

Quarterly Financial Report
January to September 2010

Q1 – Q3



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EnBW Energie
Baden-Württemberg AG

At a glance

EnBW group		1/1– 30/9/2010	1/1– 30/9/2009	Variance %	1/1– 31/12/2009
Revenue					
Electricity generation and trading	€ millions	3,554.8	1,847.9	92.4	2,357.5
Electricity grid and sales	€ millions	7,618.5	7,468.8	2.0	10,031.3
Gas	€ millions	1,258.9	1,852.4	-32.0	2,453.1
Energy and environmental services	€ millions	517.9	534.0	-3.0	722.3
External revenue, total	€ millions	12,950.1	11,703.1	10.7	15,564.2
Adjusted EBITDA	€ millions	2,268.1	2,004.0	13.2	2,615.3
EBITDA	€ millions	2,798.2	2,031.2	37.8	2,748.2
Adjusted EBIT	€ millions	1,614.0	1,402.6	15.1	1,793.9
EBIT	€ millions	1,910.3	1,419.3	34.6	1,889.3
Adjusted group net profit ¹	€ millions	903.6	717.1	26.0	879.1
Group net profit ¹	€ millions	1,245.4	712.8	74.7	768.2
Earnings per share from group net profit ¹	€	5.10	2.92	74.7	3.15
Cash flow from operating activities	€ millions	2,017.7	1,550.2	30.2	2,443.4
Free cash flow ²	€ millions	1,119.3	853.9	31.1	1,292.1
Capital expenditures	€ millions	1,628.7	3,823.0	-57.4	4,374.1

Energy sales of the EnBW group		1/1– 30/9/2010	1/1– 30/9/2009	Variance %	1/1– 31/12/2009
Electricity	billions of kWh	109.9	89.3	23.1	119.7
Gas	billions of kWh	37.7	45.7	-17.5	65.8

Employees of the EnBW group ³		30/9/2010	30/9/2009	Variance %	31/12/2009
Employees	Number	20,852	20,997	-0.7	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.



The cover page shows our Energiebündel child daycare centre in EnBW City in Stuttgart. The fuel cell in the foreground is part of a holistic energy concept for buildings and is another milestone in EnBW's nationwide fuel cell programme for supplying households with energy. As a partner of Callux, one of the largest practical tests worldwide for the use of fuel cells in buildings, EnBW will install a total of 222 fuel cell heating systems at selected locations in Baden-Württemberg in the coming three years. The project is sponsored by the Federal Ministry of Transport, Building and Urban Development within the framework of the national hydrogen and fuel cell innovation programme.

Significant financial developments

- The operations of the EnBW group developed positively overall in the first nine months of 2010. Adjusted EBIT grew by 15.1% to € 1,614.0 million.
- Group net profit increased to € 1,245.4 million, following the € 712.8 million seen the previous year. Besides the good development of operations, there were positive effects in the non-operating result relating to the sale of GESO and the increase in the shareholding in PRE.
- Capital expenditure on intangible assets and property, plant and equipment exceeded the prior-year level by 20.0% and now comes to € 966.9 million. The reporting period saw divestitures of € 906.8 million.
- Cash flow from operating activities came to € 2,017.7 million. This constitutes an increase of 30.2% on the prior year.
- Net debt was reduced even further. As of the end of the reporting period on 30 September 2010 it came to € 8,341.7 million. As of year-end 2009, it had totalled € 9,172.0 million.

Top issues July to October 2010

July

New solar farm in Ulm-Eggingen

EnBW commissions one of the largest solar farms in Baden-Württemberg. The farm has an output of 6.5 MW and will generate some 6.9 million kWh of electricity each year. This is sufficient to supply around 2,000 households and saves 3,990 t of CO₂. With the new solar farm, EnBW has almost trebled its installed capacity in the field of photovoltaics.



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

EnBW's electric fleet consists of 500 electric vehicles and is currently considered the largest in Germany. These e-bikes have been on the road around Stuttgart since the summer of 2010. For one year, they will be testing the mobility of the future – going easy on the environment and without exhaust fumes.

August



German Chancellor visits Rheinfelden

On her energy tour, Germany's Federal Chancellor Angela Merkel visits what is currently Europe's largest construction site for a run-of-the-river power station. The power station under construction is heralded a project of the century in renewable energies and can supply 170,000 households with electricity.

Research initiative founded

EnBW and the University of Stuttgart launch a joint research initiative. The aim is to develop new possibilities and ways of enhancing energy productivity in view of rising energy prices and for climate protection reasons. EnBW will make € 3.5 million available for this project over the next ten years.

September

Majority shareholding at PRE

EnBW successfully completes the measures to increase its shareholding in the Czech energy provider and now holds 69.9%. This share acquisition enables EnBW to build up an important majority shareholding outside Germany. With around 73,000 customers, PRE is the third-largest electricity provider in the Czech Republic.

Open day at EnBW

EnBW opens its doors to the public at 14 power stations throughout Baden-Württemberg. More than 4,500 visitors use this opportunity for information and to engage in dialogue. Each one of the power stations gives an insight into the balanced energy mix that EnBW employs today to generate electricity and heat.



October

RDK 7 modernised

Unit 7 resumes operation at the Rheinhafen thermal power station in Karlsruhe (RDK) following extensive maintenance and technical optimisation work. EnBW Kraftwerke AG has spent a total of around € 40 million to make sure that the power station is able to generate energy efficiently and in an environmentally friendly way in the long term.



Biogas for 1,000 households

The bio natural gas plant set up in Blaufelden-Emmertsbühl in cooperation with EnBW is commissioned. A new process allows the treated bio natural gas to be fed directly into the local distribution grid. The German government aims to cover around 10% of natural gas requirements with bio natural gas by 2030.



Hans-Peter Villis, Chief Executive Officer

Letter to our shareholders

Dear shareholders,

investors and friends of EnBW,

The operations of the EnBW group developed satisfactorily overall in the first nine months of the current fiscal year 2010. Adjusted earnings before interest and tax (adjusted EBIT) increased by 15.1% compared to the corresponding prior-year period, reaching € 1,614.0 million. This result cannot disguise the fact, however, that we will face considerable additional costs in the next few years, making it necessary for us to review our investment programme. These additional costs are due to the planned nuclear fuel rod tax and the prepayments which we will also be required to make into the fund for the promotion of renewable energies in connection with the extension of working life of the nuclear power plants. The nuclear fuel rod tax will involve annual payments for EnBW of around € 440 million over a period of six years. The prepayments to the fund for the promotion of renewable energies will amount to € 65 million for each of the next two years and to € 43 million per year in the four years thereafter. Apart from these burdens, the federal German government has created a framework for the future with the recently adopted energy concept. In addition to the energy mix to safeguard supply reliability, it defines ambitious targets with regard to energy efficiency and climate protection.

The economic recovery in Germany has had a positive impact on EnBW's business development in 2010. In the period from January to September 2010, unit sales of electricity in the EnBW group increased by 23.1% compared to the prior year to 109.9 billion kilowatt-hours. This growth is due above all to the higher volume of electricity traded. In this area, we also benefited from the power station capacity recently acquired in Germany.

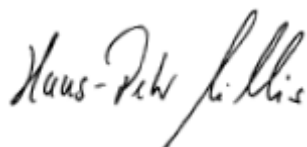
Gas sales, on the other hand, fell by 17.5% to 37.7 billion kilowatt-hours as a result of keener competition and the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries.

In total, however, the external revenue of the EnBW group increased by 10.7% in the reporting period to € 12,950.1 million.

The growth in earnings is for the most part attributable to the electricity segments. Adjusted EBIT in the electricity generation and trading segment increased by 8.1% to € 1,300.6 million. One of the factors boosting earnings was, in particular, the better terms and conditions arising from the forward contracts concluded for electricity generation in the fiscal year 2010. At € 282.6 million, adjusted EBIT in the electricity grid and sales segment more than doubled. The main reasons here were the rise in the volume of electricity transmitted and higher revenue from network user charges. In the gas segment, adjusted EBIT remained significantly below the prior-year results on account of increased competition.

Adjusted group net profit – in terms of the profit shares attributable to the equity holders of EnBW AG – increased by 26.0% on the prior-year period, and now comes to € 903.6 million. At € 1,245.4 million, group net profit, which also contains extraordinary effects, is 74.7% above the prior-year level. Besides the satisfactory development of operations, the non-operating result on balance contains considerable positive effects from the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries and the increase in the shareholding in Pražská energetika a. s. For the year 2010 as a whole we assume that adjusted EBIT will exceed the prior-year level on account of the continuing positive development of business.

Yours sincerely,

A handwritten signature in black ink, reading "Hans-Peter Villis". The signature is written in a cursive, flowing style.

Hans-Peter Villis
Chief Executive Officer

Karlsruhe, November 2010

EnBW on the capital market

Communication with representatives of the capital market is characterised by the changes to the legal framework and their impact on EnBW.



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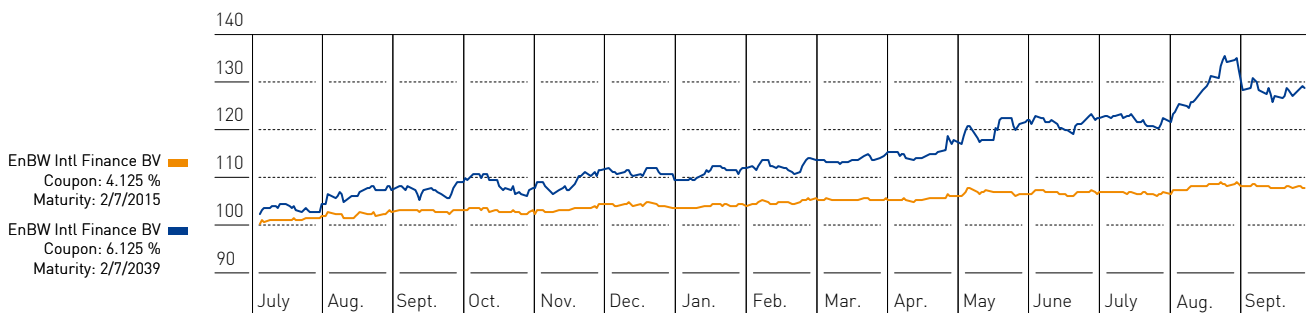
The debt capital market plays an important role in EnBW's corporate financing, in addition to internal financing from its cash flow from operating activities. EnBW has flexible access to the capital market by numerous short- to long-term debt financing instruments. In addition to a commercial paper programme and the Euro Medium Term Note programme, these include a syndicated line of credit of € 2.442 billion. The company pursues the objective of safeguarding its A rating in the medium term. EnBW has always met this objective in the past. Fitch's rating is A/outlook stable, Moody's A2/outlook stable and Standard & Poor's A-/outlook negative.

In light of the considerable burdens resulting from the nuclear fuel rod tax as of 2011, EnBW is currently reviewing its investment programme in terms of earnings power and level of debt with a view to reducing its volume. EnBW's five strategic pillars continue to apply to its corporate development. The funds available will be reallocated to the individual measures according to financial and strategic criteria. In addition, efforts will be made to achieve further improvements in efficiency and exploit potential synergies to a greater extent. Moreover, measures to optimise the capital structure have been introduced. The objective is to maintain an A rating in the medium term by adjusting the investment programme, implementing measures to boost efficiency and other programmes.

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. In light of this, 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. In the following period, the level of returns fell significantly until August. Some securities reached historical lows. In the course of September returns increased slightly on account of the growing risk premiums for individual euro area countries. The interest paid on bonds issued by European energy companies listed in the iBoxx € Utilities index fell continually in the course of the year and, on some occasions, was lower than the level of government bonds. The price of EnBW's bonds increased over the first nine months of the year and was at times at a level significantly above par. This also holds true for the bonds issued in 2009. Of these, the bond with a high coupon maturing in 2039 reached a significantly higher price level.

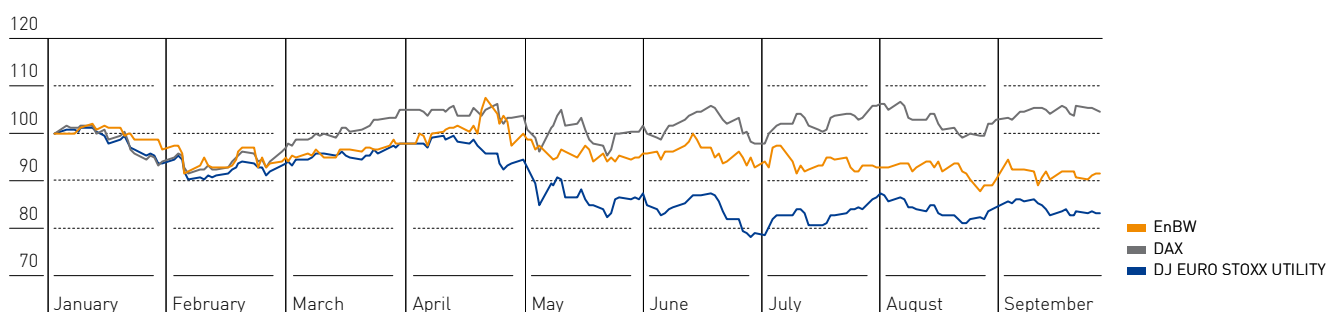
Performance of the EnBW bonds issued in 2010 in %



Development of the EnBW share

At the end of September 2010, the price of the EnBW share stood at € 36.59, a fall on the level seen at the beginning of the year (€ 40.00). On 4 February, the price fell to the lowest level (€ 36.51) seen up to that point in the wake of a weaker overall market. The price subsequently recovered and increased to € 43.00 (on 23 April). Over the following period, the price successively weakened to the low for the year 2010 of € 35.00 at the end of August, but succeeded in recovering slightly thereafter. As of the end of the reporting period on 30 September 2010, the leading share index in Germany, the DAX, stood at 6,229 points, up 4.6% in comparison to year-end 2009. Its development was characterised by a higher degree of volatility, fluctuating by more than 900 points. 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 September 2010, it closed approximately 17% down on the end of 2009.

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



The energy concept adopted by the German federal government provides, among other things, for an extension of the working life of Germany's nuclear power plants. At the same time, the industry is subject to burdens arising from the nuclear fuel rod tax and the fund to promote renewable energies. In September, LBBW subsequently increased its price target for EnBW shares from € 39.70 to € 44.30, following the downgrade in the first half of the year. In contrast, Société Générale left its analysis unchanged at "hold" with a price target of € 35.00.

Following minor changes in the second quarter of 2010, the shareholder composition has not changed as of the end of the reporting period on 30 September 2010. E.D.F. INTERNATIONAL SA and OEW Energie-Beteiligungs GmbH continue to each hold 45.01% of the capital stock of EnBW. Further shareholders are Badische Energieaktionärs-Vereinigung (2.54%), Gemeindeelektrizitätsverband 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. The free float comes to 1.85%.

Current financial communications topics

Our open and transparent communication focuses on maintaining and further increasing the capital market participants' trust in EnBW. In the first half of the year 2010 there were two investor conferences, a spring road show, conference calls and the traditional Bankers' Day. In addition, we held numerous face-to-face talks with analysts and investors. Financial communications continued to be characterised by these talks in the third quarter. The main topics included the impact of the nuclear fuel rod tax on EnBW as of 2011, EnBW's current generation portfolio and the ongoing expansion of renewable energies at EnBW.

Business activity and economic environment

With its segments EnBW is active on different markets along the entire value added chain and is reinforcing its position on these markets with five strategic pillars. The overall economic situation has improved considerably in 2010 in comparison to the prior year. Prices of primary energy sources and CO₂ allowances have significantly increased in comparison to the prior year. The energy concept has eliminated existing political uncertainties to a great extent.

Business activity

As an integrated energy company, the EnBW group operates along the entire value added chain. In the area of electricity, 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, distribution and sale of gas. In the energy and environmental services segment EnBW 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. Contracting services cover 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. In addition to energy and (combined power and) heating plants, these services also extend to the media infrastructure. The electricity generation and trading segment is a decisive factor in the group's results of operations.



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Heterogeneous market structures

EnBW has a broad business portfolio. Its products and services are provided by four segments in three markets. These differ greatly from each other. Wholesale markets are characterised by intense competition. EnBW's activities in this market are electricity generation, procurement of primary energy sources and CO₂ emission allowances as well as electricity trading. The efficiency and flexibility of the generation and procurement portfolio are decisive success factors in this respect. The market environment in regulated markets is characterised by prices formed through regulatory procedure. This 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 sales operations are 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.

Corporate strategy

EnBW is the third largest energy company in Germany and one of the ten largest in Europe. We intend to reinforce and expand this position. The federal government's energy concept and the nuclear fuel rod tax established at the same time ensure greater planning reliability for energy companies in Germany by setting the political environment. However, for EnBW it also means considerable financial burdens over the next few years. EnBW will consequently review and trim its investment programme in light of the new political environment. The investment programme is being adjusted in line with our objective of maintaining an A rating in the medium term. EnBW is also pursuing a divestiture programme, which has so far generated some € 900 million. Our equity investment in EVN AG will not be sold as planned in 2010 on account of the conditions currently prevailing on the capital market. A sale remains conceivable at an unspecified date in the future. In addition, measures to optimise the capital structure and operating performance have been

introduced. EnBW's corporate development continues to be based on the five strategic pillars. The funds available over the next few years will be allocated according to strict financial and strategic criteria:

- Developing generation capacities: The focus in this area is on 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. The focus is on our gas storage project in Etzel and the further development of the call option for a share of 48% in VNG.
- Core market Germany, selective growth abroad: The Czech Republic is another target strategic market. One important step in this direction was to increase the equity investment in Pražská energetika a.s. (PRE) to 69.9% as planned in September 2010. Further markets in which EnBW has potential for growth include Turkey (Borusan joint venture) and Switzerland (ED).
- Establishing new fields of business: By focusing on our end customers we intend to drive forward the expansion of our energy services and contracting business.
- Exploiting process improvements and synergies: The efforts towards improving processes and exploiting synergies are being intensified in light of the financial burdens. Corresponding activities to boost efficiency have started. Joint projects with our strategic partner and major shareholder EDF will be used to exploit synergies. In addition, there are plans to make extensive investments into maintaining and optimising existing business. 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.

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 CO₂ allowances. Political and regulatory decisions similarly have a major impact on how the business develops.

Overall economic developments

According to the statistics of the International Monetary Fund (IMF), global economic output in 2009 fell by 0.6% in comparison to 2008 as a consequence of the financial and economic crisis. The global economy returned to growth before the end of the second half of 2009. Growth was particularly strong in the first half of 2010. The driving forces were the rapidly growing emerging economies such as Brazil, China and India. Germany's Bundesbank expects growth to slow in the second half of 2010. This is the result of government measures in some emerging countries to prevent the economies overheating. Deutsche Bundesbank also predicts slower growth in Japan and the USA. In contrast, the economic upturn in the euro area could pick up speed in the course of 2010.

In relation to the global economy, the fall in gross domestic product (GDP) seen in the euro area in 2009 in comparison to 2008 was extremely large at 4.1%. In the first quarter of 2010, growth in the region came to a mere 0.8% in comparison to the corresponding prior-year period. A significant recovery was seen in the second quarter, however. According to Eurostat GDP increased by 1.9% on the prior year and by 1.0% on the previous quarter. The positive development in the euro area was borne in particular by the economic recovery in Germany. The German Institute for Economic Research (DIW) calculated GDP growth of 2.2% in the second quarter of 2010 in comparison to the first three months of 2010. After this spurt, DIW assumes that growth will weaken in the third quarter. Their estimate is based on the assumption of an increase of 0.7% in comparison to the previous quarter. For the year as a whole, a significant increase in GDP is anticipated after the 5.0% fall in overall economic output in the previous year.

In Germany, electricity and gas consumption fell by some 5% in 2009 in comparison to 2008 in the wake of the general economic downswing according to statistics provided by the German Energy and Water Association (BDEW). In contrast, electricity consumption over the period from January to July 2010 exceeded the prior-year figure by 4%. In the first half of 2010, consumption of natural gas was up 14% on the prior-year period.

Market situation for primary energy sources, CO₂ allowances and electricity

EnBW strives to reduce the uncertainties for the generation margin arising from developments in the price of primary energy sources, CO₂ allowances and electricity on the wholesale markets. EnBW uses the forward market to procure the quantities of primary energy sources and CO₂ emission allowances required for electricity generation and the scheduled electricity production is sold at the same time. The conditions agreed in the supply contracts concluded in previous years had a significant impact on costs and revenue in the first nine months of 2010. This means that prices seen in the first nine 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: As a consequence of the global economic crisis, the price of one barrel (159 l) of Brent oil stood at a low of US\$ 39.55 for short-term deliveries in February 2009. Since October 2009, the price of oil has seen a volatile sideward movement within a clearly defined price corridor. In April 2010, prices briefly broke out of the price range and at the beginning of May 2010 reached highs of US\$ 88.94/bbl for short-term deliveries (front month) and US\$ 94.72/bbl for the front year 2011. Over the following period, however, the prices found their way back into the previous range. In the third quarter of 2010, the price for short-term deliveries fluctuated between US\$ 71/bbl and US\$ 83/bbl. For the first nine months of 2010, quotations were nevertheless higher by an average of 34% (front month) and 17% (front year) on the prior-year period. The price increase seen in April/May 2010 was driven by expectations of higher demand for oil. Significant factors included the development of early indicators, Chinese economic data and more optimistic forecasts for global growth. The fall in prices in May/June is attributable to uncertainties regarding the global economic recovery and the associated demand for oil. The economic upswing anticipated for the summer failed to transpire particularly in the USA. Varying reports on economic development worldwide meant that uncertainty remained and with it the observed price fluctuations within a tight range. The supply situation was good at all times; oil stockpiles in OECD countries reached a record level towards the end of the third quarter of 2010. This meant that geopolitical factors such as the unstable situation in Nigeria that tend to drive prices were virtually left out of the equation. As the price of oil is quoted in US dollars, additional support came in the third quarter from the depreciation of the US currency against the euro. As of 30 September, oil quotations closed at US\$ 82.31/bbl (front month) and US\$ 85.03/bbl (front year).

Coal market: Coal prices for deliveries to the ARA ports (Amsterdam, Rotterdam, Antwerp) initially saw very volatile developments in the first half of 2010. By mid-March, quotations on the spot and forward markets fell to US\$ 71.71/t and US\$ 85.51/t, respectively. Following a significant price rise, spot prices at the end of the first half of 2010 almost returned to the previous annual highs seen at the beginning of January with spot prices of US\$ 93.43/t and forward prices of US\$ 100.48/t. This development was the result of increasing import demand from Asia and rising electricity and gas prices in Europe. Higher price fixings on the coke market that also impacted the market for boiler coal added to the upward pressure on prices. Further, prices on the spot market were driven upward by a temporary rise in high sea freight prices for dry bulk cargo, which also caused an increase in the cost of transporting coal. Prices on the spot and future markets have seen a sideward movement since the beginning of July. China's imports of boiler coal remained behind expectations over this period. The Chinese government took measures to dampen developments in the country's construction and real estate sector. In addition, local coal production was expanded. In India, demand fell on account of the monsoon season. The corresponding overall weaker demand from the Pacific Rim was offset by an increase in demand in Europe, triggered by its economic growth picking up speed. On average over the reporting period, spot prices were up 27% and the forward prices for delivery in 2011 were up 3% on the prior-year period.

Price development on the oil and coal markets	Average 1/1– 30/9/2010	Average 1/1– 30/9/2009	Average 2009
Crude oil (Brent) front month (daily quotes in US\$/bbl)	77.91	58.34	62.67
Crude oil (Brent) annual price 2011 (daily quotes in US\$/bbl)	82.99	71.15	74.50
Coal – weekly index for short-term delivery (API #2 Index) in US\$/t	86.38	68.27	70.47
Coal – API #2 Y2011 in US\$/t	96.56	93.70	94.91

Gas market: Long-term gas import agreements 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 rose again in the wake of increasing oil prices, standing at € 20.96/MWh at the end of July 2010. This constitutes a rise of around 13% on the beginning of the year.

Wholesale markets are 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. Demand for gas fell considerably in 2009 as a consequence of the economic crisis. In addition, there were significant amounts of gas available on the wholesale markets, which put additional pressure on 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 quotations was observed despite the ongoing good supply situation especially in the second quarter of 2010. The highest quotation of € 20.95/MWh was reached in June. This movement was the result of positive economic forecasts and increased demand from the storage market on account of the low capacity levels following the colder than average winter. Improved flexibility with regard to quantities on the part of gas importers and the related fall on the supply side at the beginning of the summer probably also provided additional price buoyancy. After a brief period of weakness at the beginning of the third quarter of 2010 the spot price on the TTF remained virtually constant with quiet trading until the end of September. In the first quarter of 2010, the price of deliveries for 2011 initially returned a low in the downward movement seen since mid-2009. It then rose significantly in the second quarter to as much as € 22.90/MWh at the end of June. As was the case with the spot market, the fall of the price at the beginning of the third quarter was followed by sideward movement. The price level seen over the period from July to September 2010 is attributable to a good supply situation, supported by regular supplies of LNG. 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 agreements that are indexed to the price of oil. The spread between the border price and the market price became successively smaller over the course of the year, standing at € 1.49/MWh in July 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 1/1– 30/9/2010	Average 1/1– 30/9/2009	Average 2009
Spot	16.29	12.67	12.12
Delivery 2011	18.93	22.61	21.76

CO₂ emission allowances: Under the European emissions trading system, the requisite number of emission allowances have to be evidenced for the CO₂ emissions from EnBW's power stations. In the wake of the global economic downturn in 2009, the price of emission allowances (EU Allowance – EUA) for delivery in December 2010 (EUA-10) averaged € 13.77/t CO₂ in the prior year. This was a decrease of around 42% in comparison to the annual average for 2008. After prices had remained within a narrow price range of € 12.50/t CO₂ to € 13.50/t CO₂ in the first quarter of 2010, quotations in April increased significantly to more than € 16/t CO₂. Publication of the verified 2009 emissions eliminated the uncertainties regarding the volume of emissions, which meant that price-related factors increasingly exerted their influence on the price. These factors included positive expectations regarding the economy and rising fuel switching costs (triggered by rising gas prices in Europe). Further demand effects were caused by companies increasingly securing allowances for the subsequent third trading period. In addition, the European Commission proposed reducing CO₂ emissions by 30% by 2020 instead of the previous 20%. A further increase in the prices for CO₂ allowances was prevented by the debt crisis in some European countries. Uncertainty increased among market participants as to how the economy

would develop; between mid-May and the end of June quotations settled at around € 15/t CO₂. Prices in July were then significantly below the level seen in the previous two months. A slight price rise took place as of mid-August in the wake of the rise in the price of CER-10 allowances (Certified Emission Reductions – CER). These are allowances from projects to reduce emissions in emerging and developing countries that companies can similarly use to cover their need for emission allowances. In September the price of EUA-10 allowances moved within a range of € 15/t CO₂ to € 16/t CO₂. The volume of trading in the third quarter of this year totalled 1.03 billion EUAs, the same level as in the prior year. As prices on the electricity and fuel markets remained virtually unchanged in the third quarter, these markets did not exert any influence on the market for CO₂ allowances.

Over the first half of 2010, the price of CER-10 allowances generally tracked the development of the price of EUA-10 allowances. The higher risks involved in these projects mean that the price of CER-10 allowances tends to be lower. In mid-August 2010, the prices of these allowances increased significantly. This was due to the suspension of the issue of allowances for disputed projects (HFC 23) which make up 50% of all CER allowances. As the price of EUA allowances did not rise much, the price spread decreased slightly in the course of the third quarter.

Development of prices for emission allowances/daily quotes in €/t CO ₂	Average 1/1– 30/9/2010	Average 1/1– 30/9/2009	Average 2009
EUA-10	14.35	13.69	13.77
CER-10	12.50	11.50	11.73

Wholesale electricity market: In the first quarter of 2010, the average price for immediate delivery of electricity (base load product on the spot market of the European Energy Exchange – EEX) was still lower than in the first three months of 2009. This situation was reversed in the following quarters. The average price on the spot market came to € 43.81/MWh in the third quarter. This constitutes an increase of around 18% on the prior-year period. One of the main reasons for this development are higher spot prices on the wholesale markets for coal, natural gas and CO₂ allowances in comparison to the prior year. A weaker US dollar exchange rate to the euro in comparison to the prior year also pushed prices upward. In addition, the economic recovery continued, which led to a further increase in demand for electricity. In the course of the year, higher price levels for delivery in 2011 (base load product) became the norm on the EEX forward market as of April 2010. For example, from April to June of this year prices averaged € 4 higher than in the first quarter of 2010. There was a slight downward movement in the third quarter. The main causes were a drop in the gas price at the beginning of the quarter and slightly falling coal quotations in euro in the wake of the increase in the euro exchange rate against the US dollar in the course of the year. Furthermore, the number of additional photovoltaic facilities being built was significantly higher than anticipated by the market. With regard to the reporting period January to September 2010, the average price on the forward market for deliveries in 2011 was 8% down on the prior year.

Development of prices for electricity (EEX) base load product, in €/MWh	Average 1/1– 30/9/2010	Average 1/1– 30/9/2009	Average 2009
Spot	42.13	38.89	38.85
Delivery 2011	50.19	54.4	53.91

Prices for retail and industrial customers: According to BDEW, the monthly electricity bill for a normal household (annual consumption of 3,500 kWh) averaged € 67.70 in 2009, after coming to around € 63 in the prior year (as of November 2009). One of the reasons for this rise was the significant increase in the electricity price on the wholesale market in the first half of 2008. With a view to reducing the risk of price peaks, some quantities of electricity for retail customers and commercial businesses are purchased several years in advance and in individual tranches on the wholesale market. This also means a time-lag in the adjustment to rapidly falling prices. In addition, increasing burdens from the German Renewable Energies Act (EEG) brought about higher prices. According to the German Federal Statistical Office, the price of electricity paid by consumers also increased over the period from January to September 2010. The monthly rate of increase was, however, slower in comparison to the prior year. The Federation of German Consumer Organisations (Verbraucherzentrale Bundesverband e. V.) announced in April of this year that it was anticipating 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 these are as a rule more closely linked to the current

price level on the wholesale market. According to the German Federal Statistical Office, the price of gas for retail customers fell considerably in some cases as of July 2009. The decline tailed off as of July 2010. In September, prices were down 3.5% in comparison to the same month of the prior year.

Political and regulatory environment

European energy policy

The climate package ("green package") passed in April 2010 and the third energy liberalisation package approved in June 2009 were two of the most recent political milestones at European level. The climate package contains regulations on reductions in greenhouse gas emissions, on emissions trading, renewable energies and carbon capture and storage (CCS). Alternatives to ownership unbundling of the transmission grids when transposing the legislation into national law are the focus of the energy liberalisation package. Neither package has been transposed into national law in Germany so far.

With regard to European energy policy, the year so far has seen numerous consultations with a focus on future measures. Representatives of the energy industry are also taking part in these consultations. The emphasis in this context is increasingly on issues relating to grid infrastructure in particular.

Directive on industrial emissions: The new directive on industrial emissions of July 2010 is the result of the European Parliament's review of a total of seven existing directives. These also included directives on large-scale firing systems and on the integrated avoidance of and reduction in environmental pollution. Some 52,000 industrial facilities throughout Europe are affected by the new directive. For EnBW, this means that retrofitting work totalling an eight-digit figure will be necessary at unit 7 of Rheinhafen thermal power station (RDK 7) and Bexbach power station in particular on account of the SO₂ threshold value being reduced to 200 mg/m³. The fact that an alternative degree of SO₂ capture of 96.4% has been determined instead of 95% for brown coal units means that it will in all probability be possible to avoid having to retrofit the power station in Lippendorf. The reduction in the NO_x threshold value for gas turbines powered by light heating oil from 150 mg/m³ to 90 mg/m³ does not give rise to any retrofitting requirements.

Energy policy in Germany

It is expected that the CCS directive will be transposed into national law before the end of the year. It is becoming apparent that the main focus will be on demonstration projects in which EnBW is not involved.

German Act on Energy End-Use Efficiency and Energy Services: The Act on Energy End-Use Efficiency and Energy Services was passed by the German federal government at the end of September 2010 as part of transposing the EU directive on energy end-use efficiency and energy services into national law. It is expected to come into force on 1 November 2010. For energy companies, it entails new obligations on the provision of information and due care with regard to end customers that will be published and monitored by the Federal Office of Energy Efficiency. One aspect that should be highlighted is that energy companies are obliged to offer customers energy-savings services. These may, however, be on a commercial basis.

Amendment of the German Energy Tax Act: The discussions on the amendment of the German Energy and Electricity Tax Act are continuing following the submission of the expert bill. The Federal Ministry of Finance intends tax relief only to be granted for certain contracting agreements with a view to preventing windfall gains from agreements concluded solely for the purpose of tax savings.

German Energy Industry Act (EnWG): Although the draft of the Energy Industry Act was originally scheduled for May of this year, publication of a green paper is expected by November. The expert bill will then follow on from this. This means that important issues such as ownership unbundling of grids in Germany remain unresolved.

The federal government's energy concept: The federal government adopted a national energy concept on 28 September this year. This long-term strategy contains guidelines for reliable and affordable energy supplies with low environmental impact covering the period until 2050. The share of renewable energies used in electricity consumption is planned to rise to 80% by 2050. At the same time, the energy concept provides for energy consumption to be halved over this period. The intention is for a ten-point immediate action programme to be implemented by 31 December 2011. Its constituent parts include, for example, a loan programme for the expansion of offshore wind farms, the exemption of storage power stations from network user charges as part of the flexible structuring of load and a ten-year plan for expanding grids in Germany coordinated between the network operators. Nuclear power is seen by the federal government as a bridging technology for the transition to renewable energies. For this reason, the eleventh amendment to the German Atomic Power Act (AtG) adopted by the lower house of the German parliament on 28 October 2010 has extended the working lives of all German nuclear power plants by an average of roughly twelve years. In return, the operators of nuclear power plants are to provide financial support to promote renewable energies. The consensus is for advance payments of € 300 million to be made into the corresponding fund in both 2011 and 2012 (EnBW's share: around € 65 million p.a.). For the period from 2013 to 2016, payments of € 200 million are planned (EnBW's share: around € 43 million p.a.) At today's price level, € 9 will be payable as of 2017 for each MWh fed into the grid from a nuclear power plant. In addition, decisions will be made on the retrofitting work necessary to improve even further on today's high safety standards in force at these plants.

Nuclear fuel rod tax: Independently of the energy concept, the federal cabinet passed the introduction of a nuclear fuel rod tax on 28 September. This tax is limited to the years 2011 to 2016 and is planned to amount to € 145 per gram of fissionable material. This form of taxation will result in burdens on EnBW totalling around € 440 million a year. The Nuclear Fuel Rod Tax Act was adopted by the lower house of German parliament on 28 October 2010.

Cost allocations under the German Renewable Energies Act (EEG): The four German transmission system operators (TSOs), which include EnBW Transportnetze AG, published the cost allocations under the EEG for 2011 on 15 October 2010. The EEG cost allocation was determined in cooperation with the Federal Network Agency, which is responsible for monitoring the calculation, determination, publication and charging of the EEG cost allocation and marketing of EEG electricity quantities and for stipulating the requirements for marketing. The EEG cost allocation is payable for every kilowatt-hour purchased by end consumers. According to the forecast by the four TSOs, the cost per kilowatt-hour can be expected to amount to 3.530 cents in 2011. In 2010, the EEG cost allocation was 2.047 cents per kilowatt-hour. In an environment characterised by intensive competition, sales companies must examine to what extent the higher EEG cost allocation can be passed on to customers.

Regulation of the electricity and gas markets

Voluntary commitment on energy needed to cover grid losses: The (electricity) distribution network operators within the EnBW group have applied for a voluntary commitment on energy needed to cover grid losses with the Federal Network Agency. This commitment stipulates that from 2011 onwards energy needed to cover grid losses is treated as a cost that cannot be influenced on a permanent basis and that the approved amounts relate to the forward prices for the respective delivery year. This means that the approved prices are based on the actual procurement costs and not, as was previously the case, on a price fixed by the Federal Network Agency. This reduces the price risk for the network operators concerned.

Network user charges: The year 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. In 2010, burdens arising from the absorption of surplus revenues will make themselves felt in comparison to 2009 and will more than offset even the positive effects from the extension factor for 2010. If there is a permanent change to their supply duties, network operators may apply for an extension factor. The year 2011 is the first year in which costs for the network integration of local generation facilities can be taken into consideration for the extension factor for the 2011 revenue cap. The EnBW entities concerned are working on the assumption that the applications filed by 30 June 2010 for an extension factor for the 2011 revenue cap will be approved, even if approvals are currently still pending.

The EnBW group

The group's adjusted EBIT went up by 15.1% in the first nine months of 2010 to € 1,614.0 million. This development was driven by the electricity segments. The non-operating result benefited from gains on sale. Overall, group net profit came to € 1,245.4 million, up 74.7% on the prior year.

Results of operations

Unit sales and revenue

Electricity sales of the EnBW group in billions of kWh	Generation and trading		Grid and sales		Total	
	1/1–30/9/2010	1/1–30/9/2009	1/1–30/9/2010	1/1–30/9/2009	1/1–30/9/2010	1/1–30/9/2009
Retail customers (B2C)	0.0	0.0	14.7	16.3	14.7	16.3
Industry and redistributors (B2B)	2.3	1.9	33.4	36.1	35.7	38.0
Trade	50.0	26.9	9.5	8.1	59.5	35.0
Total	52.3	28.8	57.6	60.5	109.9	89.3

In the first nine months of 2010, unit sales of electricity by the EnBW group came to 109.9 billion kilowatt-hours (kWh). The 23.1% increase on the prior year is attributable to 70% higher unit sales in the group's trading function, now totalling 59.5 billion kWh. One material factor in this respect was the marketing of the generation capacities added at the start of the year and the power station capacities exchanged with E.ON. Unit sales to retail and business customers saw a drop of 3.9 billion kWh to a total of 50.4 billion kWh. Half of this drop is due to the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries. Competition further contributed to the fall in unit sales in the area of retail customers.

Gas sales of the EnBW group in billions of kWh	1/1–30/9/2010	1/1–30/9/2009	Variance %	1/1–31/12/2009
Retail customers (B2C)	8.2	8.2	0.0	12.3
Industry and redistributors (B2B)	29.5	37.5	-21.3	53.5
Total	37.7	45.7	-17.5	65.8

While gas sales to retail customers in the reporting period reached prior-year levels, unit sales to business customers fell by 21.3% to 29.5 billion kWh. This means that in total, group unit sales dropped by 17.5% to 37.7 billion kWh. Around 30% of the fall in sales is the result of the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries. In addition, the more intense competition exerted a noticeable influence on business with B2B customers. In the reporting period, the protracted winter provided buoyancy to the development of unit sales to retail customers in the first few months of 2010.

External revenue of the EnBW group by segment in € millions ¹	1/1– 30/9/2010	1/1– 30/9/2009	Variance %	1/1– 31/12/2009
Electricity generation and trading	3,554.8	1,847.9	92.4	2,357.5
Electricity grid and sales	7,618.5	7,468.8	2.0	10,031.3
Gas	1,258.9	1,852.4	-32.0	2,453.1
Energy and environmental services	517.9	534.0	-3.0	722.3
Total	12,950.1	11,703.1	10.7	15,564.2

¹ After deducting electricity and natural gas tax.

The significant rise in the unit sales of electricity brought the EnBW group's external revenue including electricity and natural gas tax to € 13,639.8 million, an increase of 9.7% on the prior year. After deducting electricity and natural gas tax, external revenue amounted to € 12,950.1 million compared with € 11,703.1 million in the prior year. This represents an increase of 10.7%. Adjusted for consolidation effects, external revenue rose by 13.1% or € 1,495.3 million.

Electricity generation and trading: The external revenue in this segment reached € 3,554.8 million in the first nine months of the reporting period, virtually doubling in comparison to the prior year. This is principally attributable to the increase in unit sales in the segment which is associated with EnBW's higher generation capacities 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 76.4% or € 1,540.0 million. Owing to this leap in revenue, this segment's share in the group's total revenue increased to 27.4% in the reporting period after 15.8% in the previous year.

Electricity grid and sales: In the reporting period, revenue in the electricity grid and sales segment saw a minor rise of 2.0% to € 7,618.5 million. Positive price effects more than offset the fall in unit sales. Adjusted for consolidation effects, external revenue rose by 6.8% or € 482.5 million. Due to the disproportionately high growth in revenue recorded in the electricity generation and trading segment, the electricity grid and sales segment's share in revenue fell from 63.8% in the prior year to 58.8% in the first nine months of 2010.

Gas: Revenue in the gas segment fell by 32.0% compared to the prior year to € 1,258.9 million. In addition to the drop in unit sales, price effects placed a burden on revenue as falling gas procurement prices were passed on to customers. Adjusted for consolidation effects, external revenue in the gas segment fell by 28.7% or € 507.7 million. This segment accounted for as much as 15.8% of group revenue in the prior year but it fell to 9.7% in the reporting year.

Energy and environmental services: At € 517.9 million, revenue in the energy and environmental services segment in the reporting period was down 3.0% on the prior-year figure. This means that this segment accounted for 4.0% of group revenue, a fall from the 4.6% seen in the prior year.

Material developments in the income statement

The € 556.5 million increase in other operating income to € 1,009.0 million was essentially caused by non-operating effects including, among other things, gains on sale. The 10.7% rise in group revenue was likewise reflected in the higher cost of materials, which exceeded the prior-year figure by 12.3%. Amortisation and depreciation came to € 887.9 million in the first nine of months 2010. This figure is € 276.0 million above the prior year and is attributable in particular to impairment losses in the course of the third quarter. In addition, the increase in amortisation and depreciation reflects the higher level of capital expenditure made. Earnings before tax (EBT) exceeded the prior-year value by € 465.6 million, totalling € 1,568.9 million. On account of the fall in the tax rate, income tax remained at virtually the same level as in the prior year.

Earnings

Group net profit in terms of the profit shares attributable to the equity holders of EnBW AG reached € 1,245.4 million in the first nine months of 2010, up 74.7% on the prior year. Besides the good development of operations, there were positive effects in the non-operating result relating to the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries and the increase in the shareholding in Pražská energetika a.s. (PRE). Earnings per share from group net profit totalled € 5.10 in the reporting period, following the € 2.92 seen 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– 30/9/2010	1/1– 30/9/2009	Variance %	1/1– 31/12/2009
Electricity generation and trading	1,300.6	1,203.6	8.1	1,590.9
Electricity grid and sales	282.6	132.0	-	130.9
Gas	48.4	107.7	-55.1	152.0
Energy and environmental services	93.3	78.9	18.3	86.2
Holding/consolidation	-110.9	-119.6	7.3	-166.1
Total	1,614.0	1,402.6	15.1	1,793.9

In the first nine months of 2010, the EnBW group generated adjusted EBIT of € 1,614.0 million, thus exceeding the prior-year figure by 15.1%. After eliminating consolidation effects, adjusted EBIT increased by 16.1%.

Adjusted EBIT in the electricity generation and trading segment increased by 8.1% to € 1,300.6 million. With consolidation effects eliminated, this would have resulted in an increase of 6.4%. Positive factors more than offset the negative effects. One of the factors boosting earnings was, in particular, the better terms and conditions arising from the forward contracts concluded in the past for electricity generation in the fiscal year 2010. For example, 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. In addition, positive effects from optimisation of the portfolio of power stations arose in the form of higher plant availabilities. The first nine months of 2009 were burdened by additional expenses from the resale of quantities not sold to B2B customers. This effect had been caused by the economic crisis and was not experienced again in the current reporting period. In the first nine months of 2010, burdens arose from increased costs and a drop in the contribution margin owing to operation of GKN I nuclear power plant at reduced capacity.

Adjusted EBIT in the electricity grid and sales segment more than doubled. In the energy and environmental services segment, adjusted earnings came to € 282.6 million, an increase of € 150.6 million from the € 132.0 million in the prior-year period. Adjusted to eliminate consolidation effects, the increase amounted to € 175.5 million. The improvement in earnings was caused on the one hand by higher income from network user charges resulting from higher revenue caps. On the other hand, there was an effect from the increase in quantities of electricity transmitted in comparison to the prior year. In addition, the costs for energy needed to cover grid losses were lower than in the prior year. The sales function also generated better earnings in the reporting period.

At € 48.4 million, adjusted EBIT in the gas segment was significantly below the prior-year level of € 107.7 million. Adjusted to eliminate consolidation effects, the decrease would be 51.7% or € 51.8 million. The main reasons for this development were price and quantity effects in the sales function in light of increased competition. This was offset by higher income from network user charges. Income from network user charges increased on account of higher revenue caps and a higher volume of gas transmitted in comparison to the prior year.

Despite the drop in revenue, adjusted EBIT in the energy and environmental services segment increased by 18.3% to € 93.3 million in the reporting period. Waste disposal services saw positive developments.

Earnings indicators of the EnBW group (adjusted) in € millions	1/1– 30/9/2010	1/1– 30/9/2009	Variance %	1/1– 31/12/2009
Adjusted investment result	180.8	205.3	-11.9	221.2
Adjusted financial result	-463.2	-510.7	9.3	-680.5
Adjusted income taxes	-386.9	-342.9	-12.8	-403.4
Adjusted group net profit	944.7	754.3	25.2	931.2
of which profit shares attributable to non-controlling interests	(41.1)	(37.2)	10.5	(52.1)
of which profit shares attributable to the equity holders of EnBW AG	(903.6)	(717.1)	26.0	(879.1)

In comparison to the prior-year period, the adjusted investment result was 11.9% lower and came to € 180.8 million. The deconsolidation of DREWAG in the course of the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries reduced earnings here. Adjusted to eliminate consolidation effects, the adjusted investment result would be 5.6% down on the prior-year figure. The adjusted financial result in the reporting period improved on the prior year. On account of higher income from securities, the negative balance was reduced from € -510.7 million to € -463.2 million. Increased interest income from cash held for the acquisition of shares in EWE Aktiengesellschaft had made itself apparent in the prior-year result. As a result of the increase in adjusted EBIT, adjusted income taxes rose from € 342.9 million to € 386.9 million. The adjusted income tax rate was in decline coming to 29.1%, after 31.3% in the prior year. Adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG increased by 26.0% on the prior-year period, and now comes to € 903.6 million.

Non-operating result of the EnBW group in € millions	1/1– 30/9/2010	1/1– 30/9/2009	1/1– 31/12/2009
Non-operating EBIT, electricity generation and trading	-114.8	-46.7	39.1
Non-operating EBIT, electricity grid and sales	380.3	35.1	32.7
Non-operating EBIT, gas	4.2	0.3	-1.0
Non-operating EBIT, energy and environmental services	3.3	-2.6	1.0
Non-operating EBIT, holding/consolidation	23.3	30.6	23.6
Non-operating EBIT	296.3	16.7	95.4
Non-operating investment result	-9.7	9.4	-138.9
Non-operating financial result	-49.3	-20.0	-33.9
Non-operating income taxes	47.7	-5.2	-29.4
Non-operating group net profit	285.0	0.9	-106.8
of which profit shares attributable to non-controlling interests	(-56.8)	(5.2)	(4.1)
of which profit shares attributable to the equity holders of EnBW AG	(341.8)	(-4.3)	(-110.9)

Non-operating EBIT improved perceptibly and came to € 296.3 million after the first nine months of 2010, following the € 16.7 million seen in the prior-year period.

In the reporting period, the electricity generation and trading segment's non-operating EBIT was subject to considerable negative effects from impairment losses in the third quarter. The impairment losses related to the goodwill of the joint venture in Turkey and the generation facilities of Stadtwerke Düsseldorf. An impairment test led to the assumption of lower profitability on a permanent basis. EnBW's compensation claim on account of the premature termination of a long-term electricity supply agreement and the gain on sale of Pražská teplárenská a.s. (PT) were not sufficient to compensate for these effects.

The increase in non-operating EBIT in the electricity grid and sales segment to € 380.3 million after € 35.1 million in the prior year resulted on the one hand from the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries. On the other hand, the gradual increase in the shareholding in the Czech energy supplier

Pražská energetika a.s. (PRE) exerted a positive effect. Shares already held in PRE were recognised at a higher value in the course of increasing the shareholding.

The non-operating investment result came to € -9.7 million after € 9.4 million in the comparable period of the prior year.

The non-operating financial result fell further to € -49.3 million in the reporting period in comparison to € -20.0 million in the prior year. This was due to higher impairment losses recorded on securities of € 63.6 million (prior year: € 38.6 million). On balance, non-operating group net profit in terms of the profit shares attributable to the equity holders of EnBW AG came to € 341.8 million. In the first nine months of 2009, this figure came to € -4.3 million.

Financial performance of the EnBW group in € millions

Adjusted EBITDA	2,268.1	2,004.0	+13.2%
Non-operating EBITDA	530.1	27.2	
EBITDA	2,798.2	2,031.2	+37.8%
Adjusted EBIT	1,614.0	1,402.6	+15.1%
Non-operating EBIT	296.3	16.7	
EBIT	1,910.3	1,419.3	+34.6%
Adjusted group net profit ¹	903.6	717.1	+26.0%
Non-operating group net profit ¹	341.8	-4.3	
Group net profit ¹	1,245.4	712.8	+74.7%
	1/1 – 30/9/2010	1/1 – 30/9/2009	Variance (%)

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 € 2,017.7 million in the nine 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 September 2010)
- Syndicated line of credit for € 2.442 billion (undrawn as of 30 September 2010, € 1.0 billion of the line of credit revolves on an annual basis). In the existing tranche of € 1.5 billion, € 58 million expired in the third quarter, which means that this tranche now comes to € 1.442 billion
- Bilateral short-term lines of credit (€ 309 million, undrawn as of 30 September 2010)
- Euro Medium Term Note (EMTN) programme with a line of € 7.0 billion (€ 5.0 billion utilised as of 30 September 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 were repaid with own funds in the third quarter of 2010. There are no further maturities on the capital market in 2011. EnBW's bonds have a well-balanced maturity profile.

Capital expenditures and acquisitions

In the first nine months of 2010, the total capital expenditure of the EnBW group came to € 1,628.7 million. The prior-year figure amounted to € 3,823.0 million, primarily caused by a higher level of financial investment. In the reporting period, EnBW made capital expenditures on intangible assets and property, plant and equipment of € 966.9 million, following € 805.9 million in the prior year. This corresponds to a share of 59.4% of total investments.

At € 560.7 million, a large share of capital expenditure was made in the electricity generation and trading segment. Major ongoing projects in this segment 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. At € 224.6 million, capital expenditure in the electricity grid and sales segment, mainly the continual modernisation and extension of our networks, was slightly down on the prior-year figure of € 249.2 million. In the gas segment, capital expenditure increased by 51.2% to € 52.3 million, primarily due to progress with the construction of the gas storage facilities in Etzel. In the energy and environmental services segment, EnBW invested € 129.3 million in the construction of a substitute fuel power plant in Eisenhüttenstadt, among other things. The figure for the prior-year period was higher at € 148.6 million.

EnBW's financial investments totalled € 661.8 million in the first nine months of 2010, following € 3,017.1 million in the prior year. In the reporting period, these include specifically the increase in the shareholding in the Czech energy supplier PRE and the purchase of a share in Gesellschaft für die Beteiligung an dem Kraftwerk Rostock mbH. The high prior-year figure is attributable to the purchase of the shareholding in EWE Aktiengesellschaft and equity investments in power stations. In the reporting period, we made divestitures totalling € 906.8 million, essentially attributable to the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries. On balance, net investments came to € 721.9 million in comparison to € 3,713.4 million in the prior year.

Net cash investments of the EnBW group in € millions	1/1– 30/9/2010	1/1– 30/9/2009	Variance %	1/1– 31/12/2009
Electricity generation and trading	560.7	373.5	50.1	620.7
Electricity grid and sales	224.6	249.2	-9.9	385.7
Gas	52.3	34.6	51.2	62.8
Energy and environmental services	129.3	148.6	-13.0	240.2
Total capital expenditures on intangible assets and property, plant and equipment	966.9	805.9	20.0	1,309.4
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method ¹	638.8	3,013.9	-78.8	3,041.5
Cash paid for the acquisition of investments ²	23.0	3.2	-	23.2
Total investments	1,628.7	3,823.0	-57.4	4,374.1
Cash received from disposals of intangible assets and property, plant and equipment	-28.1	-70.7	-60.3	-93.0
Cash received from construction cost and investment subsidies	-40.4	-38.9	3.9	-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	-3.9	0.0	-	-1.3
Total divestitures	-906.8	-109.6	-	-204.4
Net investment (effect on cash)	721.9	3,713.4	-80.6	4,169.7

¹ This does not include cash and cash equivalents acquired. In the reporting period, these amounted to € 12.1 million (1 January to 30 September 2009: € 11.2 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 € 61.7 million (1 January to 30 September 2009: € 0.0 million; 1 January to 31 December 2009: € 0.0 million).

Liquidity analysis

Free cash flow in € millions	1/1– 30/9/2010	1/1– 30/9/2009	Variance %	1/1– 31/12/2009
Funds from operations (FFO) before taxes and financing	2,298.4	1,763.8	30.3	2,427.7
Change in assets and liabilities from operating activities	-131.4	-59.4	-	212.7
Income tax paid	-149.3	-154.2	-3.2	-197.0
Cash flow from operating activities	2,017.7	1,550.2	30.2	2,443.4
Capital expenditures on intangible assets and property, plant and equipment	-966.9	-805.9	20.0	-1,309.4
Cash received from disposals of intangible assets and property, plant and equipment	28.1	70.7	-60.3	93.0
Cash received from construction cost and investment subsidies	40.4	38.9	3.9	65.1
Free cash flow before financing	1,119.3	853.9	31.1	1,292.1
Interest and dividends received	316.3	319.6	-1.0	378.5
Interest paid for financing activities	-204.3	-209.5	-2.5	-357.4
Free cash flow after financing	1,231.3	964.0	27.7	1,313.2

In comparison to the prior year, funds from operations (FFO) before taxes and financing improved by 30.3% to € 2,298.4 million. This is essentially due to the increase in EBITDA of 37.8%. The cash flow from operating activities came to a total of € 2,017.7 million, after € 1,550.2 million in the prior year. The increase in the net balance of assets and liabilities from operating activities caused a decrease compared to the prior-year period. This change is due, among other things, to security deposits for electricity, coal and emission allowance futures that had brought about an improvement in cash flow from operating activities in the prior year but constituted a burden in the current reporting period. Despite the increase in capital expenditure, free cash flow before financing activities expanded by 31.1% to € 1,119.3 million in the reporting period. The interest and dividends received and interest paid in the area of financing remain essentially unchanged in a year-on-year comparison. The free cash flow after financing saw a corresponding considerable increase of 27.7% to € 1,231.3 million.

Cash flow statement in € millions	1/1– 30/9/2010	1/1– 30/9/2009	Variance %	1/1– 31/12/2009
Cash flow from operating activities	2,017.7	1,550.2	30.2	2,443.4
Cash flow from investing activities	-390.0	-4,117.3	-	-4,629.6
Cash flow from financing activities	-995.4	917.7	-	678.6
Net change in cash and cash equivalents	632.3	-1,649.4	-	-1,507.6
Net foreign exchange difference	13.3	4.2	-	2.0
Change in cash and cash equivalents	645.6	-1,645.2	-	-1,505.6

With a cash outflow of € 390.0 million, cash flow from investing activities was significantly below the level of the prior year of € -4,117.3 million. This was caused by the divestiture of GESO Beteiligungs- und Beratungs-AG and its subsidiaries in the reporting period and higher payments for the purchase of shareholdings in entities and power stations in the prior-year period. In the past reporting period, the cash outflow from financing activities came to € 995.4 million. In the prior year, a cash inflow of € 917.7 million from borrowings had been recorded here. Taking into account lower exchange rate fluctuation, the group's cash and cash equivalents rose by € 645.6 million over the period from January to September 2010. A drop of € 1,645.2 million had been recorded in the same period of the prior year.

Net assets

As of the end of September 2010, the net assets of the EnBW group stood at € 33,699.0 million. This corresponds to a slight drop of 2.7% in comparison to the reporting date of 31 December 2009. The reduction in total assets results primarily from the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries. The increase in intangible assets by € 484.3 million to € 2,231.2 million as of the end of the reporting period on 30 September 2010 is essentially attributable to the full consolidation of PRE for the first time. On the assets side of the balance sheet, property, plant and equipment increased by € 1,099.9 million to € 13,025.1 million owing to the capital expenditures made. A drop in trade receivables and payables meant a considerable reduction in current assets and liabilities. Assets held for sale decreased on account of the sale of GESO and PT. In comparison to year-end 2009, the equity ratio increased by 3.5 percentage points to 22.0% as of the end of September 2010. As of the end of the reporting period, the cash and cash equivalents of the EnBW group totalled € 2,224.5 million. In comparison to year-end 2009, this constitutes an increase of 51.2% or € 753.7 million, caused among other things by the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries.

Net debt

Compared to year-end 2009, net debt as of the end of September 2010 was down by € 830.3 million to € 8,341.7 million. The positive free cash flow, divestitures and the reclassification, from capital employed to net debt, of an equity interest classified as held for sale brought about reductions here. This was partly offset by financial acquisitions and dividend payments.

Net debt in € millions	30/9/2010	31/12/2009	Variance %
Cash ¹	-1,612.8	-1,217.8	32.4
Short-term investments ¹	-139.7	-154.3	-9.5
Cash and cash equivalents¹	-1,752.5	-1,372.1	27.7
Bonds ²	5,296.2	5,446.6	-2.8
Liabilities to banks	1,021.3	962.5	6.1
Other financial liabilities	663.0	726.1	-8.7
Financial liabilities²	6,980.5	7,135.2	-2.2
Net financial liabilities^{1, 2}	5,228.0	5,763.1	-9.3
Pension and nuclear power provisions	9,726.1	9,355.8	4.0
Long-term investments and loans ³	-5,262.2	-4,983.3	5.6
Cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions	-1,276.4	-785.2	62.6
Other	-73.8	-117.9	-37.4
Subtotal^{2, 3}	8,341.7	9,232.5	-9.6
Net debt directly associated with the assets classified as held for sale	0.0	-60.5	-
Net debt^{2, 3}	8,341.7	9,172.0	-9.1

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	30/9/2010	31/12/2009	Variance %
Electricity generation and trading	4,836	4,794	0.9
Electricity grid and sales	7,214	6,420	12.4
Gas	703	733	-4.1
Energy and environmental services	7,607	8,586	-11.4
Holding	492	591	-16.8
Total	20,852	21,124	-1.3
Number of full-time equivalents ²	19,976	20,064	-0.4

¹ Number of employees without apprentices and without inactive employees.

² Number of employees translated into full-time equivalents.

The EnBW group had a total of 20,852 employees as of the end of the reporting period on 30 September 2010. This means that headcount was roughly the same as at year-end 2009. In the electricity generation and trading segment, KNG Kraftwerks- und Netzgesellschaft mbH was consolidated for the first time in the course of the first quarter. Deconsolidation of Pražská teplárenská Holding a.s. and its subsidiaries with a proportionate share of 230 employees took place as of 30 September 2010. This means that, on balance, the number of employees in this segment remained largely constant. The 12.4% increase in the number of employees in the electricity grid and sales segment is essentially due to the full consolidation of Pražská energetika a.s. (PRE). In the energy and environmental services segment, ESG Operations GmbH and Awista Logistik GmbH were consolidated for the first time. GESO Beteiligungs- und Beratungs-AG and its subsidiaries with a total of 1,487 employees, who were allocated primarily to this segment, were deconsolidated effective as of 31 March 2010. This reduced the number of employees in the segment by 11.4% as of the end of the reporting period. The strategic alignment of the holding company meant that its share of operating activities was reduced. Tasks were transferred to other group companies, reducing the number of employees in the holding company by 99 employees to 492. Adjusted for the above changes in the consolidated group, the number of employees increased by 1.4%.

The Board of Management and executives kicked off the “in the lead” process at this year’s management day held in July 2010. The “in the lead” process is intended to boost the common understanding of leadership at EnBW. The process is based on nine predefined fields of action that provide the entities and executives with the scope to set their own priorities and to focus on and further refine the strategic success factors they deem decisive in leadership.

At the end of the third quarter of this year some 330 young people started their training or studies at EnBW, as was the case in the prior year. The apprenticeships in technical and commercial areas include, among others, plant and industrial mechanics, mechatronics fitters, construction mechanics, industrial clerks, information technology officers and office clerks. In addition to the periods of practical work on location at EnBW, the students are registered at universities and colleges such as Heidenheim, Karlsruhe or Stuttgart. EnBW has well over 1,000 trainees and students in its employ. EnBW offers all trainees and students who successfully complete their finals a follow-up contract for at least twelve months. The training of young people and a job guarantee constitute a considerable contribution to securing a supply of young talent for EnBW.

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, also using storage technology. 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 locally emission-free individual mobility of tomorrow.

Guided by the aim of sustainable energy supply, we work on solutions that generate added value in our own facilities and at our customers. In the third quarter of 2010, we focused on driving forward our projects in the field of carbon dioxide (CO₂) capture, local energy generation and electromobility.

CO₂ capture: EnBW has established another test facility at its Heilbronn hard coal power station. As of November the facility is expected to start cleaning more than 90% of CO₂ from a portion of the flue gases created in the course of the incineration by using aqueous amine solutions. When using efficient detergents, special materials can reduce the energy needed in the process and thereby also cut the efficiency losses in the power station substantially. The experience gained in Heilbronn under realistic operating conditions is to help assess future large-scale applications better. Back in May, EnBW commissioned a test facility at the University of Stuttgart that removes CO₂ from flue gas using limestone. The innovative procedures from both facilities are part of the company's extensive research activities with the aim of reducing the CO₂ emissions from power stations.

Local generation of energy: As part of the government-subsidised CALLUX field tests, EnBW commissioned 24 local fuel cells by the end of September to supply households with energy. A total of 222 facilities are planned to be set up by EnBW by 2012. Since 2001, EnBW has been pursuing the objective of actively driving forward this environmentally friendly source of energy to serial use. Preparations to include facilities with capacity of only a few kilowatts are underway as part of the joint research platform of EnBW and the German Aerospace Centre (DLR) for local generation of energies. When developing new small-scale power stations based on micro gas turbines, cost-savings potential can be realised by using standard industrial components, among other things.

Electromobility – field test with Toyota Prius plug-in hybrid: The largest fleet of electric vehicles in Germany at present set off in July of this year. All of EnBW's fleet of 500 electric scooters are now in use in Stuttgart. Also in July, ten prototypes of the new Toyota Prius plug-in hybrid were delivered to EnBW and several other partners in Karlsruhe. In France, EDF is part of the worldwide test of the new model. Correspondingly, EnBW will build charging stations along the Rhine axis, making it possible for German and French test drivers to travel across the border.

Risk management

The EnBW group's risk exposure remains at a high level. The level of planning uncertainty was reduced by the agreed energy concept and the establishment of the nuclear fuel rod tax. There are no risks that could jeopardise the ability of the group to continue as a going concern. It is not possible to exclude individual effects that exert an additional burden on earnings from the perspective of the year as a whole.

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 and supports risk management. Group risk management at the level of the holding company is responsible for specifying group-wide methods and processes and determining group risk exposure and risk reporting to the Board of Management. External revenue can be split up as follows: systemic and industry risks, strategic, IT, personnel, financial, operating and other risks. Building on the reporting contained in the 2009 annual report and the first and second quarters of 2010, we report here on the material risks that have changed or come into being in the third quarter of 2010.



FURTHER INFORMATION
Six-Monthly Financial
Report Q2 2010 > Risk
management p. 25 ff

Systemic and industry risks

Economic risks

Development of the economy: The improvement in the general economic situation in the course of 2010 was accompanied by an increase in demand for electricity and gas and higher prices on the wholesale markets in comparison to the prior year. In fiscal year 2009, the economic crisis had still exerted an impact on EnBW's earnings by way of lower unit sales and the resale of unsold quantities at lower prices. This risk potential was further reduced in the course of the third quarter of 2010 following a decline in previous quarters.

Market and price risks: Further intensification of the competition in the B2C segment on the gas market was observed, which increases the risk of customer losses. For EnBW's sales function there is also the risk of greater willingness among customers to change provider if the EEG cost allocations set for 2011 in mid-October are passed on to customers. The more intense competition has brought about a further increase in the risk exposure of all sales entities throughout the group.

Political and regulatory risks

Ice load map: The newly introduced ice load map does not give rise to any retrofitting measures for EnBW with regard to the masts and overhead transmission lines within its grids.

Nuclear fuel rod tax and agreement on the fund to promote renewable energies: Pursuant to a cabinet decision of the federal government on 28 September 2010, a new tax will be imposed on the use of nuclear fuels over the period from 2011 to 2016. The current draft of the German Nuclear Fuel Rod Tax Act provides for a tax rate of € 145 per gram of nuclear fuel employed. The act provides that the tax is due the first time a fuel rod is used in the reactor. The resulting additional income at federal level will come to around € 2.3 billion per annum, of which some € 440 million would be payable by EnBW. As the legislative procedure has not yet been completed there is still the possibility that amendments will be made.

On 28 September 2010, an agreement was signed between the federal government and the operators of nuclear power plants on a fund to promote renewable energies. The agreement comprises three components: an extension of the working life of nuclear power plants, nuclear fuel rod tax and promotion of renewable energies. According to the agreement on the fund to promote renewable energies, an extension of the working life of nuclear power plants is linked to payments into such fund. For EnBW, this gives rise to non-refundable advance payments of an estimated € 65 million in each of the years 2011 and 2012 and € 43 million for the following years until 2016. In principle, the agreed extension of the working life counteracts the

aforementioned burdens. The financial effect depends however to a material extent on the regulations on retrofitting the plants and on the date on which the extension of working lives comes into effect. Of course, there may be amendments by the end of the parliamentary procedure.

All in all, the nuclear fuel rod tax constitutes a considerable burden on EnBW's operating result. Revenues from the extension of the working lives of the nuclear power plants are to a great extent absorbed through various measures. Both factors will have a detrimental effect on EnBW's future investment projects. The risk of EnBW being downgraded by rating agencies has increased in particular on account of the introduction of the nuclear fuel rod tax.

Directive on industrial emissions: In the course of European legislative procedure relating to amendments to the industrial emissions directive (IED), the European Parliament passed – after a second reading – the proposals for a compromise negotiated between the European Council and the European Parliament. The official formal approval of the Council is still necessary for the directive to come into final effect. The risk of retrofitting work totalling an eight-digit figure becoming necessary at individual EnBW facilities in the medium term has increased on the basis of the existing regulations.

Amendments to the German radiation protection ordinance: The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety has presented draft amendments to the German radiation protection ordinance (StrlSchV) and the German x-ray ordinance (RöV). These contain a dramatic reduction in the permitted limits and approval levels for tritium. This would lead to a considerable increase in the amount of waste classified as radioactive and would necessitate, among other things, additional investment in waste treatment facilities and handling processes would become significantly more complex. Both factors lead to considerably higher costs for the operation and decommissioning of nuclear facilities and the preparation of nuclear waste for ultimate storage and the operation of ultimate storage facilities.

Strategic risks

Implementation of the strategy: The investment projects of the EnBW group already started include numerous new facilities. Such large-scale projects are by their very nature highly complex and involve a large number of participants. This means that it is impossible to rule out disruptions during the process of construction which may cause temporary delays or cost increases. We consider it highly likely that such disruptions will occur in the case of the construction work for the new RDK 8 coal-fired power station. On account of such factors and changes to the market environment there are risks that the investments will be impaired. This could mean that impairment losses will have to be recognised.

The current market environment made it impossible for the planned volume of divestitures to be achieved.

Risks of impairment: Changes to the assessment of the future profitability of group entities may also lead to additional impairment losses. It is likely that impairment losses of a high eight-digit amount will need to be recognised on equity instruments held by entities accounted for using the equity method in the 2010 financial statements on account of their being permanently impaired, unless there is a rise in the market price of the instruments.

Financial risks

Counterparty risk: The risk of additional burdens relating to obligations from the cross-industry pension guarantee association has fallen.

Asset management: In light of a protracted sideward movement on the capital markets, the risk of impairment losses has been realised in some cases. Although 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 exclude further impairment losses due to the accounting rules for securities.

Overall assessment

The EnBW group's risk exposure remains at a high level. Deterioration in the exposure to some risks is offset by an improvement in the situation with regard to others. In the regulatory and political area, the energy concept and the establishment of the nuclear fuel rod tax have brought about a noticeable reduction in uncertainties but these factors will continue to have a material impact on EnBW's earnings in coming years. In our opinion, there are no discernable risks to the continued existence of the company either from individual risks or from the overall risk position of the EnBW group. It is not possible to exclude further individual effects that exert a burden on earnings from the perspective of the year 2010 as a whole.

Subsequent events

There were no events after 30 September 2010 which would be significant for assessing the net assets, financial position and results of operations of EnBW.

Forecast

On the basis of the continuing positive business development over the first nine months of 2010, for the year as whole we expect adjusted EBIT to be significantly above the level of the prior year. Due to the costs incurred for the nuclear fuel rod tax, however, the investment programme will need to be reviewed and scaled back.



FURTHER INFORMATION
Six-Monthly Financial
Report Q2 2010 > Forecast
p. 28 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. The present economic environment clearly 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. The planned nuclear fuel rod tax will lead to costs of up to € 440 million per year for EnBW. On this basis, we assume – counter to our previous planning – that adjusted EBIT will decline considerably and adjusted group net profit will decrease. In light of this, we will review the investment programme and scale back the planned investment volume.

Future economic conditions

Overall economic developments: The International Monetary Fund (IMF) revised its growth forecast upwards once again in October 2010. After 3.9% and then 4.2%, it now anticipates a 4.8% increase in global gross domestic product (GDP) for 2010. Emerging and developing countries are expected to grow at a rate of 7.1%, exhibiting more dynamism than industrialised countries, which look set to grow by 2.7%. The European Commission also raised its growth forecasts significantly in September. For the year 2010 it now anticipates a 1.7% increase in GDP in the euro area compared to its previous forecast of 0.9%. The updated forecast included an increase for Germany in particular, from 1.2% to 3.4% for the reporting year. The German Institute for Economic Research (DIW) has since changed its forecast to the same level, having previously anticipated GDP growth of 1.7% for the year as a whole.

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 strong recovery, demand for electricity and gas in 2010 should exceed the prior-year level considerably.

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 oil stood at US\$ 85.03/bbl (front year 2011) and US\$ 87.94/bbl (front year 2012), respectively, at the end of September 2010. To what extent the expected price increases will become reality greatly depends on how supply 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 forward contracts for coal reveal an upward price trend as of the end of September. The main factors influencing the current price expectations are the uncertainties regarding China's and India's future import quantities as well as economic growth in Asia. The future economic developments in the euro area are another major factor. The market for natural gas is expected to see prices stabilise as we enter into the winter months and temperatures start to fall. In addition, 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.

CO₂ emission allowances: Apart from the future energy demand and the related volume of emissions, political decisions in particular are key factors determining the future development of allowance prices. Most of all, market participants are awaiting the upcoming announcement at the end of 2010 of the quantities for the 2013 allowances. Auctioning of these allowances is expected to start in 2011. Following the climate protection conference in Copenhagen at the end of 2009 which produced virtually no results, the conference that is being held in Mexico at the end of 2010 wants to define binding targets and climate protection measures. These could also have an impact on the emission volumes permitted in future. Apart from this, the EU is expected to reach a decision on increasing its own climate targets.

Electricity market: Upward forward price curves for primary energy sources and CO₂ allowances mean that as of the end of September the prices of future electricity supplies were also higher than prices on the spot market. Volatility on the wholesale market can be expected to continue to increase as the volume of renewable energies fed in, and required to be purchased, grows. As a result, there will more frequently be very low or negative prices in some hours. Although the details have not been announced yet, the amendment of the German Renewable Energies Act (EEG) that is to be issued in 2012 will impact the subsidisation of renewable energies. The agreed extension of working life for nuclear power plants could affect wholesale market prices, depending on how it is finally implemented in law.

Future development of the company

Capital expenditure, strategy and financing: In light of the considerable costs resulting from the nuclear fuel rod tax, the investment programme will be reviewed and scaled back depending on earnings power and level of debt. The investment programme will be adjusted in line with our objective of maintaining an A rating in the medium term. EnBW is also pursuing a divestiture programme, which has so far generated some € 900 million. Our equity investment in EVN AG will not be sold as planned in 2010 on account of the conditions currently prevailing on the capital market. A sale remains conceivable at an unspecified date in the future. In addition, EnBW will initiate measures to optimise the capital structure and operating performance.

Anticipated development of earnings: The operating result developed better than anticipated for the first nine months of 2010. The reasons included more favourable general economic conditions and a protracted winter period. However, there were also counter-effects which will continue to be felt throughout the year. We updated our forecast as follows: Despite the costs caused by GKN I nuclear power plant operating at reduced capacity, we now expect to achieve a slight increase in earnings in the electricity generation and trading segment in line with our original planning. In the six-monthly financial report 2010 we had temporarily adjusted our earnings expectations to a stable level. Based on the positive results of operations in the regulated area (higher annual peak load, lower expense for balancing energy) and a cold winter, we expect an increase in adjusted EBIT in the electricity grid and sales segment. In subsequent years, the higher level of income will, however, be returned to the customers via lower network user charges based on regulatory measures. 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. In total, we have revised our expectations of adjusted EBIT at group level upwards. While we had already forecast a minor increase in the six-monthly financial report, we now believe growth rates of between 3% and 6% are possible. As previously forecast we anticipate a positive non-operating EBIT for 2010.

Development of earnings 2010 (adjusted EBIT) compared to the prior year	Annual report 2009	Q3 2010
Electricity generation and trading segment	rising slightly (+1 to +3%)	rising slightly (+1 to +3%)
Electricity grid and sales segment	stable (-1 to +1%)	rising (double digit)
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	+2% of adjusted EBIT, group
Adjusted EBIT, group	stable (-1 to +1%)	rising (+3 to +6%)

INTERIM FINANCIAL STATEMENTS OF THE ENBW GROUP (UNAUDITED)

Income statement

€ millions	1/7- 30/9/2010	1/7- 30/9/2009	1/1- 30/9/2010	1/1- 30/9/2009
Revenue including electricity and natural gas tax	4,185.9	3,751.0	13,639.8	12,435.7
Electricity and natural gas tax	-187.2	-222.4	-689.7	-732.6
Revenue	3,998.7	3,528.6	12,950.1	11,703.1
Changes in inventories	-4.0	3.2	16.0	12.1
Own work capitalised	19.0	17.8	45.6	37.5
Other operating income	403.8	103.7	1,009.0	452.5
Cost of materials	-2,935.5	-2,527.8	-9,368.6	-8,340.9
Personnel expenses	-367.6	-375.0	-1,178.7	-1,159.4
Other operating expenses	-189.4	-199.1	-675.2	-673.7
EBITDA	925.0	551.4	2,798.2	2,031.2
Amortisation and depreciation	-442.4	-201.3	-887.9	-611.9
Earnings before interest and tax (EBIT)	482.6	350.1	1,910.3	1,419.3
Investment result	14.3	42.0	171.1	214.7
of which net profit from entities accounted for using the equity method	(9.7)	(28.1)	(142.1)	(167.1)
of which other income from investments	(4.6)	(13.9)	(29.0)	(47.6)
Financial result	-177.7	-193.7	-512.5	-530.7
of which finance revenue	(76.0)	(88.7)	(294.5)	(287.6)
of which finance costs	(-253.7)	(-282.4)	(-807.0)	(-818.3)
Earnings before tax (EBT)	319.2	198.4	1,568.9	1,103.3
Income taxes	-30.2	-83.0	-339.2	-348.1
Group net profit	289.0	115.4	1,229.7	755.2
of which profit shares attributable to non-controlling interests	(-57.4)	(13.9)	(-15.7)	(42.4)
of which profit shares attributable to the equity holders of EnBW AG	(346.4)	(101.5)	(1,245.4)	(712.8)
Shares outstanding (millions), weighted average	244.257	244.257	244.257	244.257
Earnings per share from group net profit (€)¹	1.42	0.42	5.10	2.92

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

Statement of comprehensive income

€ millions	1/7– 30/9/2010	1/7– 30/9/2009	1/1– 30/9/2010	1/1– 30/9/2009
Group net profit	289.0	115.4	1,229.7	755.2
Difference from currency translation	2.6	19.1	-8.0	6.8
Cash flow hedge	-155.0	-151.6	144.8	-2.0
Available-for-sale financial assets	35.8	254.6	114.4	307.0
Entities accounted for using the equity method	-17.3	93.1	-79.4	-85.5
Income taxes on other comprehensive income	36.3	20.7	-51.7	16.2
Other comprehensive income	-97.6	235.9	120.1	242.5
Total comprehensive income	191.4	351.3	1,349.8	997.7
of which profit shares attributable to non-controlling interests	(-53.6)	(16.9)	(-14.3)	(51.6)
of which profit shares attributable to the equity holders of EnBW AG	(245.0)	(334.4)	(1,364.1)	(946.1)

Balance sheet

€ millions ¹	30/9/2010	31/12/2009
Assets		
Non-current assets		
Intangible assets	2,231.2	1,746.9
Property, plant and equipment	13,025.1	11,925.2
Investment properties	100.4	70.3
Entities accounted for using the equity method	3,763.7	3,756.7
Other financial assets	5,668.4	5,691.4
Trade receivables	466.8	425.9
Income tax refund claims	223.9	215.9
Other non-current assets	306.6	203.8
Deferred taxes	51.5	29.2
	25,837.6	24,065.3
Current assets		
Inventories	911.4	944.8
Financial assets	840.7	771.7
Trade receivables	1,804.7	2,807.5
Income tax refund claims	189.0	241.2
Other current assets	1,884.9	2,639.5
Cash and cash equivalents	2,224.5	1,470.8
	7,855.2	8,875.5
Assets held for sale	6.2	1,698.0
	7,861.4	10,573.5
	33,699.0	34,638.8
Equity and liabilities		
Equity		
Group shares		
Subscribed capital	640.0	640.0
Capital reserve	22.2	22.2
Revenue reserves	5,474.3	4,596.9
Revaluation reserve in accordance with IFRS 3	43.9	49.6
Treasury shares	-204.1	-204.1
Other comprehensive income	343.9	225.2
	6,320.2	5,329.8
Non-controlling interests	1,082.2	1,077.9
	7,402.4	6,407.7
Non-current liabilities		
Provisions	9,818.2	9,399.8
Deferred taxes	1,840.4	1,677.0
Financial liabilities	6,827.9	6,737.0
Other liabilities and subsidies	1,964.4	1,948.3
	20,450.9	19,762.1
Current liabilities		
Provisions	1,082.7	1,006.2
Financial liabilities	269.0	447.3
Trade payables	1,870.1	2,803.4
Income tax liabilities	44.6	27.1
Other liabilities and subsidies	2,579.3	3,416.9
	5,845.7	7,700.9
Liabilities directly associated with the assets classified as held for sale	0.0	768.1
	5,845.7	8,469.0
	33,699.0	34,638.8

¹ The figures of the comparative period have been restated.

Cash flow statement

€ millions	1/1– 30/9/2010	1/1– 30/9/2009
1. Operating activities		
EBITDA	2,798.2	2,031.2
Change in non-current provisions	-93.6	-148.8
Gain/loss on disposal of non-current assets	-192.6	-18.9
Other non-cash expenses/income	-213.6	-99.7
Funds from operations (FFO) before taxes and financing	2,298.4	1,763.8
Change in assets and liabilities from operating activities	-131.4	-59.4
Inventories	[-3.0]	[-13.6]
Net balance of trade receivables and payables	[-13.7]	[-123.9]
Net balance of other assets and liabilities	[-75.0]	[162.9]
Current provisions	[-39.7]	[-84.8]
Income tax paid	-149.3	-154.2
Cash flow from operating activities	2,017.7	1,550.2
2. Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-966.9	-805.9
Cash received from disposals of intangible assets and property, plant and equipment	28.1	70.7
Cash received from construction cost and investment subsidies	40.4	38.9
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method	-626.7	-3,002.7
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method	772.7	0.0
Change in securities and investments	46.1	-737.9
Interest received	183.1	188.3
Dividends received	133.2	131.3
Cash flow from investing activities	-390.0	-4,117.3

€ millions	1/1– 30/9/2010	1/1– 30/9/2009
3. Financing activities		
Interest paid for financing activities	-204.3	-209.5
Dividends paid	-417.7	-539.9
Proceeds from financial liabilities	162.2	1,943.1
Repayment of financial liabilities	-535.6	-276.0
Cash flow from financing activities	-995.4	917.7
Net change in cash and cash equivalents	632.3	-1,649.4
Net foreign exchange difference	13.3	4.2
Change in cash and cash equivalents	645.6	-1,645.2
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	2,224.5	1,439.3
of which cash and cash equivalents recognised as current assets	[2,224.5]	[1,362.6]
of which cash and cash equivalents of assets held for sale	[0.0]	[76.7]

€ millions	1/1– 30/9/2010	1/1– 30/9/2009
Interest paid for investing activities (capitalised borrowing costs)	-38.9	-17.2
Interest paid for financing activities	-204.3	-209.5
Total interest paid in the period	-243.2	-226.7

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			712.8			
Total comprehensive income	0.0	0.0	712.8	0.0	0.0	
Dividends paid			-491.0			
Other changes						
As of 30 September 2009	640.0	22.2	4,541.5	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			1,245.4			
Total comprehensive income	0.0	0.0	1,245.4	0.0	0.0	
Dividends paid			-373.7			
Other changes			5.7	-5.7		
As of 30 September 2010	640.0	22.2	5,474.3	43.9	-204.1	

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

> Statement of changes in equity

		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
	5.2	32.7	280.2	-84.8	233.3	9.2	242.5
					712.8	42.4	755.2
	5.2	32.7	280.2	-84.8	946.1	51.6	997.7
					-491.0	-48.9	-539.9
					0.0	19.4	19.4
	2.0	-152.0	297.0	47.0	5,243.2	825.5	6,068.7
	-4.3	-130.3	336.0	23.8	5,329.8	1,077.9	6,407.7
	-8.0	95.7	110.4	-79.4	118.7	1.4	120.1
					1,245.4	-15.7	1,229.7
	-8.0	95.7	110.4	-79.4	1,364.1	-14.3	1,349.8
					-373.7	-44.0	-417.7
					0.0	62.6	62.6
	-12.3	-34.6	446.4	-55.6	6,320.2	1,082.2	7,402.4

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 September 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 September 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.

Restatement of prior-year figures

Goodwill and other liabilities were restated retroactively for the 2009 fiscal year due to the change in the assessment of the probability of occurrence of an earn-out obligation in connection with our investment in Turkey. Restatement led to a decrease in both balance sheet items of € 59.5 million.

Basis of consolidation

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

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

Kraftwerk Rostock 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 € 64.6 million and earnings after tax of € 3.6 million in the nine-monthly financial statements for January to September 2010. The following assets and liabilities were acquired in the acquisition.

€ millions	Carrying amount under IFRS	Recognised on acquisition
Intangible assets	0.0	2.4
Property, plant and equipment	44.9	266.9
Current assets	20.9	53.8
Total assets	65.8	323.1
Non-current liabilities	0.0	0.0
Current liabilities	2.2	2.2
Total liabilities	2.2	2.2
Net assets ¹	63.6	320.9
Cost (paid in cash)		320.9
Goodwill		0.0

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

Compared to the reporting for the six-monthly financial statements for 2010, there were no significant changes in determining fair value. 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 € 2.4 million. These developments are based on the fair value opinion that has been made available in the meantime and is practically final.

The trade receivables acquired in the business combination amounted to € 20.9 million. The total amount of these receivables is expected to be recoverable.

Onshore wind farms

In order to further expand its generation capacity in wind energy, EnBW acquired a 100% share in Plambeck Neue Energien Windpark Fonds CVI GmbH & Co. KG, Cuxhaven, Plambeck Neue Energien Windpark Fonds CVII GmbH & Co. KG, Cuxhaven, Plambeck Neue Energien Windpark Fonds LXXXV GmbH & Co. KG, Cuxhaven and Plambeck Neue Energien Windpark Fonds XCIX GmbH & Co KG, Cuxhaven, effective as of 18 March, 5 May, 17 June and 22 September 2010, respectively. The purchase price came to € 15.7 million and was settled in cash and loans. This includes contingent consideration of € 3.8 million, relating mostly to earn-out obligations, of which € 1.0 million was already paid as of the nine-monthly financial statements for January to September 2010. The earn-out obligations involve further consideration if the entities acquired meet the conditions for an increase in the consideration required by law in the form of bonus payments. The total contingent consideration is expected to be between € 2.5 and 3.8 million. The entities' wind power plants were completed mid-December 2009, mid-March, mid-June and mid-September 2010, respectively. The effect arising from these entities on revenue and earnings after tax in these nine-monthly financial statements for January to September 2010 is immaterial, even when including the entities as of the beginning of the year.

The following assets and liabilities were acquired in the acquisition:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Property, plant and equipment	34.9	38.7
Current assets	5.1	5.1
Total assets	40.0	43.8
Non-current liabilities	0.1	0.1
Current liabilities	28.0	28.0
Total liabilities	28.1	28.1
Net assets ¹	11.9	15.7
Cost (paid in cash)		0.0
Loans		11.9
Liability from contingent consideration		3.8
Total consideration transferred		15.7
Goodwill		0.0

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

Other receivables acquired in the business combination amounted to € 4.0 million. The total amount of these receivables is expected to be recoverable.

Share swap Pražská energetika a.s. (PRE) and Pražská teplárenská a.s. (PT)

In order to obtain a majority shareholding in the Czech energy company Pražská energetika a.s. (PRE) and thereby expand our presence in the Czech Republic, a target strategic market, as of 20 September 2010 EnBW swapped the 24.3% share it had previously held primarily via Pražská teplárenská Holding a.s. in the Prague-based district heating supplier Pražská teplárenská a.s. (PT) in return for the 41.1% share held by EPH Group (Energetický a průmyslový holding Group) in PRE. PRE and PT had previously been included as joint ventures in the EnBW group by way of proportionate consolidation. Since the transaction, EnBW overall holds 69.6% of the shares in PRE. EnBW has obtained economic and industrial control over PRE through the contractual agreements in connection with the share increase, and the entity is therefore included in the consolidated financial statements by way of full consolidation. Following the share swap, EnBW no longer holds any shares in PT, which therefore no longer belongs to the group.

The consideration transferred in the course of the share acquisition includes the PT shares, measured at fair value, of € 200.5 million and a cash component of € 305.0 million. The PT share swap generated other operating income of € 81.1 million.

The 28.5% share previously held in PRE is measured at fair value as of the acquisition date. The resulting gain of € 173.6 million was also recognised in other operating income.

Costs directly attributable to the transaction amounted to € 6.0 million and were recognised in other operating expenses. The non-controlling interest was measured on the basis of PRE's identifiable net assets and amounts to € 174.9 million. The amount of goodwill is preliminary since the determination of the assets' and liabilities' fair value is not yet final. Among other things, it represents synergies in the electricity grid and sales segment.

Since the PRE business combination took place as of 20 September 2010 the effects arising from the entity on the nine-monthly financial statements for January to September 2010 on revenue and earnings after tax are immaterial. If PRE had been fully consolidated since the beginning of the year, group revenue would have increased by € 462.8 million to € 13,412.9 million and earnings after tax would have increased by € 44.3 million to € 1,274.0 million. The following assets and liabilities were acquired in the acquisition:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Intangible assets	7.9	153.9
Property, plant and equipment	720.3	720.3
Current assets	93.5	93.5
Total assets	821.7	967.7
Non-current liabilities	243.6	285.6
Current liabilities	106.9	106.9
Total liabilities	350.5	392.5
Net assets ¹	471.2	575.2
EnBW's interest in net assets 69.6%		400.3
Cost (paid in cash)		305.0
Fair value of the PT shares		200.5
Total consideration transferred		505.5
Fair value of previously held PRE-shares		307.5
Goodwill		412.7

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.

The trade receivables acquired in the business combination amounted to € 67.7 million. The total amount of these receivables is expected to be recoverable.

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 the 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	30/9/2010	31/12/2009	30/9/2009
Full consolidation	106	99	98
Proportionate consolidation (joint ventures)	31	36	12
Associates	17	17	18

Investment result

€ millions	1/1– 30/9/2010	1/1– 30/9/2009
Share of profit of entities accounted for using the equity method	142.1	167.5
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	142.1	167.1
Investment income	38.7	47.6
Write-downs of investments	-9.7	0.0
Other income from investments	29.0	47.6
Investment result	171.1	214.7

Financial result

€ millions	1/1– 30/9/2010	1/1– 30/9/2009
Interest and similar income	156.9	188.1
Other finance revenue	137.6	99.5
Finance revenue	294.5	287.6
Borrowing costs	-236.7	-241.7
Other interest and similar expenses	-23.2	-35.1
Interest portion of increases in provisions	-387.6	-382.1
Personnel provisions	(-171.1)	(-171.8)
Provisions relating to nuclear power	(-214.0)	(-200.0)
Other non-current provisions	(-2.5)	(-10.3)
Other finance costs	-159.5	-159.4
Finance costs	-807.0	-818.3
Financial result	-512.5	-530.7

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 as well as to the disposal of Pražská tepleárenská Holding a.s. and its subsidiaries in the course of the share swap in September 2010.

The assets and liabilities of the Pražská tepleárenská Holding a.s. and GESO disposal groups break down as follows:

€ millions	30/9/2010	31/12/2009
Non-current assets		
Intangible assets	0.0	157.6
Property, plant and equipment	0.0	908.2
Other non-current assets	0.0	409.1
	0.0	1,474.9
Current assets	0.0	221.4
Assets held for sale	0.0	1,696.3
Non-current liabilities		
Provisions	0.0	65.3
Deferred taxes	0.0	108.1
Liabilities and subsidies	0.0	164.7
	0.0	338.1
Current liabilities		
Provisions	0.0	40.6
Liabilities and subsidies	0.0	389.4
	0.0	430.0
Liabilities directly associated with the assets classified as held for sale	0.0	768.1

The remaining assets held for sale totalling € 6.2 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– 30/9/2010	1/1– 30/9/2009
FFO before taxes and financing	2,298.4	1,763.8
Income tax paid	-149.3	-154.2
Interest and dividends received	316.3	319.6
Interest paid for financing activities	-204.3	-209.5
FFO after taxes and financing	2,261.1	1,719.7

Contingent liabilities and financial commitments

Compared to 31 December 2009, contingent liabilities and financial commitments have decreased by € 1,208.7 million to € 21,614.6 million. The decrease stems in particular from the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries, from the acquisition of Gesellschaft für die Beteiligung an dem Kraftwerk Rostock mbH and from the increase in the shareholding in PRE. These effects were partially offset by investment commitments relating to the construction of the offshore wind farms.

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 nine months of 2010 had the following impact on EnBW's consolidated financial statements:

Income statement in € millions	1/1– 30/9/2010	1/1– 30/9/2009
Revenue	1,199.8	713.6
Cost of materials	-1,259.7	-764.9

Balance sheet in € millions	30/9/2010	31/12/2009
Receivables	157.5	149.7
Payments on account	45.8	47.1
Liabilities	199.1	258.1
Payments on account received	23.5	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– 30/9/2010	1/1– 30/9/2009
Revenue	18.8	31.5
Cost of materials	-11.8	-15.3

Balance sheet in € millions	30/9/2010	31/12/2009
Other loans	13.2	12.7
Receivables	4.0	6.8
Liabilities	0.0	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– 30/9/2010	1/1– 30/9/2009
Revenue	176.8	140.5
Cost of materials	-113.4	-64.4

Balance sheet in € millions	30/9/2010	31/12/2009
Other loans	9.7	2.4
Receivables	11.6	24.1
Liabilities	93.3	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 September 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– 30/9/2010 in € millions	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	Total
External revenue	3,554.8	7,618.5	1,258.9	517.9	0.0	12,950.1
Internal revenue	3,243.5	173.1	63.6	309.4	-3,789.6	0.0
Total revenue	6,798.3	7,791.6	1,322.5	827.3	-3,789.6	12,950.1
Adjusted EBIT	1,300.6	282.6	48.4	93.3	-110.9	1,614.0
EBIT	1,185.8	662.9	52.6	96.6	-87.6	1,910.3
Amortisation and depreciation	-310.8	-177.5	-54.9	-109.5	-1.4	-654.1
Impairment losses	-233.8	0.0	0.0	0.0	0.0	-233.8
Capital employed as of 30/9/2010	6,066.1	4,631.4	1,362.3	1,230.5	2,453.8	15,744.1

1/1– 30/9/2009 in € millions ¹	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	Total
External revenue	1,847.9	7,468.8	1,852.4	534.0	0.0	11,703.1
Internal revenue	3,272.7	294.0	60.6	347.0	-3,974.3	0.0
Total revenue	5,120.6	7,762.8	1,913.0	881.0	-3,974.3	11,703.1
Adjusted EBIT	1,203.6	132.0	107.7	78.9	-119.6	1,402.6
EBIT	1,156.9	167.1	108.0	76.3	-89.0	1,419.3
Amortisation and depreciation	-253.2	-178.1	-63.2	-106.4	-0.5	-601.4
Impairment losses	-2.9	0.0	0.0	-7.6	0.0	-10.5
Capital employed as of 31/12/2009	5,414.2	3,973.3	1,682.1	1,351.0	3,159.1	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– 30/9/2010	1/1– 30/9/2009
Adjusted EBIT	1,614.0	1,402.6
Non-operating EBIT	296.3	16.7
Earnings before interest and tax (EBIT)	1,910.3	1,419.3
Investment result	171.1	214.7
Financial result	-512.5	-530.7
Earnings before tax (EBT)	1,568.9	1,103.3

The non-operating result breaks down as follows:

€ millions	1/1– 30/9/2010	1/1– 30/9/2009
Income/expenses from changes in nuclear power provisions	-27.8	-34.6
Income from the reversal of other provisions	35.1	52.1
Gains on sale and income from acquisition achieved in stages	452.0	36.1
Other on sale non-operating result	70.8	-26.4
Impairment losses	-233.8	-10.5
Non-operating EBIT	296.3	16.7

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 to 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.

Board of Management and Supervisory Board

Board of Management Supervisory Board

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

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 Technische Dienste und
kaufmännische Leistungen GmbH

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)

Bodo Moray, Mannheim
Trade union secretary at ver.di, Rhine-
Neckar district
(since 6 September 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 September 2010

Important note

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Financial calendar

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

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11 | 11 | 2011

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