Quarterly Financial Report
January to March 2011

Q1

EnBW Energie
Baden-Württemberg AG

At a glance

EnBW group		1/1–31/3/2011	1/1–31/3/2010	Variance %	1/1–31/12/2010
Revenue					
Electricity generation and trading	€ millions	1,376.0	1,218.4	12.9	4,817.0
Electricity grid and sales	€ millions	2,783.0	2,727.8	2.0	10,192.7
Gas	€ millions	704.3	783.2	-10.1	1,788.1
Energy and environmental services	€ millions	170.4	170.2	0.1	711.2
External revenue, total	**€ millions**	**5,033.7**	**4,899.6**	**2.7**	**17,509.0**
Adjusted EBITDA	€ millions	951.7	1,082.9	-12.1	2,837.8
EBITDA	€ millions	823.0	1,329.0	-38.1	3,279.8
Adjusted EBIT[1]	€ millions	744.4	875.7	-15.0	1,930.6
EBIT[1]	€ millions	611.4	1,121.8	-45.5	2,115.0
Adjusted group net profit[1,2]	€ millions	483.7	598.2	-19.1	986.7
Group net profit[1,2]	€ millions	386.9	817.1	-52.6	1,169.4
Earnings per share from group net profit[2]	€	1.58	3.35	-52.8	4.79
Cash flow from operating activities	€ millions	886.8	554.5	59.9	2,560.9
Free cash flow[3]	€ millions	684.7	373.8	83.2	1,060.1
Capital expenditures	€ millions	302.9	530.6	-42.9	2,327.9

Energy sales of the EnBW group		1/1–31/3/2011	1/1–31/3/2010	Variance %	1/1–31/12/2010
Electricity	billions of kWh	38.9	38.0	2.4	146.9
Gas	billions of kWh	20.1	24.2	-16.9	53.6

Employees of the EnBW group[4]		31/3/2011	31/3/2010	Variance %	31/12/2010
Employees	Number	21,193	19,987	6.0	20,952

1 The figures for the period from 1 January to 31 December 2010 have been restated.
2 In relation to the profit shares attributable to the equity holders of EnBW AG.
3 Free cash flow before financing.
4 Number of employees without apprentices and without inactive employees.

The cover shows Germany's first commercial offshore wind farm: EnBW Baltic 1, which was officially put into operation on 2 May 2011. The 21 wind turbines are 16 kilometres off the north coast of the Fischland-Darss-Zingst peninsula. They have a total output of around 50 megawatts and generate 185 million kWh of electricity for some 50,000 households each year.

EnBW

With some six million customers and more than 20,000 employees, EnBW Energie Baden-Württemberg AG generated annual revenue in excess of € 17 billion in 2010.

As the third-largest energy company in Germany, we focus on the electricity business – in the generation and trading segment and the grid and sales segment – and the gas as well as energy and environmental services business.

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

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NOTE

This report has been prepared for information purposes only. It does not constitute an offer or investment recommendation. EnBW assumes no obligation of any kind to update the information or future-oriented statements contained in this report. For more information, please turn to page 44.

Significant financial developments

> In the first quarter of 2011, the EnBW group's operating business saw a drop in adjusted EBIT of 15.0% to € 744.4 million.

> After a high level of positive non-operating group net profit in the prior year, this figure was clearly negative in the reporting period on account of extraordinary expenses. Group net profit thus stood at € 386.9 million, following the € 817.1 million seen the previous year.

> We made net investments of € 284.9 million, following the cash inflow of € 327.9 million received in the prior-year period on account of divestitures.

> The cash flow from operating activities rose by 59.9% on the prior year to € 886.8 million.

> The high level of positive free cash flow meant that adjusted net debt fell to € 7,439.7 million as of the reporting date, 31 March 2011. As of the end of 2010, this figure still came to € 8,139.8 million.

Top issues January to April 2011

January

New solar farm online

The 900 kW photovoltaic plant in March-Neuershausen makes a contribution to environmental protection in Baden-Württemberg: The volume of electricity of around 930,000 kWh per year is sufficient to supply 270 households with energy from the sun. This allows 540 t of CO_2 to be saved each year.

Test fleet takes stock

In total, the 500 e-bikes have clocked up some 430,000 km on the roads in and around Stuttgart, one of the model regions for electro-mobility. The test riders 'filled up' with 16,270 kWh of electricity. There are currently twelve charging stations at frequently used locations. This field test provides EnBW with insights into the requirements of a charging infrastructure, invoicing models and network usage.

February

New smart grid competence centre

EnBW creates a new competence centre to bundle its many competencies in the field of smart grids. Representatives from eight subsidiaries and investees contribute their specialist knowledge to gear the development of the electricity distribution grids to the changing tasks of the future.

New bio natural gas offer

With its two own bio natural gas facilities, EnBW is now able to offer rates for gas produced entirely or partly from renewables. The facilities in Laupheim and Blaufelden produce some 50 million kWh of bio natural gas a year. This makes EnBW one of the largest bio natural gas producers in Baden-Württemberg.

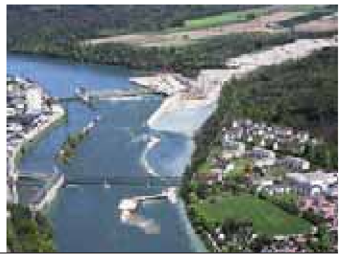
March

GKN I and KKP 1 go offline

The units GKN I and KKP 1 were taken offline in accordance with the directives issued by the Baden-Württemberg Ministry for the Environment, Nature Conservation and Transport with reference to the events at Japanese nuclear power plants. EnBW had announced in advance that it was planning to temporarily shut down GKN I on a voluntary basis.

Rheinfelden hydro-electric power station on the home straight

Although construction work has not quite been completed yet, Rheinfelden run-of-the-river power station is already reliably producing electricity from renewable hydro-electric power. The new facility is heralded a project of the century in renewable energies. Its output is around 100 MW compared with 25.7 MW from the old power station.



April

EnBW buys wind farm

EnBW continues its course of expanding wind power capacity. By acquiring six turbines in the Eifel region, it adds another 12 MW of output to its onshore wind power portfolio. EnBW Baltic 1, the first commercial offshore wind farm in German waters, with a total output of 50 MW, has begun trial operations.

EnBW is main electricity partner for municipalities in the state

In a Europe-wide tender process by the Association of the Municipalities of Baden-Württemberg, EnBW is awarded the contract to supply 262 million kWh of electricity to more than 14,000 town halls, kindergartens, schools and other municipal facilities through-out Baden-Württemberg in 2012 and 2013.

Hans-Peter Villis, Chief Executive Officer

Letter to our shareholders

Dear shareholders,

investors and friends of EnBW,

Since the summer of 2010, energy policy has been at the centre of political debate in Germany. The debate reached a new dimension following the natural disaster in Japan, which had dramatic consequences for people and the environment and involved considerable damage to nuclear power plants, especially in Fukushima. First of all, I would like to express my sympathies to the people in Japan, who have been hit by a chain of the worst disasters possible.

EnBW has reacted to the events. We have sent equipment and technical aid to Fukushima and are ready to provide any further aid that may now be required at any time. And if Germany now, under the impression of the events in Japan, is discussing and rethinking nuclear energy and the options for restructuring the German energy system, we expressly acknowledge and respect this. This also applies to the decision announced by the German federal government to temporarily suspend for a period of three months the extension of German nuclear power plants' working lives that had been adopted in autumn 2010. In March seven nuclear power plants were taken offline accordingly. At EnBW this concerned unit I in Neckarwestheim and unit 1 in Philippsburg.

We have great doubt as to the legality of the directives to temporarily shut down the two plants. However, after in-depth discussion we decided on the Board of Management and the Supervisory Board not to take any legal action. But our decision was not taken alone on the basis of short-term economic disadvantages, but also with a view to retaining customer relationships in the long term and the acceptance of the company by the general public and political decision-makers.

Two commissions set up by the federal government are currently in the process of reviewing the safety standards for nuclear power plants and discussing social issues relating to nuclear energy. But one thing is clear: There will be no returning to the status quo ante. At the same time, I also firmly believe that we must find solutions that do not jeopardise supply reliability and do not impair Germany's competitive position as a location for businesses in the long term. Therefore, we need a comprehensive stress test for the electricity grid. How will the closure of power plants affect network stability? What effect would the addition of large volumes of volatile renewable energy sources have? How many electricity storage facilities will we need? These are just some of the questions that will need to be addressed. Supply reliability is of great importance for people and businesses in Germany and is an asset that must be maintained. EnBW is therefore in favour of an open and responsible dialogue with all groups of society, in order to reach a broad energy consensus at a political level as the basis for an energy supply system of the future.

The operating result of the EnBW group for the first quarter of 2011 already reflects the shutdown of the two nuclear power plants. Adjusted EBIT has fallen by 15.0% compared to the corresponding prior-year period to € 744.4 million. Adjusted EBIT decreased not only in the electricity generation and trading segment, down by 13.6% to € 632.1 million, but also in the gas segment in relation to the prior-year level. The latter recorded lower unit sales of gas in the sales function – partly due to consolidation reasons, partly due to the weather – and a lower level of gas transmitted in the grid area.

Adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG fell by 19.1% in a comparison of the first quarters for 2010 and 2011 to € 483.7 million. Group net profit decreased by 52.6% to € 386.9 million. In addition to the negative effects in the operating business, the main factors were changes in the non-operating result. While non-operating group net profit came to a total of € 218.9 million in the prior year, primarily on account of gains on sale, at € -96.8 million this figure was clearly negative in the reporting period due to extraordinary expenses.

In light of the ongoing debate about future energy policy in Germany, it is currently not possible to make any precise statement about EnBW's future business development in 2011. In contrast to our forecast in the annual report 2010, we now anticipate an even larger drop in earnings in the electricity generation and trading segment. The reason for this is the three-month suspension of the extension of nuclear power plants' working lives. Losses of earnings from the erosion of the profit margins of the power plants and other indirect effects will give rise to considerable financial burdens in 2011. Consequently, we similarly anticipate an even greater drop in earnings at group level than forecast in the annual report 2010.

As soon as the political framework for Germany's future energy policy has emerged in sufficiently concrete form, EnBW will make and implement the necessary decisions in order to ensure supply reliability for our customers in the long term and to adjust the company's business model in an economically sustainable way to the new framework conditions. Expanding renewable energies will remain an important focus of our investment for growth. We want to more or less double our installed output to more than 6,000 megawatts over the next ten years. One prerequisite, however, is for the prevailing conditions not to restrict the company's ability to make investments. In addition, we want to place greater emphasis on local generation facilities in future. We have the necessary expertise to combine local generation units to "virtual power stations". To this end, we will develop new partnership models for municipalities and municipal utilities in cooperation with manufacturers and system service providers. The triangle of local generation – climate protection – municipalities must become an even more closely interconnected concept for us.

There is one factor, however, that is non-negotiable in any of these planning scenarios: that is the company's financial stability. Despite the deteriorating earnings prospects, we were able, for example, to reduce our adjusted net debt in the first quarter of 2011 by repaying € 700.1 million of our current financial liabilities, bringing the remaining total down to € 7,439.7 million. The maintenance of the A rating, diversified financing sources and a flexible dividend policy are the key points of our balanced and responsible financial strategy.

Yours sincerely,

Hans-Peter Villis

Chief Executive Officer

Karlsruhe, May 2011

EnBW on the capital market

Communication with the capital market is currently mainly characterised by the changes to the political environment and their impact on EnBW. Our ongoing financial communication has the aim of meeting the information needs of capital market participants and strengthening their understanding of and trust in EnBW.

FURTHER INFORMATION
www.enbw.com › Investors › Bonds › Ratings

Established issuer on the debt capital market

EnBW pursues the goal of maintaining the A rating by optimising its capital structure. One important criterion is the gearing level that we manage within an appropriate range on the basis of the dynamic leverage ratio (adjusted net debt to adjusted EBITDA). In light of the currently changing economic and political environment, EnBW has adopted the following package of measures:

- Further review of the investment programme for the period from 2011 to 2013 that so far has provided for a net investment volume of € 3.3 billion, including divestitures of € 1.8 billion
- Implementation of an additional efficiency programme ("Fokus") which is expected to reach a sustainable total volume of € 300 million from 2013 onwards
- Further sharpening the focus of our business model as an integrated supply company in Germany and the Czech Republic centring on growth in the areas of renewable energies, energy management and energy efficiency

EnBW has so far always met its objective of maintaining an A rating. Currently, ratings have been issued by Fitch (A/outlook stable), Moody's (A2/outlook stable) and Standard & Poor's (A-/outlook negative). On 31 March 2011, Standard & Poor's confirmed its rating of A-/negative for EnBW, unchanged. The grounds given for this rating are EnBW's stable operating performance. The negative outlook reflects Standard & Poor's opinion that the shutdown of some of the nuclear power plants could be permanent, and could impact EnBW's results of operations in the short to medium term.

In March, EnBW signed a new syndicated line of credit for € 2.0 billion. It acts as a general liquidity reserve and has an initial term of five years, which can be prolonged for one year at a time after the first year and again after the second year. The line of credit, which involves 18 banks and which replaces the line of credit for € 2.5 billion established in May 2005, was well received by the market.

Development of the bond market and of EnBW bonds

In the first quarter of 2011, the price development of government bonds was overshadowed in particular by worries concerning the budgetary and financial stability of some countries such as Greece, the UK, Ireland, Portugal or Japan. The level of returns of the bonds issued by European utility companies listed in the iBoxx € Utilities index increased continually from 3.9% to 4.4% since the beginning of the year. In light of the events in Japan and their consequences since 11 March 2011, EnBW bonds likewise faced a rise in returns and market price losses.

Development of the EnBW share in the first quarter of 2011

At the beginning of 2011, the EnBW share stood at € 40.91. The discussions on the topic of nuclear power being held by political circles and the general public alike led to significant market losses on the part of listed energy supply companies, especially in March. The EnBW share was not affected by this trend, as the public takeover offer by NECKARPRI GmbH for a price of € 41.50 per share was valid until 6 April 2011. Correspondingly, the share price moved only within a narrow band around the offer price at all times during the reporting period. At the end of the first quarter, the price stood at € 41.50. The price fell as expected when the offer expired. The closing price on 8 April 2011 was € 39.10.

The DAX, the leading share index in Germany, started the year 2011 with strong rises, reaching its current annual high of 7,427 points on 18 February 2011. In the subsequent phase of consolidation, the index fell until 16 March 2011, reaching its annual low of 6,514 points. As of the end of the first quarter of 2011, the DAX stood at 7,041 points, which constitutes a slight rise of 1.8% in comparison to the end of the year 2010. The DJ EURO STOXX UTILITY index, which reflects the share price of European utilities, followed a similar pattern over the reporting period. At the end of March 2011, it was 2.8% up on the beginning of 2011.

Change in the shareholder composition

On 6 December 2010, the federal state of Baden-Württemberg announced that it intended to acquire the 45.01% shareholding in EnBW AG held by Electricité de France S.A. (EDF) for a price of € 41.50 per share. On 17 February 2011, NECKARPRI GmbH, an entity wholly owned by the federal state of Baden-Württemberg, assumed the shareholding in EnBW AG held by EDF and entered into the already existing shareholder agreement with Zweckverband Oberschwäbische Elektrizitätswerke (OEW) and its wholly owned subsidiary OEW Energie-Beteiligungs GmbH (OEW GmbH). As of 31 March 2011, OEW GmbH and NECKARPRI GmbH each held 45.01% of the share capital of EnBW AG.

On 7 January 2011, NECKARPRI GmbH made a voluntary public takeover offer to all EnBW AG shareholders for a price of € 41.50 per EnBW share. The last bid deadline expired on 6 April 2011. The takeover offer was accepted for 7,704,472 EnBW shares (equivalent to 3.08% of the share capital of EnBW AG). On 5 April 2011, NECKARPRI GmbH formed the wholly owned subsidiary NECKARPRI-Beteiligungsgesellschaft mbH, to which it transferred its equity interest in EnBW AG. NECKARPRI-Beteiligungsgesellschaft mbH entered into the shareholder agreement with OEW. In accordance with the tender documents, NECKARPRI-Beteiligungsgesellschaft mbH transferred to OEW GmbH on 11 April 2011 half of the shares transferred to it in the course of the takeover offer. This transaction was performed outside of the offer procedure for a price of € 41.50 with the aim of restoring the parity of the shareholdings of the two major shareholders. On 13 April 2011, 3.08% of EnBW shares for which the takeover offer had been accepted were transferred to NECKARPRI GmbH in return for payment of the offer price. NECKARPRI GmbH subsequently likewise contributed these shares to its subsidiary NECKARPRI-Beteiligungsgesellschaft mbH. As of 13 April 2011, the shareholder composition of EnBW AG was as follows:

Shareholder structure

OEW Energie-Beteiligungs GmbH	46.55%
NECKARPRI-Beteiligungsgesellschaft mbH	46.55%
Badische Energieaktionärs-Vereinigung	2.45%
EnBW Energie Baden-Württemberg AG	2.30%
Gemeindeelektrizitätsverband Schwarzwald-Donau	0.95%
Neckar-Elektrizitätsverband	0.69%
Free float	0.40%
Landeselektrizitätsverband Württemberg	0.11%

Transparent investor relations

We intend to employ ongoing communication with our existing and potential investors to boost capital market participants' trust in EnBW. In addition to regular scheduled telephone conferences with analysts and investors in connection with the quarterly reporting, EnBW regularly takes part in investor conferences and stages road shows. The year started with our attending two conferences in Paris and New York in January 2011. At the beginning of February we held a conference call on the publication of the preliminary figures for 2010 for analysts and investors. In light of the events in Japan and the suspension imposed by the federal government of the extension of the working lives of seven nuclear power plants in Germany we have postponed the traditional spring road show to a later date. At the end of March, EnBW was represented at a European Utilities Conference in London.

2011 annual general meeting approves dividend of € 1.53 per share

The annual general meeting of EnBW Energie Baden-Württemberg AG was held in Karlsruhe on 19 April 2011. A total of 95.31% of the voting rights was represented. All draft resolutions to the annual general meeting were passed. In accordance with the proposal made by the Board of Management and Supervisory Board, a dividend of € 1.53 per share was distributed as of 20 April 2011 for the fiscal year 2010. In relation to the share price at the end of the first quarter of 2011, this is equivalent to a dividend yield of 3.69%.

Business activity and economic environment

The four segments of the EnBW group operate in three different markets along the entire value added chain. In the first quarter of 2011, the prices of primary energy sources, CO_2 allowances and electricity were at times significantly up on prior-year levels. These price rises were, in particular, the result of geopolitical events in North Africa and the Middle East as well as the damage to Japanese nuclear power plants. On account of the events in Japan, the federal government ordered a three-month suspension of the extension of the working lives of seven nuclear power plants in Germany.

Business activity

FURTHER INFORMATION
www.enbw.com
› The Group

EnBW has an extensive portfolio of services and 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.

Heterogeneous market structures

With our four segments, we operate on three very different markets. EnBW's activities in the wholesale markets consist of electricity generation, procurement of primary energy sources and CO_2 emission allowances as well as electricity trading. The wholesale markets are characterised by fierce competition, meaning that the efficiency and flexibility of the generation and procurement portfolio are key success factors. On the regulated markets, the market environment is characterised by requirements set forth in the law and intervention of authorities and ministries. This applies to our grids and to renewable energies, in particular wind power, biomass and photovoltaic generation. On the end customer market, EnBW advises and supplies a total of some six million business and retail customers (date of information: 31 December 2010). In fact, the traditional sales business of an energy supply company has been in a transitional phase for some time now: EnBW uses customer-centric energy consultation and services relating to the efficient use of energy to distinguish itself from the competition.

Corporate strategy

Within the framework of our sharpened business model, the EnBW group is present as an integrated energy supply company in Germany and the Czech Republic. In selected foreign markets, we aim to achieve focused growth through activities in the areas of renewable energy as well as energy management and efficiency. In Germany, we are the third largest energy supply company. We intend to reinforce and expand our position among the ten largest European players in this industry in the long term. On account of the financial burdens arising from the energy policy decisions made in 2010, we adopted a package of measures at the beginning of 2011 in order to safeguard the financial stability of EnBW and its ability to prepare for the future. For this purpose, the gross investment volume was reduced and investments were adjusted across all five strategic moves.

Gross investments of € 5.1 billion were originally planned for the period from 2011 to 2013. Taking divestitures of € 1.8 billion into account, net investments will come to € 3.3 billion. The three-month suspension of the extension of the working lives of nuclear power plants announced in March 2011 will give rise to further burdens on EnBW's earnings. In addition, the future of nuclear power in Germany has become the topic of great discussion. Due to the unknown outcome and the impact of this suspension, the corresponding investment programme is subject to the respective provisos.

Economic environment

EnBW's business is influenced by various external factors. In addition to the general economic environment and price developments on the markets for electricity, fuels and CO_2 allowances, political and regulatory decisions have an impact on the business development of EnBW.

Overall economic developments

After the speed of recovery had temporarily slowed in the third quarter of 2010, the rate of growth in the global economy increased again at the end of last year in the estimate of the European Central Bank (ECB). The pattern of growth in individual countries and regions is inconsistent, however. According to the International Monetary Fund (IMF), the emerging and developing economies threaten to overheat with increasing inflationary pressure. Economic developments are significantly more moderate in industrial countries, where some economies continue to struggle with high levels of unemployment and structural problems. In its spring forecast, the European Commission adjusted its expectations for economic growth in the euro area in 2011 upwards by 0.1 percentage points to 1.6% in comparison to its autumn 2010 forecast. For the Czech economy, economic output is forecast to increase by 1.75%. In Turkey, the positive economic development has continued over the last few months after economic growth had come to just over 5% in 2010.

With growth in gross domestic product (GDP) coming to 3.6%, Germany was the main powerhouse in the European economy in 2010. This positive development also continued over recent months. In February 2011, the ifo business climate index reached its highest level since German unification. In the first quarter of 2011, GDP grew by 0.9% on the previous quarter according to estimates by the German Institute for Economic Research (DIW). The German economy had expanded by 0.4% in the fourth quarter of 2010.

In 2010, electricity and gas consumption increased by 4.2% and 4.5%, respectively, in comparison to the prior year. According to the figures available so far, electricity consumption rose slightly in the first two months of 2011 by 0.8% in comparison to the prior-year period.

Market situation for primary energy sources, CO_2 allowances and electricity

EnBW strives to reduce the uncertainties for the generation margin arising from developments in the price of primary energy sources, CO_2 allowances and electricity on the wholesale markets. The quantities of primary energy sources and CO_2 emission allowances required for electricity generation are procured on the forward market and the scheduled electricity production is sold at the same time. Costs and revenue in the first quarter of 2011 can therefore mainly be attributed to the conditions agreed in the supply contracts concluded in previous years. The price developments seen on the forward market for the first quarter of 2011 mainly affect the results of subsequent periods. The same applies to the quantities of electricity procured by the sales function on the forward market.

Oil market: Following a sideward movement at the beginning of 2011, oil prices initially rose steeply in light of the protest movements in several North African and the Middle Eastern countries. The background to these price developments was the deteriorating situation in some countries in North Africa and the Middle East, such as Egypt, Tunisia and Bahrain. Not all countries in the region are of direct importance for oil production and supplies. There was great uncertainty on the part of market participants as to whether unrest and protests would spread to countries such as Saudi Arabia or Kuwait which might cause significant production and supply outages. After prices had initially stabilised at a higher level in February, they started to rise once again on account of the armed conflict in Libya which caused a stoppage of most of that country's oil production of 1.5 mb/d. On 31 March, front month prices reached the highest level seen so far in 2011 of US$ 117.36/bbl. This means that prices were up US$ 22.52/bbl or 24% on the prices at the beginning of the year. On the forward market, prices for the front year 2012 generally tracked the prices for short-term deliveries. As of the end of February, oil quotations for delivery in 2012 were below prices for short-term deliveries after having previously been virtually identical.

Coal market: All in all, coal prices for deliveries to the ARA ports (Amsterdam, Rotterdam, Antwerp) were significantly higher than in the prior-year period both on the spot and forward markets in the first quarter of 2011. Quotations for short-term deliveries initially fluctuated on a high level at the beginning of 2011. This was due to the after-effects of the flooding in Australia and hard rainfall in Columbia at the end of 2010. The easing of the weather-related situation in both coal-exporting countries and milder temperatures in Europe on the demand side then brought about a decline in prices. Higher oil prices subsequently buoyed prices. Prices for deliveries in 2012 (front year) were largely characterised by a sideward movement in the first quarter of 2011. As of mid-March, the spot and forward prices rose on the back of expectations of higher demand. This can be attributed to the outage of nuclear power plants in Japan and the federal government's decision to take some nuclear power plants offline at least temporarily.

Price development on the oil and coal markets	Average Q1 2011	Average Q1 2010	Average 2010
Crude oil (Brent) front month (daily quotes in US$/bbl)	105.52	77.37	80.34
Crude oil (Brent) annual price 2012 (daily quotes in US$/bbl)	104.44	85.33	86.68
Coal – index for short-term delivery (API #2 Index) in US$/t	123.12	78.17	92.5
Coal – API #2 Y2011 in US$/t	121.63	103.02	106.32

Gas market: Long-term gas import contracts form the basis for gas supplies in Germany. Prices track oil quotations with a time lapse of around six months. Following the higher oil prices in 2010, the border price index compiled by the Federal Office of Economics and Export Control (BAFA) for natural gas also started to rise. Over the period from January to December 2010, it saw a rise of 24% to € 23.02/MWh.

Another important source of natural gas are the wholesale markets such as the Dutch Title Transfer Facility (TTF) and the trading point of the NetConnect Germany (NCG) market territory. In comparison to the prior year, the average spot and forward prices on the TTF rose significantly in the first quarter of 2011. High price levels prevailed on the spot market at the beginning of 2011 on account of the cold winter. This development on the spot market was followed by a phase of slight downward movements in connection with a good supply situation. The forward market prices remained stable to a great extent. At the end of February there was a price rise in light of the situation in North Africa and the Middle East and rising oil prices. Prices on the spot and forward markets were further driven by the events in Japan in March. Market participants assume that there will be higher demand for gas in Japan in the future which will lead to a decrease in the quantities of liquefied natural gas available for Europe.

Development of prices for natural gas on the TTF (Dutch wholesale market) in €/MWh	Average Q1 2011	Average Q1 2010	Average 2010
Spot	22.62	13.36	17.38
Delivery 2012	24.86	18.64	21.12

CO_2 emission allowances: Under the European emissions trading system, the requisite number of emission allowances have to be evidenced for the amount of CO_2 emissions from power stations. The prices of emission allowances (EU Allowances – EUA) for delivery in December 2011 (EUA-11) initially remained stable in January 2011. This was due to a lower volume of sales by industrial companies and SMEs than usual over this period. From mid-February onwards, there was a continual increase in EUA prices from around € 15/t CO_2 to just under € 16/t CO_2. This was mainly caused by rising gas prices and the resulting higher fuel switching costs. The price even climbed above the € 17/t CO_2 threshold mid-March. This was triggered by the temporary shutdown of some German nuclear power plants at the instructions of the federal government. At the same time, gas prices also rose further, as did the associated fuel switching costs.

In the reporting period, prices of CER-11 allowances (Certified Emission Reduction – CER) generally paralleled the development of EUA-11 allowances. However, the prices of CER-11 allowances are generally lower due to the higher risks inherent in the projects. In addition, the spread widened in the first quarter of 2011 as certain projects can no longer be used for the generation of CER allowances.

Development of prices for emission allowances/ daily quotes in €/t CO_2	Average Q1 2011	Average Q1 2010	Average 2010
EUA-11	15.38	13.55	14.82
CER-11	11.72	11.42	12.12

Wholesale electricity market: The average price for immediate delivery of electricity (base load product) on the spot market of the European Energy Exchange (EEX) in the first quarter of 2011 was 26% higher than the prior-year figure. This was caused by higher fuel prices and the ongoing economic recovery. On the EEX forward market, the average price for delivery in 2012 remained roughly at prior-year level (base load product). In this case, the effects of higher fuel prices were offset by opposite effects. These stemmed from the decisions made in the course of 2010 to extend the working lives of German nuclear power plants and the rapid rate of construction of photovoltaic facilities. As of mid-March, prices leapt upwards especially on the forward market in light of developments in Japan and the decision to suspend the extension of the working lives of German nuclear power plants as well as the debate on the further use of nuclear power in Germany.

Development of prices for electricity (EEX) base load product, in €/MWh	Average Q1 2011	Average Q1 2010	Average 2010
Spot	51.85	41.03	44.49
Delivery 2012	53.72	52.02	52.57

Prices for retail and industrial customers: Calculations by the German Energy and Water Association (BDEW) reveal that an average household of three persons with an annual consumption of 3,500 kWh will pay € 72.77 a month for its electricity in 2011. The price for 2010 determined by the association came to € 69.10. According to the BDEW, the price rise is mainly attributable to higher taxes and levies on electricity imposed by the government in particular in connection with the cost allocations under the German Renewable Energies Act (EEG). The German Federal Statistics Office similarly established a higher rate of increase in electricity prices in January and February 2011 than in previous months. According to BDEW statistics, the price of electricity for industrial customers (including electricity tax) in 2010 averaged 11.72 ct/kWh. There was a slight increase in comparison to 2009 (11.40 ct/kWh) on account of higher taxes, levies and cost allocations. Following the significant fall in gas prices for retail customers in 2010, the German Federal Statistics Office detected moderate increases in comparison to the prior-year period for the first two months of 2011.

Political and regulatory environment

European energy policy

In March of this year, a severe earthquake followed by a tsunami in Japan led to damage to nuclear power plants, Fukushima power station in particular. A special EU summit was held in response to these events where the representatives agreed on uniform stress tests for the nuclear power plants in the member states. The criteria are to be determined by the European Commission and the European Nuclear Safety Regulators Group (ENSREG). The review of nuclear power plants by groups of national experts is scheduled for the second half of 2011.

Energy policy in Germany

Suspension of the extension of the term of nuclear power plants: Following the damage at Japanese nuclear power plants, the federal government decided on 15 March to suspend for a period of three months the extension of the term of nuclear power plants' working lives that had been agreed in autumn 2010. This affects seven nuclear power plants which were shut down before the end of March. Of EnBW's nuclear power plants, these included unit I of Neckarwestheim nuclear power plant (GKN I) and unit 1 of Philippsburg nuclear power plant (KKP 1). The duration of the suspension will be used for safety checks at all nuclear power plants in Germany. The Federal Ministry for the Environment instructed the Reactor Safety Commission to review the existing guidelines and, as necessary, submit proposals for amendments. In addition, an ethics commission chaired by Klaus Töpfer was set up to discuss socio-political issues in connection with nuclear power. The outcome of the deliberations by both commissions is open. In light of this, the exact impact on EnBW cannot be forecast at present. Similarly, it is still impossible to predict the consequences for the energy concept passed by the federal government in the previous year in conjunction with the nuclear fuel rod tax and the fund to promote renewable energies.

Amendment of the German Renewable Energies Act (EEG): For the accelerated expansion of renewable energies, what is known as a compression model for offshore wind turbines is under discussion in the context of the amendment of the German Renewable Energies Act (EEG). This model provides for a situation where the greater portion of subsidies for such facilities are concentrated at the beginning of the subsidised period.

German Energy Industry Act (EnWG): The amendments to the German Energy Industry Act long-announced by the Federal Ministry of Economics have been made available in the meantime and were submitted for inter-ministerial consultation on 11 March. In addition to the principles of the third energy liberalisation package that have to be transposed into national law, the draft contains regulations to implement further European legislation (directive concerning measures to safeguard security of natural gas supply, directive on the identification and designation of European critical infrastructures) and parts of the federal government's ten-point immediate action programme.

Regulation of the electricity and gas markets

Gas market territories and conversion charge: Effective as of 1 April 2011, the number of gas market territories was reduced to three (NCG, Gaspool and Aequamus). In contrast to previous steps, this was not a merger of existing market territories with the same gas quality but an integration of H and L gas market territories involving all qualities. As a supplementary measure to the reduction in the number of gas market territories, the Federal Network Agency instructed NetConnect Germany to introduce a conversion charge. According to the Federal Network Agency, the imposition of a separate conversion charge is necessary in order to manage the shift in the market caused by the merger and the associated costs. A final decision will subsequently be made on the conversion charge or a conversion cost allocation for the entire market territory.

Network user charge: As part of the incentive regulation that has been in force since 2009, individual caps are set on the revenue from network user charges for gas and electricity networks which are valid for four and five years, respectively. The year 2011 is the third year of incentive regulation. For the first time, the positive effects from the extension factor will outweigh the burdens from the absorption of surplus revenues throughout the group. The gas network operators have to submit their network user charge applications to the regulatory authorities by 30 June 2011. These applications are completed on the basis of the past fiscal year 2010 for the second gas incentive regulatory period (2013 to 2017). In the area of electricity networks, quality is to be introduced as a further element in incentive regulation as of 1 January 2012, which will constitute a new benefits and penalties system. From the perspective of the Federal Network Agency, the companies' individual quality is to be determined as of July 2011 and the respective notices will be sent to the electricity grid operators as of October 2011.

The EnBW group

In the first quarter of 2011, adjusted EBIT fell by 15.0% in comparison to the prior year to € 744.4 million. This was mainly due to the sale of GESO, the milder winter and the cost of replacing quantities of electricity already sold from the nuclear power plants affected by the suspension of the extension of their working lives. As of the end of the quarter, adjusted net debt was € 700.1 million lower than as of 31 December 2010.

Results of operations

Unit sales and revenue

Electricity sales of the EnBW group in billions of kWh	Generation and trading		Grid and sales		Total	
	1/1–31/3/2011	1/1–31/3/2010	1/1–31/3/2011	1/1–31/3/2010	1/1–31/3/2011	1/1–31/3/2010
Retail customers (B2C)	0.0	0.0	6.0	6.7	6.0	6.7
Industry and redistributors (B2B)	1.1	0.8	11.5	11.5	12.6	12.3
Trade	18.5	16.0	1.8	3.0	20.3	19.0
Total	**19.6**	**16.8**	**19.3**	**21.2**	**38.9**	**38.0**

In the first quarter of 2011, the EnBW group's unit sales of electricity came to 38.9 billion kWh. The 2.4% increase in comparison to the prior-year period is the result of higher unit sales in the industrial customer and trading business. Unit sales of electricity to retail customers declined on account of fierce competition and milder temperatures, coming to 6.0 billion kWh in the first three months of 2011 after 6.7 billion kWh one year earlier.

Gas sales of the EnBW group in billions of kWh	1/1–31/3/2011	1/1–31/3/2010	Variance %	1/1–31/12/2010
Retail customers (B2C)	4.2	6.4	-34.4	11.8
Industry and redistributors (B2B)	15.9	17.8	-10.7	41.8
Total	**20.1**	**24.2**	**-16.9**	**53.6**

In the reporting period, unit sales of gas at group level fell by 4.1 billion kWh to 20.1 billion kWh compared to the prior-year period. Around 70% of the fall is attributable to the sale of GESO Beteiligungs- und Beratungs-AG (GESO) and its subsidiaries. The higher temperatures in a year-on-year comparison similarly had a negative impact on unit sales.

External revenue of the EnBW group by segment in € millions [1]	1/1–31/3/2011	1/1–31/3/2010	Variance %	1/1–31/12/2010
Electricity generation and trading	1,376.0	1,218.4	12.9	4,817.0
Electricity grid and sales	2,783.0	2,727.8	2.0	10,192.7
Gas	704.3	783.2	-10.1	1,788.1
Energy and environmental services	170.4	170.2	0.1	711.2
Total	**5,033.7**	**4,899.6**	**2.7**	**17,509.0**

[1] After deducting electricity and natural gas tax.

The external revenue of the EnBW group including electricity and natural gas tax reached € 5,306.5 million in the first quarter of 2011 after € 5,187.4 million in the prior year. After deducting electricity and natural gas tax, external revenue came to € 5,033.7 million. This is a slight increase of 2.7% in comparison to the prior-year period. After adjusting for consolidation effects, external revenue rose by 6.6%.

Electricity generation and trading: The external revenue of the segment increased in the reporting period by 12.9% in comparison to the prior-year period, to € 1,376.0 million. On account of price effects, the rise was not as high as the increase in the segment's unit sales. With consolidation effects eliminated, revenue rose by 15.0%. The share of the electricity generation and trading segment in the group's total revenue came to 27.3% in the first quarter of 2011, after 24.9% in the previous year.

Electricity grid and sales: Despite a fall in unit sales, the revenue of the electricity grid and sales segment rose slightly by 2.0% in the first three months of 2011 to € 2,783.0 million. This was attributable to positive price effects. Taking consolidation effects into account, external revenue increased by 3.9%. At 55.3%, the segment's share in group revenue remained virtually constant in comparison to the prior year.

Gas: On account of a lower level of unit sales, revenue in this segment contracted by 10.1% in comparison to the first quarter of 2010 and amounted to € 704.3 million. In light of the lower level of revenue, the segment's share in group revenue came to 14.0% after 16.0% in the previous year.

Energy and environmental services: At € 170.4 million, the revenue of the energy and environmental services segment remained at the level of the prior-year period of € 170.2 million. The share in revenue generated by this segment in relation to the revenue in the EnBW group stood at 3.4%, likewise virtually unchanged on the prior-year figure of 3.5%.

Material developments in the income statement

In the reporting period, other operating income stood at € 160.6 million, significantly down on the prior-year figure of € 429.4 million. In the first quarter of 2010, positive effects arose from the deconsolidation of GESO and the compensation for the premature termination of a long-term electricity supply agreement. Cost of materials increased by 10.7% or € 361.5 million to € 3,735.2 million, as a result of the rise in revenue and extraordinary expenses. The investment result improved in the first three months of 2011 to € 118.0 million, after € 90.8 million in the comparative period of the prior year. Higher profits generated by EWE Aktiengesellschaft made a particular contribution to this figure. At € 588.4 million, earnings before taxes (EBT) were down 45.2% on the prior-year period. Income taxes in the first quarter of 2011 correspondingly fell by € 56.1 million to € 168.4 million in comparison to the prior year. The tax rate thus comes to 28.6% after 20.9% in the prior year. The main reason for the lower tax rate in the prior year is the tax-free gain on sale of GESO.

Earnings

In the first three months of 2011, group net profit in terms of the profit shares attributable to the equity holders of EnBW AG fell by 52.6% to € 386.9 million. In addition to the negative effects in the operating business, the main factors were changes in the non-operating result. For example, non-operating group net profit at € -96.8 million was clearly negative due to extraordinary expenses. In the prior year, it came to a total of € 218.9 million primarily on account of gains on sale. Earnings per share from group net profit came to € 1.58 in the first quarter of 2011 after € 3.35 in the previous 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 contains 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]	1/1–31/3/2011	1/1–31/3/2010	Variance %	1/1–31/12/2010
Electricity generation and trading	632.1	732.0	-13.6	1,626.7
Electricity grid and sales	37.3	25.0	49.2	263.8
Gas	83.2	123.8	-32.8	80.1
Energy and environmental services	28.3	27.5	2.9	111.3
Holding/consolidation	-36.5	-32.6	-12.0	-151.3
Total	**744.4**	**875.7**	**-15.0**	**1,930.6**

[1] The figures for the period from 1 January to 31 December 2010 have been restated.

Adjusted EBIT in the EnBW group came to € 744.4 million in the reporting period. It was 15.0% down on the prior-year figure. In addition to the operating business, the disposal of GESO also reduced profit. On the other hand, positive effects arose from the PRE and PT share swap. After eliminating consolidation effects, the decline in adjusted EBIT came to 10.6%.

In the generation and trading segment, adjusted EBIT stood at € 632.1 million, down 13.6% on the first quarter of 2010. Adjusted for consolidation effects, this constituted a decrease of 12.0%. In the area of generation, negative effects came from smaller spreads between the price of off-peak and peak electricity in comparison to the prior year. The shutdown of two nuclear power plants at the instructions of the federal government additionally led to costs for replacing quantities of electricity from the power stations affected that had already been sold on the forward market.

The electricity grid and sales segment improved its level of earnings, generating adjusted EBIT of € 37.3 million in the reporting period after € 25.0 million in first quarter of 2010. The sales function was the decisive factor in this development.

Adjusted EBIT in the gas segment contracted by 32.8% to € 83.2 million in comparison to the prior year. The disposal of GESO had a negative impact in this respect. Adjusted to eliminate consolidation effects, the decline in earnings would amount to 13.4%. In addition, a lower level of unit sales of gas on account of milder weather and lower network user charges due to a fall in the quantities of gas being transmitted in comparison to the prior year contributed to the earnings development.

In the energy and environmental services segment, adjusted EBIT rose by 2.9% on the prior year to € 28.3 million, while revenue remained constant. The deficit at the level of the holding company expanded over the reporting period to € 36.5 million.

Adjusted earnings indicators of the EnBW group in € millions[1]	1/1–31/3/2011	1/1–31/3/2010	Variance %	1/1–31/12/2010
Adjusted investment result	117.5	94.4	24.5	192.3
Adjusted financial result	-138.3	-134.9	-2.5	-642.8
Adjusted income taxes	-206.9	-204.3	-1.3	-444.7
Adjusted group net profit	**516.7**	**630.9**	**-18.1**	**1,035.4**
of which profit shares attributable to non-controlling interests	(33.0)	(32.7)	0.9	(48.7)
of which profit shares attributable to the equity holders of EnBW AG	(483.7)	(598.2)	-19.1	(986.7)

[1] The figures from 1 January to 31 December 2010 have been restated.

The adjusted investment result saw a rise of 24.5% to € 117.5 million in the reporting period. This was mainly due to a high share of profit from the equity investment in EWE Aktiengesellschaft. The adjusted financial result stood at € -138.3 million, the same level as in the prior year. Adjusted income taxes increased only slightly from € 204.3 million to € 206.9 million. In light of these developments, adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG fell 19.1% on the prior year to € 483.7 million.

Non-operating result of the EnBW group in € millions	1/1–31/3/2011	1/1–31/3/2010	1/1–31/12/2010
Income/expenses relating to nuclear power	-140.1	0.0	-77.5
Income from the reversal of other provisions	4.2	1.8	75.8
Gains on sale	12.1	181.0	473.1
Other non-operating result	-4.9	63.3	-29.4
Non-operating EBITDA	**-128.7**	**246.1**	**442.0**
Impairment losses	-4.3	0.0	-257.6
Non-operating EBIT	**-133.0**	**246.1**	**184.4**
Non-operating investment result	0.5	-3.6	-89.1
Non-operating financial result	-2.7	-3.9	-46.9
Non-operating income taxes	38.5	-20.2	80.1
Non-operating group net profit	**-96.7**	**218.4**	**128.5**
of which profit shares attributable to non-controlling interests	(0.1)	(-0.5)	(-54.2)
of which profit shares attributable to the equity holders of EnBW AG	(-96.8)	(218.9)	(182.7)

At € -133.0 million, non-operating EBIT was clearly negative in the first quarter of 2011. In the prior year, gains on the disposal of GESO and the compensation payments for the termination of a long-term electricity supply agreement had brought about a high positive non-operating EBIT of € 246.1 million. In the reporting period, on the other hand, expenses of € 140.1 million arose relating to nuclear power. We expect such high demands to be put on retrofitting our GKN I nuclear power plant that its continued operation will become economically unviable on a permanent basis. As earlier dismantling of the plant is expected, we have increased the decommissioning provision and have written off the nuclear fuel rods in the reactor.

While non-operating income taxes came to € 20.2 million in the prior year, income of € 38.5 million was recorded in the first quarter of 2011.

In total, non-operating group net profit in terms of the profit shares attributable to the equity holders of EnBW AG returned a deficit of € 96.8 million in the reporting period. A positive level of € 218.9 million had been recorded here in the same period of the prior year.

Financial performance of the EnBW group in € millions

	1/1–31/3/2011	1/1–31/3/2010	Variance (%)
Adjusted EBITDA	951.7	1,082.9	-12.1%
Non-operating EBITDA	-128.7	246.1	
EBITDA	823.0	1,329.0	-38.1%
Adjusted EBIT	744.4	875.7	-15.0%
Non-operating EBIT	-133.0	246.1	
EBIT	611.4	1,121.8	-45.5%
Adjusted group net profit[1]	483.7	598.2	-19.1%
Non-operating group net profit[1]	-96.8	218.9	
Group net profit[1]	386.9	817.1	-52.6%

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

Financial position

Financing

Cash flow from operating activities constitutes a significant portion of EnBW's financing. In the first quarter of 2011, this figure came to a total of € 886.8 million.

In terms of external financing, the company has various instruments at its disposal, some not fully utilised:

- Commercial paper (CP) programme for a total of € 2.0 billion (undrawn as of 31 March 2011)
- Syndicated line of credit for € 2.0 billion with a term of five years (undrawn as of 31 March 2011)
- Bilateral short-term lines of credit (€ 561 million, undrawn as of 31 March 2011)
- Euro Medium Term Note (EMTN) programme with a line of € 7.0 billion (€ 5.0 billion utilised as of 31 March 2011)
- Measures to strengthen equity and issue special products (e.g. bond denominated in Swiss francs from 2008 with a volume of CHF 300 million)

The syndicated line of credit with an initial term of five years was renegotiated with 18 banks in March 2011. It replaces the previous syndicated line of credit in place until that time as a general liquidity reserve. There are no maturities on the capital market in 2011. We will review in good time the options for refinancing the bonds for a total of € 1.0 billion that mature in 2012. EnBW's bonds have a well-balanced maturity profile.

Capital expenditures and acquisitions

Capital expenditures and acquisitions within the EnBW group totalled € 302.9 million in the first three months of 2011. The prior-year figure amounted to € 530.6 million on account of a higher level of acquisitions. In the reporting period, € 215.8 million (prior year: € 204.8 million) relates to capital expenditure on intangible assets and property, plant and equipment. This is equivalent to 71.2% of total investment in comparison to 38.6% in the first quarter of 2010.

Growth projects accounted for a 60% share of investments in the reporting period. The remaining 40% was attributable to replacement and renewal measures, in particular for power stations and grid infrastructure.

In the first quarter of 2011, capital expenditures on renewable energies came to around 17% of total investment.

Just over half of capital expenditure on intangible assets and property, plant and equipment was made in the electricity generation and trading segment. The figure of € 109.0 million significantly exceeds the prior-year level by 23.0%. The funds mainly went into ongoing projects such as the construction of RDK 8 hard coal power station in Karlsruhe and the hydro-electric power stations in Rheinfelden and Iffezheim as well as the realisation of the offshore wind farms in the Baltic Sea. In the electricity grid and sales segment, capital expenditure stood at € 46.1 million, which is below the prior-year figure of € 59.9 million. A large portion of the capital expenditure served the ongoing modernisation and expansion of our grids. An amount of € 15.8 million was invested in expanding the gas segment, in particular for the gas storage project in Etzel. Capital expenditure in the energy and environmental services segment increased by 18.5% in comparison to the prior year to € 44.9 million. Investments in this segment include the construction of a substitute fuel power plant in Eisenhüttenstadt.

In the first quarter of 2011, the financial investments made by EnBW came to € 87.1 million. These essentially contain a subsequent purchase price payment relating to the acquisition of a shareholding in EWE Aktiengesellschaft. The prior-year figure of € 325.8 million mainly arose from the purchase of a shareholding in Gesellschaft für die Beteiligung an dem Kraftwerk Rostock mbH. The divestitures made in the prior year totalling € 858.5 million were mainly the result of the sale of GESO. Correspondingly, there was a cash inflow from net investments of € 327.9 million in the prior year. In the reporting period, on the other hand, divestitures came to only € 18.0 million. These primarily relate to construction cost subsidies as well as other disposals of assets. Net investments in the reporting period therefore totalled € 284.9 million.

Net cash investments of the EnBW group in € millions	1/1–31/3/2011	1/1–31/3/2010	Variance %	1/1–31/12/2010
Electricity generation and trading	109.0	88.6	23.0	933.4
Electricity grid and sales	46.1	59.9	-23.0	383.3
Gas	15.8	18.4	-14.1	92.7
Energy and environmental services	44.9	37.9	18.5	215.4
Total capital expenditures on intangible assets and property, plant and equipment	**215.8**	**204.8**	**5.4**	**1,624.8**
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method[1]	83.9	320.4	-73.8	643.1
Cash paid for the acquisition of investments[2]	3.2	5.4	-40.7	60.0
Total investments	**302.9**	**530.6**	**-42.9**	**2,327.9**
Cash received from disposals of intangible assets and property, plant and equipment	-5.6	-9.4	-40.4	-45.7
Cash received from construction cost and investment subsidies	-8.1	-14.7	-44.9	-78.3
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method[3]	0.0	-834.4	-	-843.9
Cash received from the sale of investments[2]	-4.3	0.0	-	-3.9
Total divestitures	**-18.0**	**-858.5**	**-97.9**	**-971.8**
Net (cash) investments	**284.9**	**-327.9**	**-**	**1,356.1**

[1] This does not include cash and cash equivalents acquired. In the reporting period, these amounted to € 0.0 million (1 January to 31 March 2010: € 0.2 million; 1 January to 31 December 2010: € 12.1 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 € 0.0 million (1 January to March 2010: € 24.2 million; 1 January to 31 December 2010: € 63.0 million).

Liquidity analysis

Free cash flow in € millions	1/1–31/3/2011	1/1–31/3/2010	Variance %	1/1–31/12/2010
FFO electricity generation and trading	728.3	981.1	-25.8	2,077.2
FFO electricity grid and sales	74.6	45.4	64.3	359.4
FFO gas	99.8	141.0	-29.2	155.4
FFO energy and environmental services	66.3	49.2	34.8	257.4
FFO Holding/consolidation	-31.1	-31.6	1.6	-101.7
Funds from operations (FFO) before taxes and financing	**937.9**	**1,185.1**	**-20.9**	**2,747.7**
Change in assets and liabilities from operating activities	-230.0	-586.1	60.8	124.8
Income tax paid	178.9	-44.5	-	-311.6
Cash flow from operating activities	**886.8**	**554.5**	**59.9**	**2,560.9**
Capital expenditures on intangible assets and property, plant and equipment	-215.8	-204.8	5.4	-1,624.8
Cash received from disposals of intangible assets and property, plant and equipment	5.6	9.4	-40.4	45.7
Cash received from construction cost and investment subsidies	8.1	14.7	-44.9	78.3
Free cash flow before financing	**684.7**	**373.8**	**83.2**	**1,060.1**
Interest and dividends received	113.9	89.5	27.3	381.6
Interest paid for financing activities	-97.0	-94.8	2.3	-355.1
Free cash flow after financing	**701.6**	**368.5**	**90.4**	**1,086.6**

Funds from operations (FFO) before taxes and financing fell by 20.9% in comparison to the prior year to € 937.9 million. This was mainly due to EBITDA decreasing by 38.1%. Cash flow from operating activities increased by € 332.3 million in comparison to the prior year to € 886.8 million. One of the reasons for this development is the significantly smaller increase in assets and liabilities from operations. In the prior year, this primarily related to trade receivables. In addition, the sale of a corporate income tax credit brought about a cash inflow from income taxes. Free cash flow before financing increased in the reporting period by € 310.9 million to € 684.7 million. The interest and dividends received were up on the prior-year figure, while interest paid for financing activities remained essentially unchanged on the prior year. On balance, the free cash flow after financing likewise significantly increased from € 333.1 million to € 701.6 million.

Cash flow statement in € millions	1/1–31/3/2011	1/1–31/3/2010	Variance %	1/1–31/12/2010
Cash flow from operating activities	886.8	554.5	59.9	2,560.9
Cash flow from investing activities	-217.0	436.6	-	-1,272.6
Cash flow from financing activities	-402.0	-159.0	-	-1,001.2
Net change in cash and cash equivalents	**267.8**	**832.1**	**-67.8**	**287.1**
Net foreign exchange difference	-0.1	4.4	-	12.3
Change in cash and cash equivalents	**267.7**	**836.5**	**-68.0**	**299.4**

In the first quarter of 2011, the cash flow from investing activities reported a cash outflow of € 217.0 million. On account of divestitures, the prior-year period saw a cash inflow of € 436.6 million. Due to the repayment of current financial liabilities, the cash outflow from financing activities increased to € 402.0 million in the reporting period while it had come to € 159.0 million in the prior year. Taking into account minor foreign exchange differences, the group's cash and cash equivalents increased overall by € 267.7 million in the reporting period. In the same period of the prior year, the increase came to € 836.5 million.

Net assets

As of 31 March 2011, the total net assets of the EnBW group had risen by 3.1% in comparison to the end of 2010 to € 36,373.9 million. On the assets side of the balance sheet, current assets rose in particular, coming to € 10,155.9 million after € 9,063.6 million as of the reporting date 31 December 2010. The drop in trade receivables of € 761.1 million to € 2,452.2 million in a year-on-year comparison is due in particular to the decline in receivables of our transmission system operator relating to the EEG. The increase in other current assets of € 1,887.5 million on account of marking derivatives to market has its counterentry on the liabilities side of the balance sheet in the form of the rise in other liabilities and subsidies of roughly the same amount. The income tax refund claims were significantly reduced by the sale of a corporate income tax credit. On the liabilities side, equity rose by 5.7% to € 8,077.1 million on account of the group net profit. As of the end of the reporting period, the equity ratio was 0.5 percentage points higher than as of the end of year 2010 and stood at 22.2%. The drop in non-current liabilities from € 20,226.8 million as of the end of the fiscal year 2010 to € 19,487.8 million as of 31 March 2011 is due to a bond with a volume of € 1.0 billion maturing next year. On account of the maturity date, the volume of the bond is classified as a current liability. Correspondingly, current liabilities came to € 8,809.0 million as of the end of the first quarter of 2011 after € 7,412.1 million as of 31 December 2010.

Adjusted net debt

As of 31 March 2011, adjusted net debt stood at € 7,439.7 million, a reduction of € 700.1 million in comparison to the end of 2010. This was due to the high level of positive free cash flow. The change in the actuarial gains and losses not yet offset arising from the provision for pensions and similar obligations is mainly due to the adjustment of the interest rate for pension provisions.

Adjusted net debt in € millions	31/3/2011	31/12/2010	Variance %
Cash and cash equivalents	-3,062.4	-2,718.1	12.7
Cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions	1,096.4	1,038.5	5.6
Adjusted cash and cash equivalents	**-1,966.0**	**-1,679.6**	**17.1**
Bonds	5,341.3	5,490.9	-2.7
Liabilities to banks	994.1	1,182.8	-16.0
Other financial liabilities	548.7	647.2	-15.2
Financial liabilities	**6,884.1**	**7,320.9**	**-6.0**
Recognised net financial liabilities[1]	**4,918.1**	**5,641.3**	**-12.8**
Pension and nuclear power provisions	9,830.6	9,616.2	2.2
Long-term investments and loans[2]	-5,433.3	-5,536.7	-1.9
Cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions	-1,096.4	-1,038.5	5.6
Other	-135.8	-156.5	-13.2
Recognised net debt[2]	**8,083.2**	**8,525.8**	**-5.2**
Actuarial gains (-)/losses (+) not yet offset arising from provisions for pensions and similar obligations	-104.2	157.3	-
Non-current receivables associated with nuclear power provisions	-486.8	-464.4	4.8
Valuation effects from interest-induced hedging transactions	-52.5	-78.9	-33.5
Adjusted net debt[2]	**7,439.7**	**8,139.8**	**-8.6**

1 Adjusted for valuation effects from interest-induced hedging transactions, net financial liabilities amount to € 4,865.6 million.
2 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]	31/3/2011	31/12/2010	Variance %
Electricity generation and trading	4,906	4,850	1.2
Electricity grid and sales	5,897	5,535	6.5
Gas	714	704	1.4
Energy and environmental services	9,189	9,378	-2.0
Holding	487	485	0.4
Total	**21,193**	**20,952**	**1.1**
Number of full-time equivalents[2]	20,354	20,119	1.2

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

As of 31 March 2011, the EnBW group employed 21,193 people. As a result of new hires and permanent contracts offered to former trainees, this is equivalent to 241 employees (1.1%) more than as of the end of 2010. The increase in headcount in the electricity grid and sales segment is due, among other things, to the change in allocation of some employees from the energy and environmental services segment.

In order to proactively meet future challenges in the area of human resources, EnBW has sharpened the focus of its personnel strategy and, in this context, defined the most important moves for coming years: compensate for the effects of demographic developments, ensure efficient and effective HR activities, press forward with safeguarding competence and developing skills within the workforce and enable employees to work in an innovative and flexible working environment.

In 2011, EnBW was awarded the title “Germany’s Top Employer” for the seventh time in a row. In particular, EnBW made an impression in the categories of “career prospects” and “primary benefits”. In the Top Employer Web Benchmark 2011, where it competed with more than 100 German companies, the career section of EnBW’s website again was one of the top 20, the application system even taking a good twelfth place. This is an indication that EnBW is also appealing online.

Participation in the employee survey performed in October 2010 was high once again and, at 79%, constituted a 7 percentage point increase in comparison to the last survey (2008: 72%). The results reveal an increase in the degree to which employees identify with their company, measured using the Employee Commitment Index (ECI). On average, German companies have an ECI of 61 points, while it is 65 points at EnBW. In comparison to the previous survey, the positive changes in ECI can be observed with team leaders, trainees and long-standing employees. This means that the measures introduced after the 2008 employee survey are having a measurable effect. The areas identified in the current employee survey as needing action will be used to derive measures for improvement at the various levels in the first and second quarters of 2011.

A two-step collective pay agreement was concluded with the collective bargaining partners for the private energy industry in Baden-Württemberg on 28 February 2011. Effective as of 1 January 2011, employees and trainees will receive a pay rise of 3.4%. Pay will increase by a further 1.8% as of 1 January 2012. The collective pay agreement is valid until 30 September 2012.

Research and development

At EnBW, the focus of research and development centres on the following objectives:

- **To use conventional sources of energy more efficiently and reduce emissions,** by increasing the degree of efficiency of power stations and separating CO_2 from flue gases
- **To viably exploit additional potential from renewable energies,** in particular in the field of new sources of bioenergy and in the area of geothermal energy. In addition, we are working on new methods of forecasting that simplify integrating large quantities of electricity from wind and photovoltaic systems into the grid
- **To manage grids better at both the consumer and generation ends (smart grid)** in order to be able to handle more renewable energy being fed into our electricity grids at a local level. With our fuel cell field test and new types of small-scale power stations on the basis of micro gas turbines, we are also developing CHP solutions that are able to make additional contributions to managing grid imbalances
- **Driving forward with electromobility** guided by model and pilot projects that show the way forward towards customer-friendly concepts for the emission-free individual mobility of tomorrow

EnBW's focus is on developing solutions for a sustainable energy supply that generate added value in our own facilities and at our customers. In the first quarter of 2011, we pressed forward with projects in the areas of flexible fuels, electromobility and geothermal power, in particular.

Flexible fuels: In January 2011, EnBW successfully concluded a € 3.8 million project in cooperation with the power station construction company ALSTOM Power Generation AG and other partners relating to the topic of more flexible use of fuels. The goal was to achieve even more efficient and even lower-emission gas turbines as well as establishing the principles for the flexible-fuel operation with syngases. Syngases are synthesised fuel gases extracted by converting solid fuels, in particular wood or other biomass. These synthetic sources of energy can constitute a further step in the direction of higher levels of efficiency, lower emissions and an overall more efficient use of fuels in gas-fired and thermal power stations. This project involved the production of syngases in test facilities at the University of Stuttgart and the capture of CO_2 with various limestone products was investigated. At the German Aerospace Center (DLR), also located in Stuttgart, hydrogen and other gases were added to syngas to compose specified mixtures that were tested for safe and low-emission combustion in gas turbines. Further development of the products for industrial use and a follow-up project by the DLR were kicked off. The findings of the research are directly incorporated into the further development of industrial gas turbines.

Electromobility: EnBW had already further expanded its activities in the field of electromobility (e-mobility) in the fiscal year 2010. EnBW is currently preparing to deliver smart charging stations in the second quarter of 2011 for the MeRegioMobil research project. MeRegioMobil activities were expanded already at the beginning of 2011 when five electric vehicles, known as smart EDs, were handed over to EnBW employees. Plans are for 40 smart ED vehicles to be on the road by the end of the year. In addition, the electric fleet will be supplemented in the near future by three Opel Merivas and two Mercedes-Benz A classes which are already in production. The special feature of these vehicles is their ability to feed electricity back into the grid: another contribution to the flexible grids of the future.

Geothermal power for municipalities: In cooperation with Karlsruhe Institute of Technology (KIT), EnBW is researching possibilities of using geothermal energy to thaw traffic areas in an environmentally friendly way. In contrast to conventional ground probes that work in conjunction with heat pumps, the CO_2 ground probes that are employed for this purpose operate independently and without any additional input of energy. The technical challenge consists of designing the copper pipe geometry and the pressure and quantity of CO_2 in such a way that frozen areas are thawed merely by the heat already contained in the ground. This means that it is not necessary to clear snow or use salt. The heating system is being further optimised in the current research project. The first test facility keeps the access road to the fire brigade's building in Bad Waldsee clear of ice and snow. Cities and municipalities may find such an application of geothermal power interesting for important sections of road, such as hospital access roads, bridges or road junctions.

Risk management

The risk situation of the EnBW group deteriorated significantly in the first few months of 2011. One of the main reasons for this negative development was the federal government's announcement that it would suspend the extension of the working lives of nuclear power plants. Directives were issued ordering that operations be discontinued temporarily at seven nuclear power plants in Germany. EnBW consequently shut down unit I of Neckarwestheim nuclear power plant (GKN I) and unit 1 of Philippsburg nuclear power plant (KKP 1) on 17 March 2011. This will cause losses of earnings at EnBW in the fiscal year 2011. At the same time, there are great uncertainties as to the regulations after the three-month suspension. There are no risks that could jeopardise the ability of the group to continue as a going concern.

Risk management at the EnBW group covers the identification, analysis as well as the assessment and reporting of risks. This process contributes to the early detection of risks in an appropriate manner and supports risk management. At the level of the holding company, group risk management is responsible for specifying group-wide methods and processes and determining group risk exposure as well as risk reporting to the Board of Management. The risk areas of the EnBW group break down as follows: systemic and industry risks, strategic, IT, personnel, financial, operating and other risks. Building on the reporting contained in the annual report 2010, this quarterly report presents the material risks that have changed or come into being in the reporting period.

Systemic and industry risks

Economic risks

Development of the economy: The recovery following the 2009 economic crisis continues. Correspondingly, the potential risk of an economic downturn bringing about a situation where lower unit sales mean that unsold quantities have to be sold at lower prices continues to diminish.

Market and price risks: Competition on the electricity and gas markets remains fierce. In the first quarter of 2011, however, price risks on the wholesale markets for electricity entered the spotlight. On account of the temporary shutdown of seven nuclear power plants in Germany for a period of three months, we are also forced to procure on the wholesale market those quantities of electricity that have already been sold on the forward market but have not yet been produced. At the same time, significant price increases have been seen since mid-March when the temporary shutdown of the seven nuclear power plants was implemented. On account of the uncertainties concerning the political future for the use of nuclear energy in Germany, there continue to be price risks for the quantities of electricity that have to be purchased.

Political and regulatory risks

Nuclear power plant suspension: Following the earthquake damage at Japanese nuclear power plants, the federal government decided in mid-March to suspend the extension of the term of nuclear power plants' working lives in Germany. As a consequence, the state authorities responsible issued directives that operations be discontinued at seven nuclear power plants in Germany for a period of three months. The power plants concerned had been commissioned before 1981. EnBW consequently shut down unit I of Neckarwestheim nuclear power plant (GKN I) and unit 1 of Philippsburg nuclear power plant (KKP 1) on 17 March 2011 and took them off line overnight. The shutdown of these units will lead to a loss of earnings at EnBW in the fiscal year 2011. Negative effects have already arisen from the erosion of profit margins and from procuring quantities of electricity that have already been sold on the forward market from the power stations affected. In addition, there is great uncertainty at present regarding the operation of nuclear power plants in Germany in future. The safety checks and associated potential changes to the safety philosophy might additionally necessitate significant capital expenditure on retrofitting the nuclear power plants. For this reason, we work on the assumption for accounting purposes that GKN I will not be put back into operation. KKP 1 also not being able to continue operation in future would require further impairment losses to be recognised on the fuel rods and property, plant and equipment. In addition, extraordinary additions to the provisions for nuclear power would reduce earnings and increase net debt. The possible, unplanned closure of the nuclear power plants affected by the temporary shutdown could also lead to delays in their decommissioning and so increase the provisions for nuclear power.

It is also uncertain how these developments will affect the political decisions made in 2010 relating to the extension of the working lives of nuclear power plants, the nuclear fuel rod tax and the fund to promote renewable energies. A return to the 2001/2002 nuclear energy consensus would lead to higher depreciation and impairment losses and increase net debt. In addition, there is a risk that nuclear power may be phased out completely, under certain circumstances even earlier than stipulated in the nuclear energy consensus. This would give rise to further, perhaps considerable, expenses. Correspondingly, statements on the effects on EnBW can only be made to a limited extent at present.

Retrofitting masts: In addition to existing maintenance requirements, grid operators will be obliged in future to address the issue of Thomas steel, to establish the reliability of the masts already in place and to present deviations between the safety levels established and those required. Any deviations will necessitate retrofitting measures or the construction of new masts. Application guidance is currently being drafted by a project group of the Association for Electrical, Electronic & Information Technologies (VDE).

Directive on industrial emissions: The threshold limits contained in the amended industrial emissions directive (IED) are to come into effect as of 1 January 2016. On the basis of a detailed analysis of EnBW's facilities, there was a reduction in the retrofitting work assumed necessary, which had previously been estimated at an eight-digit figure.

Strategic risks

Viability of investments: The investment projects of the EnBW group include numerous new facilities. Large-scale projects are by their very nature highly complex and involve the interaction of a large number of participants, which means that disruptions to the construction process cannot be excluded. The consequences are delays or cost overruns. We currently anticipate a further delay in the completion of the new coal power station RDK 8. We consider it probable that Etzel gas storage facility will involve higher costs and a delay in commissioning. Similarly, individual projects continue to be characterised by specific risk situations. All in all, such factors in conjunction with changes to the market environment may mean that the investments will be impaired. This gives rise to the risk of impairment losses.

Equity investments: One component of the group's strategy is the acquisition of shareholdings. This gives rise to uncertainties as to the success of a transaction and the integration of the new entity in the group. The risk of impairment of shareholdings arises from changes in assumptions regarding the equity investment's business development. In the fiscal year 2010, it was necessary to recognise impairment losses on equity investments and entities accounted for using the equity method. The risk of impairment losses has increased in comparison to year-end on account of the rise in the interest rate.

Change in the shareholder composition: EnBW and external appraisers are of the opinion that the sale of EDF's shares in EnBW AG to the federal state of Baden-Württemberg does not constitute a change of control at EnBW's equity investments. Nevertheless, there is a risk that this interpretation of the law would not be upheld in court proceedings, which might bring about negative implications for EnBW.

Financial risks

Asset management: In light of a protracted sideward movement on the capital markets in the fiscal year 2010, the risk of impairment losses has materialised in some cases. While EnBW pursues a conservative cash investment strategy guided by the aims of achieving a good credit standing, a high level of liquidity and broad diversification of the investments, it is not possible to preclude further impairment losses on securities.

Rating: EnBW pursues the objective of maintaining an A rating in the medium term, and rating agencies have so far always given it a rating in the A range. EnBW responded to the burdens arising from the introduction of the nuclear fuel rod tax at the beginning of 2011 with an extensive range of measures in order to safeguard the financial stability of the company. The temporary shutdown of two of our nuclear power plants involves further financial burdens that might still rise further due to the uncertainty of future regulations. EnBW maintains a close dialogue with the rating agencies. When appropriate, we will review and take any further measures suitable from the company's perspective to maintain the A rating.

Overall assessment

The risk situation of the EnBW group has significantly deteriorated in particular on account of political decisions. Specific burdens on earnings arise for 2011 from the temporary shutdown of two of the company's nuclear power plants. There is very great uncertainty with regard to future regulations and requirements for nuclear power plants in Germany. This situation may also have an impact on EnBW's rating. In our opinion, there are currently no discernable risks to the group's ability to continue as a going concern either from individual risks or from the overall risk position of the EnBW group.

Subsequent events

In consultation with the Supervisory Board, EnBW's Board of Management has decided not to appeal against the directives issued by the authorities to temporarily shut down its Neckarwestheim I and Philippsburg 1 nuclear power plants for a period of three months.

Forecast

The temporary shutdown of two of EnBW's nuclear power plants will cause significant losses of earnings in the fiscal year 2011. These burdens in addition to the existing uncertainty with regard to political decisions on nuclear power in Germany have caused us to review the investment programme as to whether there is any need for adjustments.

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. Future business developments may also depend to a significant extent on how the general conditions develop. Correspondingly, there is always a degree of uncertainty with regard to forecasts as the premises on which they were based can quickly be outdated. The company's environment may give rise to opportunities and risks for EnBW's development. Current risks are summarised in the section entitled "risk management". Our annual report 2010 contains an extensive presentation of the anticipated business development up to 2012. The current outlook for 2011 is subject to great uncertainty. After the damage at Japanese nuclear power plants, the German federal government decided to suspend for a three-month period the extension of the working lives of seven nuclear power plants in Germany, which also affects some of EnBW's power stations. In addition, a new debate on future requirements and regulations for nuclear power in Germany has been triggered, the outcome of which, and the impact on EnBW, is uncertain.

Future economic conditions

Overall economic developments: The global economy continued to recover in the first few months of 2011 according to the European Central Bank (ECB). The International Monetary Fund (IMF) revised its growth forecast upwards again by 0.2 percentage points in January 2011. After 4.2%, it now anticipates a 4.4% increase in global gross domestic product (GDP) for 2011. Emerging and developing countries are expected to grow at a rate of 6.5%, exhibiting more dynamism than industrialised countries, which look set to grow by 2.5%. For Turkey and the Czech Republic, the IMF forecasts GDP growth of 4.5% and 1.7%, respectively. In its growth forecast for the year 2011, the European Commission expects real GDP growth of 1.6% in the euro area. According to the European Commission, Germany may well be the front-runner with anticipated GDP growth of 2.4%. The German Institute for Economic Research (DIW) works on the assumption that growth will even come to 2.8%.

Demand for energy: In the wake of economic recovery, demand for energy will continue to increase in 2011, as was already the case in the prior year. Global demand for electricity will probably continue to increase faster than demand for other forms of energy consumed, according to the International Energy Agency (IEA).

Markets for primary energy sources: At the end of the first quarter of 2011, the forward market prices for oil stood at US$ 113.25/bbl (front year 2012) and US$ 109.20/bbl (trading year 2013). This constitutes a drop of US$ 4/bbl and US$ 8.16/bbl, respectively, in comparison to the price for short-term deliveries. Future price developments primarily depend on further developments in North Africa and the Middle East (supply), global economic growth (demand), the future value of the US dollar and the attractiveness of crude oil as an asset class. Further developments in Japan and their potential impact on the global economy may have an impact on the demand side. The forward contracts for coal reveal a slightly higher price level for subsequent years in comparison to the current spot prices. The main uncertainties arise in connection with the amounts imported by China, India, Japan and Germany in future. In addition, short-term supply shortages caused by bad weather or impairment to the infrastructure can be reflected in coal prices. On the gas market, the forward prices for 2012 are significantly higher than the spot price. One reason for the price increase anticipated by market participants is the assumption that there will be stronger demand for LNG in Japan. Due to the damage to some of the country's nuclear power plants, there will probably be an increase in the amount of electricity generated in gas power stations in Japan in the near future. The ongoing unstable situation in North Africa and the Middle East will push prices up.

CO_2 emission allowances: Important factors determining future developments in the price of CO_2 allowances include the progress of the international climate protection negotiations and a decision on an increase in the European Union's climate targets for 2020. This could have an impact on the volume of emissions permitted in future. It further remains to be seen which path the discussion on nuclear energy will take in Germany and the European Union. Further economic development is also a factor in the volume of emissions and therefore for demand for allowances. The future level of fuel switching costs similarly impacts prices.

Electricity market: As of the end of the first quarter of 2011, market participants assumed that there would be a further increase in the spot market prices in the next two years. In addition to fuel prices, another factor relevant to future price developments is the level of supply and demand on the electricity market. The economic development, especially industrial demand, is a significant factor in the level of demand for electricity. On the supply side, there are currently several factors that tend to lead to lower prices on the wholesale market. These include the great expansion of renewable energies and the realisation of existing power station construction projects. Potential for price rises is inherent especially in the suspension of the extension of the working lives of nuclear power plants and the safety review of all nuclear power plants announced by the federal government. The purchase obligation under the German Renewable Energies Act (EEG) which causes an increase in the feed-in level of renewable energies has led to a further increase in volatility on the wholesale spot market. This very often causes very low or, under specific circumstances, negative prices in certain hours. At the same time, the cost allocation under the Renewable Energies Act causes a structural rise in the costs for end customers.

Future development of the company

Capital expenditure, strategy and financing: In connection with the considerable burdens from the nuclear fuel rod tax, EnBW reviewed its investment programme and scaled it back. At the same time, the investment programme also provides for divestitures. Originally, net investments for the period from 2011 to 2013 were to come to € 3.3 billion. In addition, we launched the "Fokus" efficiency programme in October 2010. The goal of "Fokus" is to improve EBIT sustainably by a target volume of cost savings of € 300 million per year. In order to compensate for the additional loss of income from our nuclear power plants due to the three-month suspension of the extension of their working lives and the uncertainty regarding the future situation of our nuclear power plants, EnBW is reviewing the investment programme for any adjustments required.

Anticipated development of earnings: The forecast below works on the assumption that, of our nuclear power plants affected by the suspension, viable continued operation will only be possible for KKP 1 in the long term and that the extension of working lives will not be cancelled. Overall, there is great uncertainty regarding current political developments and their implications. Statements on the future development of EnBW can therefore only be made to a limited extent. Any further income risks not taken into account in the forecast are described in the risk report. In contrast to our forecast in the annual report 2010, we now anticipate an even larger drop in earnings in the electricity generation and trading segment. The reason for this is the three-month suspension of the extension of the working lives of seven nuclear power plants in Germany which also affects two of EnBW's power stations. We further assume that it will probably not be viable to start up GKN I nuclear power plant again. Losses of earnings from the erosion of the profit margins of the power stations and higher costs from procuring quantities of electricity that have already been sold on the forward market from these power stations will reduce earnings in 2011. Consequently, we similarly anticipate an even greater drop in earnings at group level than forecast in the annual report 2010.

Development of earnings 2011 (adjusted EBIT) compared to the prior year	Annual report 2010	Q1 2011
Electricity generation and trading segment	falling	falling strongly
Electricity grid and sales segment	falling strongly	falling strongly
Gas segment	falling	falling
Energy and environmental services segment	falling	falling
Consolidated companies	no effect	no effect
Adjusted EBIT, group	**-10% to -15 %**	**-15% to -25 %**

Income statement

€ millions	1/1–31/3/2011	1/1–31/3/2010
Revenue including electricity and natural gas tax	5,306.5	5,187.4
Electricity and natural gas tax	-272.8	-287.8
Revenue	**5,033.7**	**4,899.6**
Changes in inventories	7.8	3.5
Own work capitalised	8.9	11.1
Other operating income	160.6	429.4
Cost of materials	-3,735.2	-3,373.7
Personnel expenses	-424.0	-405.6
Other operating expenses	-228.8	-235.3
EBITDA	**823.0**	**1,329.0**
Amortisation and depreciation	-211.6	-207.2
Earnings before interest and taxes (EBIT)	**611.4**	**1,121.8**
Investment result	118.0	90.8
of which net profit from entities accounted for using the equity method	(115.0)	(82.0)
of which other income from investments	(3.0)	(8.8)
Financial result	-141.0	-138.8
of which finance revenue	(94.2)	(108.4)
of which finance costs	(-235.2)	(-247.2)
Earnings before tax (EBT)	**588.4**	**1,073.8**
Income tax	-168.4	-224.5
Group net profit	**420.0**	**849.3**
of which profit shares attributable to non-controlling interests	(33.1)	(32.2)
of which profit shares attributable to the equity holders of EnBW AG	(386.9)	(817.1)
Shares outstanding (millions), weighted average	**244.257**	**244.257**
Earnings per share from group net profit (€)[1]	**1.58**	**3.35**

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

Statement of comprehensive income

€ millions	1/1–31/3/2011	1/1–31/3/2010
Group net profit	**420.0**	**849.3**
Difference from currency translation	23.2	16.0
Cash flow hedge	103.8	-104.6
Available-for-sale financial assets	-93.8	49.7
Entities accounted for using the equity method	14.6	-46.3
Income taxes on other comprehensive income	-34.1	25.9
Other comprehensive income	**13.7**	**-59.3**
Total comprehensive income	**433.7**	**790.0**
of which profit shares attributable to non-controlling interests	(30.9)	(28.5)
of which profit shares attributable to the equity holders of EnBW AG	(402.8)	(761.5)

Balance sheet

€ millions[1]	31/3/2011	31/12/2010
Assets		
Non-current assets		
Intangible assets	2,118.4	2,144.9
Property, plant and equipment	13,472.8	13,435.0
Investment properties	100.0	99.0
Entities accounted for using the equity method	3,844.8	3,752.5
Other financial assets	5,851.2	5,950.6
Trade receivables	501.0	479.2
Income tax refund claims	23.7	23.7
Other non-current assets	273.9	290.9
Deferred taxes	22.1	28.2
	26,207.9	**26,204.0**
Current assets		
Inventories	880.5	991.1
Financial assets	1,007.3	955.8
Trade receivables	2,452.2	3,213.8
Income tax refund claims	146.9	389.1
Other current assets	3,523.0	1,635.5
Cash and cash equivalents	2,146.0	1,878.3
	10,155.9	**9,063.6**
Assets held for sale	10.1	11.8
	10,166.0	**9,075.4**
	36,373.9	**35,279.4**
Equity and liabilities		
Equity		
Equity holders of EnBW AG		
Subscribed capital	640.0	640.0
Capital reserve	22.2	22.2
Revenue reserves	5,829.1	5,442.2
Treasury shares	-204.1	-204.1
Other comprehensive income	600.7	584.8
	6,887.9	**6,485.1**
Non-controlling interests	1,189.2	1,155.4
	8,077.1	**7,640.5**
Non-current liabilities		
Provisions	9,995.8	9,767.8
Deferred taxes	1,941.8	1,815.9
Financial liabilities	5,605.1	6,677.4
Other liabilities and subsidies	1,945.1	1,965.7
	19,487.8	**20,226.8**
Current liabilities		
Provisions	1,187.5	1,213.2
Financial liabilities	1,279.1	643.5
Trade payables	2,282.6	3,164.4
Income tax liabilities	45.8	47.7
Other liabilities and subsidies	4,014.0	2,343.3
	8,809.0	**7,412.1**
	36,373.9	**35,279.4**

[1] The figures as of 31 December 2010 have been restated.

Statement of changes in equity

€ millions[1]	Subscribed capital	Capital reserve	Revenue reserves	Treasury shares
As of 31 December 2009	**640.0**	**22.2**	**4,646.5**	**-204.1**
Other comprehensive income				
Group net profit			817.1	
Total comprehensive income	**0.0**	**0.0**	**817.1**	**0.0**
Other changes				
As of 31 March 2010	**640.0**	**22.2**	**5,463.6**	**-204.1**
As of 31 December 2010	**640.0**	**22.2**	**5,442.2**	**-204.1**
Other comprehensive income				
Group net profit			386.9	
Total comprehensive income	**0.0**	**0.0**	**386.9**	**0.0**
Dividends paid				
Other changes			0.0	
As of 31 March 2011	**640.0**	**22.2**	**5,829.1**	**-204.1**

1 The figures as of 31 December 2010 have been restated.
2 Of which other comprehensive income directly associated with assets classified as held for sale amounting to € 0.0 million as of 31 March 2011 (31 December 2010: € 0.0 million; 31 March 2010: € 15.5 million). Attributable to the equity holders of EnBW AG: € 0.0 million (31 December 2010: € 0.0 million; 31 March 2010: € 15.5 million).

Other comprehensive income[2]						
Difference from currency translation	Cash flow hedge	Available-for-sale financial assets	Entities accounted for using the equity method	Equity holders of EnBW AG[2]	Non-controlling interests[2]	Total
-4.3	**-130.3**	**336.0**	**23.8**	**5,329.8**	**1,077.9**	**6,407.7**
18.2	-75.7	48.2	-46.3	-55.6	-3.7	-59.3
				817.1	32.2	849.3
18.2	**-75.7**	**48.2**	**-46.3**	**761.5**	**28.5**	**790.0**
				0.0	-112.1	-112.1
13.9	**-206.0**	**384.2**	**-22.5**	**6,091.3**	**994.3**	**7,085.6**
-49.6	**102.8**	**524.9**	**6.7**	**6,485.1**	**1,155.4**	**7,640.5**
26.2	61.5	-86.4	14.6	15.9	-2.2	13.7
				386.9	33.1	420.0
26.2	**61.5**	**-86.4**	**14.6**	**402.8**	**30.9**	**433.7**
				0.0	-1.6	-1.6
				0.0	4.5	4.5
-23.4	**164.3**	**438.5**	**21.3**	**6,887.9**	**1,189.2**	**8,077.1**

Cash flow statement

€ millions	1/1–31/3/2011	1/1–31/3/2010
1. Operating activities		
EBITDA	823.0	1,329.0
Change in non-current provisions	82.8	-40.5
Gain/loss on disposal of non-current assets	-2.1	-177.5
Other non-cash expenses/income	34.2	74.1
Funds from operations (FFO) before taxes and financing	**937.9**	**1,185.1**
Change in assets and liabilities from operating activities	-230.0	-586.1
Inventories	(73.3)	(86.9)
Net balance of trade receivables and payables	(-152.1)	(-593.6)
Net balance of other assets and liabilities	(-115.0)	(-84.5)
Current provisions	(-36.2)	(5.1)
Income tax paid	178.9	-44.5
Cash flow from operating activities	**886.8**	**554.5**
2. Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-215.8	-204.8
Cash received from disposals of intangible assets and property, plant and equipment	5.6	9.4
Cash received from construction cost and investment subsidies	8.1	14.7
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method	-83.9	-320.2
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method	0.0	810.2
Change in securities and investments	-44.9	37.8
Interest received	65.1	55.5
Dividends received	48.8	34.0
Cash flow from investing activities	**-217.0**	**436.6**
3. Financing activities		
Interest paid for financing activities	-97.0	-94.8
Dividends paid	-1.6	0.0
Proceeds from financial liabilities	24.1	14.2
Repayment of financial liabilities	-327.5	-78.4
Cash flow from financing activities	**-402.0**	**-159.0**
Net change in cash and cash equivalents	**267.8**	**832.1**
Net foreign exchange difference	-0.1	4.4
Change in cash and cash equivalents	**267.7**	**836.5**
Cash and cash equivalents at the beginning of the period	1,878.3	1,578.9
Cash and cash equivalents at the end of the period	**2,146.0**	**2,415.4**
of which cash and cash equivalents recognised as current assets	(2,146.0)	(2,362.3)
of which cash and cash equivalents of assets held for sale	(0.0)	(53.1)

€ millions	1/1–31/3/2011	1/1–31/3/2010
Interest paid for investing activities (capitalised borrowing costs)	-12.9	-6.0
Interest paid for financing activities	-97.0	-94.8
Total interest paid in the period	**-109.9**	**-100.8**

Notes and explanations

Accounting policies

The interim financial statements of the EnBW group are prepared according to the International Financial Reporting Standards (IFRSs) the adoption of which is mandatory in the EU at the reporting 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 31 March 2011 are the same as those for the consolidated financial statements as of 31 December 2010 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 31 March 2011 was condensed compared to that of the consolidated financial statements as of 31 December 2010.

The income statement as well as statement of comprehensive income, the balance sheet, the statement of changes in equity and the condensed cash flow statement 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 Standards Interpretations Committee (IFRS IC) have issued the following new standards and interpretations, the adoption of which is mandatory as of the fiscal year 2011:

- **Omnibus of amendments to various IFRSs (2010) "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. Unless stipulated otherwise in the respective standard, the amendments are effective for the first time for fiscal years beginning on or after 1 July 2010. First-time adoption of these amendments did not have any material effect on EnBW's consolidated financial statements.
- **Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters – amendment to IFRS 1 (2010) "First-time Adoption of International Financial Reporting Standards":** This amendment exempts first-time adopters from the new disclosures about financial instruments introduced in March 2009. IFRS 1 (2010) is effective for the first time for fiscal years beginning after 30 June 2010. The amendments did not have any effect on EnBW's consolidated financial statements.
- **IAS 24 (2009) "Related Party Disclosures":** IAS 24 was revised initially to simplify disclosure requirements for government-related entities. Certain related party relationships arising from an interest held by a government have been excluded from the scope of IAS 24. In addition, the definition of related parties was revised completely. The revised standard is effective for the first time for fiscal years beginning after 31 December 2010. The amendments did not have any material effect on EnBW's consolidated financial statements.
- **Classification of Rights Issues – amendment to IAS 32 (2009) "Financial Instruments: Presentation":** The amendment governs the accounting by the issuing entity for foreign currency denominated rights issues as well as options and warrants to acquire the entity's own equity instruments. In future, such rights should be accounted for as equity and not as liabilities. The revised standard is effective for the first time for fiscal years beginning on or after 1 February 2010. The amendment did not have any effect on EnBW's consolidated financial statements.

- **Prepayments of a Minimum Funding Requirement – amendment to IFRIC 14 (2009) "IAS19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction":** The amendment to IFRIC 14 is relevant in cases where an entity has minimum funding requirements and makes prepayments to meet such minimum funding requirements. The amendment allows entities to recognise the economic benefit from such prepayment as an asset. IFRIC 14 is effective for the first time for fiscal years beginning on or after 1 January 2011. First-time adoption of IFRIC 14 did not have any effect on EnBW's consolidated financial statements.
- **IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments":** IFRIC 19 illustrates the requirements set forth in IFRSs when an entity issues shares or other equity instruments to extinguish all or part of a financial liability. This interpretation is effective for the first time for fiscal years beginning on or after 1 July 2010. First-time adoption of IFRIC 19 did not have any effect on EnBW's consolidated financial statements.

Basis of consolidation

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

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 identified assets and liabilities assumed. Since 2010 acquisition-related costs have been expensed as incurred. In the case of business combinations achieved in stages, the acquisition-date fair value of the acquirer's equity interest previously held in the acquiree has been remeasured at fair value as of the acquisition date through profit or loss since 2010. Goodwill is measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree 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 remeasured 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.

Changes in the consolidated companies

Acquisitions in 2010

Share swap Pražská energetika, a.s. and Pražská teplárenská a.s.

In the first quarter of 2011, a final fair value opinion was made available to us in connection with the acquisition of Pražská energetika, a.s. (PRE). Consequently, the accounting for the business combination was completed as of 31 March 2011. The assets and liabilities recognised as of the acquisition date and the resulting effects on the income statement were adjusted.

As of 20 September 2010, EnBW swapped the 24.3% share it had previously held primarily via Pražská teplárenská Holding a.s. (PT Holding) in the Prague-based district heating supplier Pražská teplárenská a.s. (PT) in return for the 41.1% share held by Energetický a průmyslový holding, a.s. in PRE. The purpose of the transaction was to obtain a majority shareholding in the Czech energy supply company PRE and thereby expand our presence in the Czech Republic, a target strategic market. Supplying some 745,000 points of consumption, PRE is the third largest electricity company in the Czech Republic, bringing together grid operations and sales in the capital city of Prague and the surrounding region.

Prior to the share swap, PRE and PT had 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.

The consideration transferred in the course of the share acquisition included the PT shares, measured at fair value, of € 200.5 million and a cash component of € 305.1 million. The PT share swap generated other operating income of € 81.1 million contained in the 2010 financial statements.

The 28.5% share previously held in PRE was measured at fair value as of the acquisition date. The resulting gain of € 173.6 million was recognised in other operating income in the 2010 financial statements.

Costs directly attributable to the transaction amounted to € 6.0 million and were recognised in other operating expenses in the 2010 financial statements.

The non-controlling interests were measured on the basis of PRE's identifiable net assets and amount to € 236.5 million. The amount of goodwill of € 271.1 million represents, among other things, non-separable synergies in the grid and sales segment.

Since its consolidation in full, PRE has accounted for revenue of € 215.4 million and earnings after tax of € 17.2 million recorded in the 2010 financial statements. If PRE had been fully consolidated since the beginning of 2010, revenue would have increased by € 462.8 million to € 17,971.8 million and earnings after tax would have increased by € 39.5 million to € 1,203.4 million.

The following assets and liabilities were acquired in the business combination:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Intangible assets	7.9	197.5
Property, plant and equipment	720.3	847.4
Current assets	93.5	93.5
Total assets	**821.7**	**1,138.4**
Non-current liabilities	243.6	253.0
Current liabilities	106.9	106.9
Total liabilities	**350.5**	**359.9**
Net assets	471.2	778.5
EnBW's interest in net assets 69.6%		542.0
Costs (paid in cash)		305.1
Fair value of PT shares		200.5
Total consideration transferred		**505.6**
Fair value of previously held PRE shares		307.5
Goodwill		271.1

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

On account of the final fair value opinion made available in the meantime, the prior-year figures were adjusted as follows:

Income statement 2010 in € millions	Figures reported in the annual report 2010	PRE changes	Figures reported in the quarterly financial report Q1 2011
EBITDA	**3,279.8**	**0.0**	**3,279.8**
Amortisation and depreciation	-1,162.8	-2.0	-1,164.8
Earnings before interest and taxes (EBIT)	**2,117.0**	**-2.0**	**2,115.0**
Investment result	103.2		103.2
Financial result	-689.7		-689.7
Earnings before tax (EBT)	**1,530.5**	**-2.0**	**1,528.5**
Income tax	-365.0	0.4	-364.6
Group net profit	**1,165.5**	**-1.6**	**1,163.9**
of which profit shares attributable to non-controlling interests	(-5.0)	(-0.5)	(-5.5)
of which profit shares attributable to the equity holders of EnBW AG	(1,170.5)	(-1.1)	(1,169.4)

Balance sheet as of 31 December 2010 in € millions	Figures reported in the annual report 2010	PRE changes	Figures reported in the quarterly financial report Q1 2011
Assets			
Non-current assets			
Intangible assets	2,197.0	-52.1	2,144.9
Property, plant and equipment	13,343.3	91.7	13,435.0
Other non-current assets	10,624.1	0.0	10,624.1
	26,164.4	**39.6**	**26,204.0**
Current assets	**9,063.6**	**0.0**	**9,063.6**
Assets held for sale	11.8		11.8
	9,075.4	**0.0**	**9,075.4**
	35,239.8	**39.6**	**35,279.4**
Equity and liabilities			
Equity			
Equity holders of EnBW AG	6,485.2	-0.1	6,485.1
Non-controlling interests	1,133.0	22.4	1,155.4
	7,618.2	**22.3**	**7,640.5**
Non-current liabilities			
Deferred taxes	1,798.6	17.3	1,815.9
Other non-current liabilities	18,410.9	0.0	18,410.9
	20,209.5	**17.3**	**20,226.8**
Current liabilities	**7,412.1**	**0.0**	**7,412.1**
	35,239.8	**39.6**	**35,279.4**

Further information on the acquisitions and disposals of entities in the prior year can be found in the notes to the consolidated financial statements for the fiscal year 2010.

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 proportionate equity of the entity is included in the consolidated financial statements, and not its assets and liabilities. Goodwill is included in the carrying amount of the investment. Negative differences are recognised in profit or loss via investment result.

Shares in subsidiaries, jointly controlled entities or entities accounted for using the equity method which are immaterial from the group’s perspective are accounted for according to IAS 39.

There are no cross-holdings as defined by Sec. 19 (1) German Stock Corporations Act (AktG) in the EnBW group.

The consolidated companies break down as follows:

Type of consolidation and number	31/3/2011	31/12/2010	31/3/2010
Full consolidation	113	114	96
Proportionate consolidation (joint ventures)	29	31	35
Entities accounted for using the equity method (associates)	18	18	16

Investment result

€ millions	1/1–31/3/2011	1/1–31/3/2010
Share of profit of entities accounted for using the equity method	**115.0**	**82.0**
Investment income	2.5	12.5
Write-downs of investments	-0.9	-3.7
Income from the sale of equity investments	1.4	0.0
Other income from investments	**3.0**	**8.8**
Investment result	**118.0**	**90.8**

Financial result

€ millions	1/1–31/3/2011	1/1–31/3/2010
Interest and similar income	53.0	53.2
Other finance revenue	41.2	55.2
Financial revenue	**94.2**	**108.4**
Borrowing costs	-69.7	-80.2
Other interest and similar expenses	-6.9	-9.1
Interest portion of increases in provisions	-127.7	-125.8
Personnel provisions	(-56.1)	(-56.7)
Provisions relating to nuclear power	(-71.0)	(-68.3)
Other non-current provisions	(-0.6)	(-0.8)
Other finance costs	-30.9	-32.1
Finance costs	**-235.2**	**-247.2**
Financial result	**-141.0**	**-138.8**

Notes to the cash flow statement

Funds from operations (FFO) in € millions	1/1–31/3/2011	1/1–31/3/2010
FFO before taxes and financing	**937.9**	**1,185.1**
Income tax paid	178.9	-44.5
Interest and dividends received	113.9	89.5
Interest paid for financing activities	-97.0	-94.8
FFO after taxes and financing	**1,133.7**	**1,135.3**

Other non-cash expenses and income in the reporting period contain impairment losses on inventories of € 38.0 million.

Contingent liabilities and financial commitments

Compared to 31 December 2010, contingent liabilities and financial commitments have increased by € 466.9 million to € 20,944.5 million. This increase is mainly attributable to a higher level of natural gas purchase obligations.

Related parties (entities)

On 17 February 2011, NECKARPRI GmbH, an entity wholly owned by the federal state of Baden-Württemberg, purchased the 45.01% shareholding in EnBW Energie Baden-Württemberg AG (EnBW AG) previously held by E.D.F. INTERNATIONAL S.A. (EDFI), a wholly owned subsidiary of Electricité de France (EDF). Furthermore, NECKARPRI GmbH and the federal state of Baden-Württemberg (federal state) entered into the already existing shareholder agreement with Zweckverband Oberschwäbische Elektrizitätswerke (OEW) and its wholly owned subsidiary OEW Energie-Beteiligungs GmbH (OEW GmbH), thus replacing EDF and EDFI. On account of the undertaking contained in the shareholder agreement on exercising their voting rights at EnBW AG in a uniform manner, the voting rights held in EnBW AG are reciprocally attributable to the federal state and NECKARPRI GmbH and to OEW and OEW GmbH. This means that, as of 17 February 2011, related parties include in particular the federal state of Baden-Württemberg, NECKARPRI GmbH, OEW, OEW GmbH and entities controlled or jointly controlled by them or over which they have a significant influence.

As of 31 March 2011, OEW GmbH and NECKARPRI GmbH each directly held 45.01% of the shares in EnBW AG.

On 5 April 2011, NECKARPRI GmbH announced that it had formed the wholly owned subsidiary NECKARPRI-Beteiligungsgesellschaft mbH to which it had transferred its 45.01% equity interest in EnBW AG.

On 7 January 2011, NECKARPRI GmbH published a voluntary takeover offer to all shareholders of EnBW AG. By the end of the tender period on 6 April 2011, the takeover offer was accepted for 3.08% of EnBW shares. In accordance with an obligation published in the tender documents, NECKARPRI-Beteiligungsgesellschaft mbH transferred to OEW GmbH on 11 April 2011 1.54% of the EnBW shares at the offer price. This transaction was performed outside of the offer procedure with the aim of restoring the parity of the shareholdings of the two major shareholders. On 13 April 2011, 3.08% of EnBW shares for which the takeover offer had been accepted were transferred to NECKARPRI GmbH in return for payment of the offer price. NECKARPRI GmbH subsequently likewise contributed these shares to its subsidiary NECKARPRI-Beteiligungsgesellschaft mbH.

After closing of the transaction to ensure parity of the shareholdings, completion of the takeover offer and the transfer of EnBW shares acquired on the basis of the takeover offer to NECKARPRI-Beteiligungsgesellschaft mbH, the federal state of Baden-Württemberg and NECKARPRI GmbH each indirectly hold 46.55% of the shares in EnBW AG and NECKARPRI-Beteiligungsgesellschaft mbH holds the same amount directly. Since this date, Zweckverband Oberschwäbische Elektrizitätswerke indirectly holds 46.55% of the shares in EnBW AG and OEW Energie-Beteiligungs GmbH holds the same amount directly.

Until 17 February 2011, EnBW AG was controlled jointly by EDF and OEW. Until this date, related parties of EnBW AG included EDF, which is controlled by the French state, and the entities controlled or jointly controlled by it or over which it has a significant influence. The transactions concluded with EDF and its related parties up to 17 February 2011 essentially relate to electricity supply and electricity procurement agreements. Revenue and cost of materials came to a low nine-digit figure, as was the case in the first quarter of 2010. Existing receivables and liabilities are due within one year. All business relations with EDF were at arm's length. Of the contingent liabilities and financial commitments, around 3% are attributable to EDF entities.

The transactions concluded with the federal state and entities controlled or jointly controlled by it or over which it has significant influence essentially relate to electricity supply agreements to public entities, such as universities and clinics. The revenue from such transactions was immaterial in the first quarter of 2011. Most of the receivables from these transactions had been settled by 31 March 2011. All business relations with the federal state were at arm's length. There are no contingent liabilities or financial commitments to the federal state.

There were no business relations with OEW and NECKARPRI-Beteiligungsgesellschaft mbH apart from dividends paid.

The business relations with joint ventures were as follows:

Income statement in € millions	1/1–31/3/2011	1/1–31/3/2010
Revenue	1.1	6.4
Cost of materials	-1.6	-3.9
Financial result	0.1	0.1

Balance sheet in € millions	31/3/2011	31/12/2010
Other loans	7.9	11.2
Receivables	0.9	2.8
Liabilities	1.3	1.5
Payments on account received	0.1	0.1

Contingent liabilities and financial commitments in € millions	31/3/2011	31/12/2010
Guarantees and collateral	41.3	45.2
Other financial commitments	2.9	6.6
Total	**44.2**	**51.8**

The revenue and cost of materials mainly result from electricity supply and electricity procurement agreements. Receivables and liabilities are due within one year. All business relations with joint ventures were at arm's length.

In the course of ordinary business activities, relationships also exist 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	1/1–31/3/2011	1/1–31/3/2010
Revenue	63.2	54.4
Cost of materials	-42.5	-21.7
Financial result	-0.3	0.0

Balance sheet in € millions	31/3/2011	31/12/2010
Other loans	9.8	10.1
Receivables	27.3	26.7
Liabilities	28.2	110.0
Payments on account received	0.2	0.2

Contingent liabilities and financial commitments in € millions	31/3/2011	31/12/2010
Electricity purchase commitments	347.5	302.3
Financial commitments from business combinations	0.3	0.3
Other financial commitments	3.9	4.0
Total	**351.7**	**306.6**

The receivables and liabilities of the reporting year are generally due within one year.

Related parties (individuals)

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

Dividends

On 19 April 2011, 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 2010. This corresponds to a dividend payment of € 373.7 million.

Treasury shares

As of 31 March 2011, EnBW AG holds 5,749,677 treasury shares (31 December 2010: 5,749,677 treasury shares). 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 – 31/3/2011 in € millions	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	Total
External revenue	1,376.0	2,783.0	704.3	170.4	0.0	5,033.7
Internal revenue	1,115.0	40.6	24.5	147.6	-1,327.7	0.0
Total revenue	2,491.0	2,823.6	728.8	318.0	-1,327.7	5,033.7
Adjusted EBIT	632.1	37.3	83.2	28.3	-36.5	744.4
EBIT	482.8	46.4	83.1	28.7	-29.6	611.4
Amortisation and depreciation	-76.2	-69.2	-18.1	-43.1	-0.7	-207.3
Impairment losses	-4.3	0.0	0.0	0.0	0.0	-4.3
Capital employed as of 31/3/2011	5,568.3	4,664.0	1,446.1	1,566.4	2,376.2	15,621.0

1/1–31/3/2010 in € millions[1]	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	Total
External revenue	1,218.4	2,727.8	783.2	170.2	0.0	4,899.6
Internal revenue	1,272.7	67.8	34.1	107.3	-1,481.9	0.0
Total revenue	2,491.1	2,795.6	817.3	277.5	-1,481.9	4,899.6
Adjusted EBIT	732.0	25.0	123.8	27.5	-32.6	875.7
EBIT	796.8	202.4	123.9	28.4	-29.7	1,121.8
Amortisation and depreciation	-94.9	-58.2	-18.2	-35.6	-0.3	-207.2
Impairment losses	0.0	0.0	0.0	0.0	0.0	0.0
Capital employed as of 31/12/2010	5,320.8	4,769.9	1,440.6	1,357.6	2,734.1	15,623.0

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

One of the key performance indicators is adjusted EBIT. Adjusted EBIT is an earnings ratio adjusted for non-operating effects, which 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	1/1–31/3/2011	1/1–31/3/2010
Adjusted EBIT	744.4	875.7
Non-operating EBIT	-133.0	246.1
Earnings before interest and taxes (EBIT)	**611.4**	**1,121.8**
Investment result	118.0	90.8
Financial result	-141.0	-138.8
Earnings before tax (EBT)	**588.4**	**1,073.8**

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 including contracting 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. 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

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

Thomas Kusterer, Karlsruhe
Chief Financial Officer
since 1 April 2011
Appointed until 31 March 2014

Supervisory Board

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

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

Marc Boudier, Sèvres
Director for Europe at Electricité de France SA (until 15 December 2010)
Member until 16 January 2011

Dr. Daniel Camus, Croissy-sur-Seine
Group Senior Executive Vice President, Strategy and International Activities at Electricité de France SA
(until 1 December 2010)
Member until 9 January 2011

Dr.-Ing. Rainer Dulger, Heidelberg
Executive Vice President and CTO of ProMinent Dosiertechnik GmbH
Member since 21 February 2011

Prof. Dr. Dr. h.c. mult. Wolfgang Franz,
Mannheim
President of Zentrum für Europäische Wirtschaftsforschung GmbH (ZEW)
Member from 21 February 2011 to 19 April 2011

Dirk Gaerte, Sigmaringendorf
District administrator of Sigmaringen district

Prof. Dr. Ulrich Goll MdL, Waiblingen
Minister of justice and deputy prime minister of the federal state of Baden-Württemberg
Member since 10 March 2011

Josef Götz, Stuttgart
Officer with special responsibilities at EnBW Regional AG
Member until 19 April 2011

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

Marianne Laigneau, Chelles
Group Senior Executive Vice President, Human Resources at Electricité de France SA
Member from 12 January 2011 until 17 February 2011

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

Pierre Lederer, Paris
Group Senior Executive Vice President, Customers, Optimisation, Trading for Continental Europe at Electricité de France SA
Member until 17 February 2011

Dr. Hubert Lienhard, Heidenheim
President and CEO of Voith GmbH
Member since 21 February 2011

Serge Massart, Paris
Senior Vice President reporting to the Group Senior Executive Vice President in charge of Generation and Engineering at Electricité de France SA
Member from 17 January 2011 to 17 February 2011

Arnold Messner, Aichwald
Chairman of the works council of EnBW Regional AG
Member since 19 April 2011

Bodo Moray, Mannheim
Trade union secretary ver.di/ responsible for supply and waste disposal divisions in Baden-Württemberg

Bernd Munding, Hochdorf
Deputy chairman of the works council of EnBW Operations GmbH
Member since 19 April 2011

Thomas Piquemal, Paris
Group Senior Executive Vice President, Finance at Electricité de France SA
Member until 17 February 2011

Helmut Rau MdL, Ettenheim
Minister at the state ministry of the federal state of Baden-Württemberg, General manager of NECKARPRI GmbH
Member since 8 March 2011

Gunda Röstel, Flöha
Commercial director of Stadtentwässerung Dresden and authorised signatory at Gelsenwasser AG
Member since 19 April 2011

Gérard Roth, Bois d'Arcy
Director for Germany at Electricité de France SA
Member until 17 February 2011

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

Heinz Seiffert, Ehingen
District administrator of Alb-Donau district

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

Christoph Walther, Langebrück
Deputy chairman of the works council of ENSO Energie Sachsen Ost AG
Member until 19 April 2011

Dietmar Weber, Esslingen
Chairman of the central works council of EnBW Operations GmbH

Kurt Widmaier, Ravensburg
District administrator of Ravensburg district

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

As of 19 April 2011

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By nature, future-oriented statements are subject to risks and uncertainties that cannot be controlled or accurately predicted by EnBW. Actual events, future results, the financial position, development or performance of EnBW and the companies of the EnBW group may therefore diverge considerably from the future-oriented statements made in this report. Therefore it cannot be guaranteed nor can any liability be assumed otherwise that these future-oriented statements will prove complete, correct or precise or that expected and forecast results will actually occur in the future.

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6 | 5 | 2011

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29 | 7 | 2011

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11 | 11 | 2011

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

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