefing on annual results 2011

24 | 2 | 2011

Publication of the Annual Report 2010

19 | 4 | 2011

2011 annual general meeting

6 | 5 | 2011

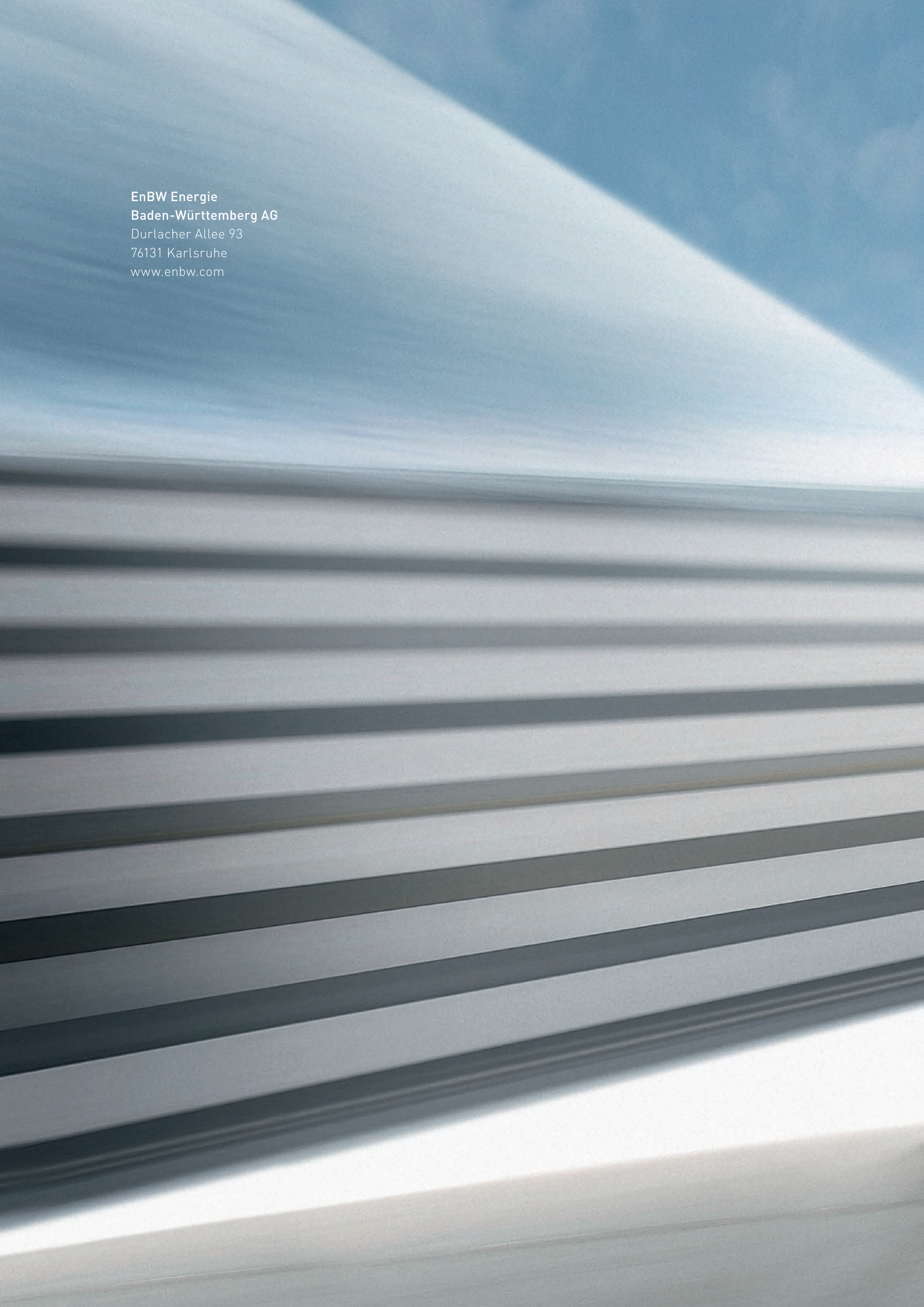
Publication of the Quarterly Financial Report January to March 2011

29 | 7 | 2011

Publication of the Six-Monthly Financial Report January to June 2011

11 | 11 | 2011

Publication of the Nine-Monthly Financial Report January to September 2011



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