

Nine-Monthly Financial Report

January to September 2011

Q1–Q3



EnBW Energie
Baden-Württemberg AG

At a glance

EnBW group

€ millions	1/1– 30/9/2011	1/1– 30/9/2010	Variance %	1/1– 31/12/2010
Revenue				
Electricity generation and trading	4,022.8	3,554.8	13.2	4,817.0
Electricity grid and sales	7,908.7	7,618.5	3.8	10,192.7
Gas	1,269.3	1,258.9	0.8	1,788.1
Energy and environmental services	560.2	517.9	8.2	711.2
External revenue, total	13,761.0	12,950.1	6.3	17,509.0
Adjusted EBITDA	1,952.6	2,268.1	-13.9	2,837.8
EBITDA	1,342.3	2,798.2	-52.0	3,279.8
Adjusted EBIT ¹	1,306.6	1,614.0	-19.0	1,930.6
EBIT ¹	651.8	1,910.3	-65.9	2,115.0
Adjusted group net profit ^{1, 2}	653.6	903.6	-27.7	986.7
Group net loss/profit ^{1, 2}	-551.9	1,245.4	-	1,169.4
Earnings per share from group net loss/ profit ² in €	-2.26	5.10	-	4.79
Cash flow from operating activities	1,522.6	2,017.7	-24.5	2,560.9
Free cash flow ³	769.3	1,119.3	-31.3	1,060.1
Capital expenditures	926.0	1,628.7	-43.1	2,327.9

Energy sales of the EnBW group

billions of kWh	1/1– 30/9/2011	1/1– 30/9/2010	Variance %	1/1– 31/12/2010
Electricity	116.9	109.9	6.4	146.9
Gas	42.8	37.7	13.5	53.6

Employees of the EnBW group⁴

Number	30/9/2011	30/9/2010	Variance %	31/12/2010
Employees	21,195	20,852	1.6	20,952

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

² In relation to the loss/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 picture shows the run-of-the-river power station in Rheinfelden, which, after some eight years' construction, was officially commissioned in September 2011. The use of hydro-electric power has a strong tradition and bright future at EnBW. Today, it accounts for around 11% of our electricity generation as a result of the some 70 run-of-the-river power stations that are continuously producing CO₂-free electricity. The newly constructed power station in Rheinfelden is the most advanced of its kind in Europe. At 100 MW, it has an installed capacity four times that of the old power station and supplies some 170,000 households with green electricity. Further hydro-electric power projects are already at the planning or implementation stage.

Significant financial developments

- The changes in general energy policy reduced earnings again in the third quarter. Adjusted EBIT came to € 1,306.6 million in the first nine months of the fiscal year 2011, after € 1,614.0 million in the prior year.
- Extraordinary expenses and impairment losses in the group's non-operating result gave rise to a group net loss of € 551.9 million in the reporting period. Adjusted group net profit amounted to € 653.6 million.
- Total investments came to € 926.0 million in the first nine months of 2011, following € 1,628.7 million in the prior-year period. Approximately 42% of capital expenditures of the EnBW group related to growth projects and approximately 17% was invested in the expansion of renewable energies.
- The cash flow from operating activities fell by 24.5% on the prior-year period to € 1,522.6 million.
- The adjusted net debt grew as of 30 September 2011 by 10.4% compared to year-end 2010 to € 8,982.4 million, primarily as a result of additions to nuclear power provisions.

Top issues July to October 2011

July

Decision to phase out nuclear power adopted

The upper house of German parliament approves the gradual phase-out of nuclear power in Germany by the year 2022. The eight nuclear power plants affected by the temporary shutdown will not be put back online. The nine nuclear power plants still in operation will be issued dates by which they must be closed down at the latest.



Leading role on the electricity exchange in Leipzig

EnBW Transportnetze AG is the first transmission system operator in Germany to start trading on the forward market of the European Energy Exchange (EEX) in Leipzig. It sources electricity from the exchange to compensate for energy losses in the grid which arise in the transmission of electricity and power transformation.

August



Last stage of Neckar hydro-electric power station completed

In Esslingen, EnBW Kraftwerke AG puts the new run-of-the-river power station into operation. It has an installed capacity of 1.25 MW and will supply some 4,500 people with CO₂-free electricity in the future. The operator Neckar-AG, an 82% subsidiary of EnBW Kraftwerke AG, has invested € 5.2 million in the power station.

New 380,000 volt switchgear inaugurated

The new switchgear installed in the Grossgartach transformer substation will in the future be one of the most important connection points in EnBW Transportnetze AG's network. Electricity transits from electricity trading across Europe and wind power in the north of Germany will flow through this transformer substation.

September

Prototype for smart home solutions presented

EnBW and IBM present for the first time a prototype for a holistic open-platform smart home product at the IFA trade fair in Berlin. This offers the possibility to combine EnBW's smart solutions relating to energy, such as electromobility, with partners' applications in a flexible way.

Rheinfelden hydro-electric power station officially commissioned

After some eight years' construction at an investment cost of € 380 million, the newly constructed run-of-the-river power station in Rheinfelden now generates green electricity for approximately 170,000 households. The new plant has an installed capacity of 100 MW, four times that of the old plant.



October

Gas purchase cooperation signed

Bundling gas purchases and thereby optimising costs is the declared objective of a cooperation agreement between EnBW Vertrieb GmbH and five municipal utilities in Baden-Württemberg. They expect to procure an initial volume of approximately 2 billion kWh of gas per year via the new "espot" platform.



Public participation in Forbach and Leutkirch

In Forbach, EnBW Kraftwerke AG presents the latest update to the public on its expansion plans for the planned new pumped storage power plant. The first meeting regarding public participation for the "Sustainable town of Leutkirch" project is held. Both events receive a highly positive response.



Hans-Peter Villis, Chief Executive Officer

Letter to our shareholders

Dear shareholders,
investors and friends of EnBW,

2011 has been a very eventful year so far for the energy industry. The amendment to the German Atomic Power Act has meant that conditions in the energy industry have changed significantly, with the new energy concept presenting additional challenges. In light of this, EnBW's Board of Management, boards and employees are focusing their attention on securing the company's competitiveness – and thereby its future sustainability. EnBW also wants to continue playing an active role – and in the future more so – in shaping the new energy concept, focusing on its core competences and forging ahead with the implementation of its package of measures.

This will help EnBW secure its generation position with low CO₂ emissions and also increasingly establish itself on the market as a provider of local energy solutions. For this reason, the focus will be placed on the further expansion and use of renewable energies as well as local generation units and energy solutions, in particular in partnership with municipalities and municipal utilities.

The further expansion of renewable energies will require substantial investment in the coming years. However, our earnings power will be substantially impacted by energy policy decisions. In order to maintain our good credit rating, which is of utmost importance for our ability to invest, we have put together an extensive package of measures. Plans include increasing the divestiture volume by € 0.5 billion to € 1.5 billion through the sale of non-strategic equity investments and optimisation of ownership interests. We have also increased the "Focus" efficiency programme launched in October 2010 to € 750 million.

We have already successfully taken the first steps towards maintaining our credit rating. For instance, EnBW was able to place a € 750 million hybrid bond on the capital market at the end of October. Based on its terms and conditions, half of the amount of the bond will be recognised as equity by rating agencies until the first possible date of repayment in 2017. Oberschwäbischen Elektrizitätswerke (OEW) has also since declared its general willingness to support EnBW with further capital.

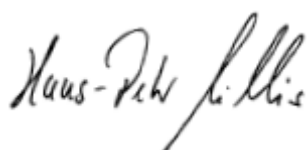
In the third quarter of 2011, the EnBW group recorded a stable operating business. Nevertheless, the changed political conditions in the energy industry continue to burden the group's results of operations. In the first nine months of 2011, the EnBW group generated adjusted EBIT of € 1,306.6 million. This figure is 19.0% below the corresponding prior-year period. Adjusted group net profit in terms of the loss/profit shares attributable to the equity holders of EnBW AG fell by 27.7% on the prior-year period to € 653.6 million.

The fiscal year 2011 has also been shaped by high extraordinary burdens. In addition to the effects resulting from the package of laws on the new energy concept in Germany, turbulence on the financial markets made it necessary to recognise further impairment losses on investments and securities in the third quarter. Overall, the non-operating group net loss for the first nine months of 2011 amounted to € 1,205.5 million. The income statement reports a group net loss in terms of the loss/profit shares attributable to the equity holders of EnBW of € 551.9 million in the reporting period. Despite the repayment of financial liabilities, adjusted net debt increased by 10.4% compared to year-end 2010 to € 8,982.4 million as a result of additions to nuclear power provisions.

In 2011, the operating result of the EnBW group is most likely to fall by between 20% and 25% in comparison to the prior year. The outlook remains unchanged.

In this situation, it is crucial to maintain the company's future sustainability. As presented in this report, the Board of Management has taken the necessary measures in coordination with the Supervisory Board. We will pursue this course consistently, and actively and resolutely seize the opportunities that present themselves in this changed energy policy environment.

Yours sincerely,

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

Hans-Peter Villis

Chief Executive Officer

Karlsruhe, November 2011

EnBW on the capital market

Communication with the capital market continues to revolve around the new energy concept in Germany. The main objective is to present the impact on EnBW in a transparent way, as well as the measures initiated by the group for overcoming the challenges it currently faces. The aim is to maintain and continue to strengthen the capital market participants' trust in EnBW.

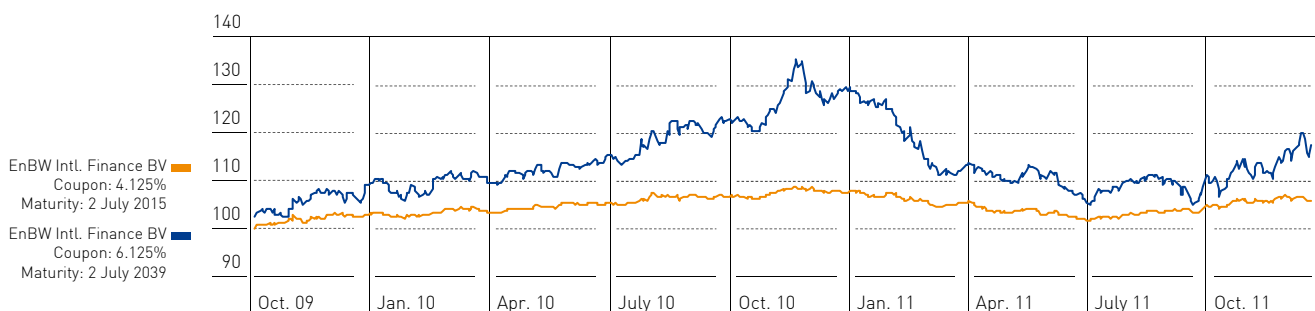
Established issuer on the debt capital market

EnBW pursues the objective of maintaining its A rating. One important criterion is the company's gearing level that we manage within an appropriate range on the basis of the dynamic leverage ratio (adjusted net debt to adjusted EBITDA). EnBW has so far always achieved an A rating. Currently, ratings have been issued by Fitch (A-/outlook stable), Moody's (A2/under review for downgrade) and Standard & Poor's (A-/outlook negative). The change in the political environment, the resulting difficult operating market environment and the effects on EnBW's results of operations in the short to medium term had a negative impact on the rating. EnBW has therefore concluded an extensive range of measures to meet the conditions for being awarded an A rating in the future. These measures focus on sharpening the strategy, adjusting the investment volume, expanding the divestiture programme, building up the "Fokus" efficiency programme and maintaining a stable financial policy. EnBW will use its established position on the debt capital market to place financial instruments. For this reason, a hybrid bond was issued in October 2011 as a way of strengthening the company's capital structure, to which investors responded positively. The combination of all these measures safeguards the group's scope for action and ability to prepare for the future while under pressure of the challenges it currently faces.

Development of the bond market and of EnBW bonds

In the reporting period, concerns regarding the budgetary and financial stability of some peripheral euro countries had a negative impact on the price development of government bonds. The level of returns of the bonds issued by European utility companies listed in the iBoxx € Utilities index increased continually from 3.92% to 4.24% in the first six months of 2011. Volatile development saw returns then fall by 5 September to a provisional annual low of 3.78%. Returns then rose again to 4.1% by 30 September. EnBW's bonds also experienced an increase in returns and price losses during the first half of the year. At the end of the third quarter bond prices had recovered somewhat.

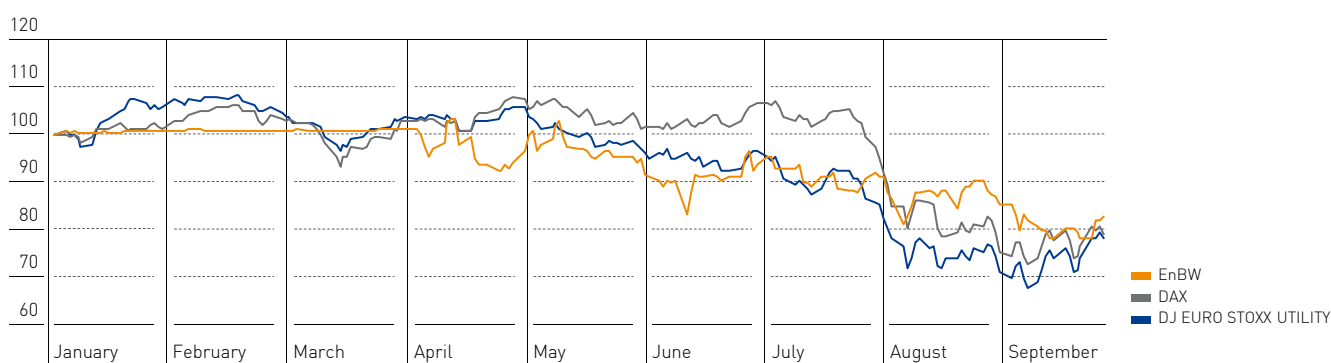
Performance of the EnBW bonds issued in 2009 in %



Development of the EnBW share

The downturn in the global economy, negative economic indicators for the US economy and the intensification of the national debt crisis in the euro area resulted as of August 2011 in dramatic falls in share prices at trading places across the globe as well as in the leading share index in Germany, the DAX. As of the end of the reporting period on 30 September 2011, the DAX stood at 5,502.02 points, down approximately 20% in comparison to year-end 2010 and down 32.6% in comparison to its annual high on 2 May 2011. The EnBW share was not able to escape the general downward movement. Furthermore, the decision taken by the German federal government in July 2011 to phase out nuclear power led to significant market losses on the part of listed energy supply companies in Germany. The closing price of the EnBW share on 30 September 2011 was € 33.81, down some 17% compared to year-end 2010. The DJ EURO STOXX UTILITY index, which reflects the share price of European utilities, showed similar price developments. As of the end of the reporting period on 30 September 2011, the index stood at 262.04 points, down a considerable 22% in comparison to year-end 2010.

Performance of the EnBW share from January to September 2011 in %



Shareholder composition

Since 13 April 2011, the federal state of Baden-Württemberg (via NECKARPRI-Beteiligungsgesellschaft mbH) and OEW Energie-Beteiligungs GmbH each hold 46.55% of EnBW AG's share capital. As of 30 September 2011, the shareholder composition of EnBW AG was unchanged as follows:

Shareholder structure

NECKARPRI-Beteiligungsgesellschaft mbH	46.55%
OEW Energie-Beteiligungs GmbH	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%

Dialogue with the capital market

Our financial communication focuses on maintaining and strengthening the capital market participants' trust in EnBW. In the third quarter of 2011, dialogue with the capital market was primarily shaped by an international road show at the beginning of September, which was met with a positive response among investors. The key discussion topics that arose from the individual and group discussions with some 100 investors were the current situation of the company and the industry, the changes in the shareholder composition as well as the presentation of the hybrid bond product and its structure. The road show was held in six financial centres, namely London, Frankfurt, Zurich, Paris, Amsterdam and Munich. In view of the current political and economic developments, we also arranged in the third quarter for numerous personal meetings with analysts and investors to discuss current events and the implications for the energy industry and EnBW.

Business activity and economic environment

Securing our generation position with low CO₂ emissions and increasing our offering of local energy services are key moves for our focused corporate strategy. The slowdown in global economic growth, the debt crisis in certain European countries and the resumption of oil production in Libya led to a considerable drop in the price of primary energy sources in the third quarter of 2011.

Business activity

As an integrated energy supplier, EnBW operates along the entire value added chain, offering an extensive portfolio of services. 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. 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 accounts for the largest volume of energy-related services and covers the entire value added chain from the initial needs analysis through to the operation of facilities. 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 different markets. EnBW's activities in the wholesale markets consist of electricity generation, procurement of primary energy sources and CO₂ emission allowances as well as electricity trading. The efficiency and flexibility of the generation and procurement portfolio are decisive success factors on the highly competitive wholesale markets. On the regulated markets, the market environment is characterised by political, legal and regulatory requirements. This applies to our grids and to renewable energies, in particular wind power, biomass and photovoltaic generation. On the end customer market, the EnBW group advises and supplies a total of some six million business and retail customers. The traditional sales business of energy utilities is supplemented at EnBW with customer-centric energy consultation and services relating to the efficient use of energy.

Corporate strategy

The EnBW group is the third largest energy company in Germany and is one of the top ten in Europe. We intend to reinforce and expand our position among the largest players in this industry in the long term.

The industry-specific conditions in 2011 require sharpening the focus of the corporate strategy and adjusting the business portfolio to two central strategic moves: EnBW will secure its generation position with low CO₂ emissions and increasingly establish itself as a provider of local energy solutions on the market. These objectives will focus on the development of renewable energies in the form of central and local generation units. In this regard, regional cooperation with towns and municipalities is of vital importance. Following the events in Japan and the resulting three-month suspension of the decision to extend the working lives of nuclear power plants in March, EnBW revised its package of measures for securing the group's future and strategic flexibility, which it had already adopted at the beginning of 2011. In July 2011 came the decision from the upper house of German parliament with respect to the legislative changes relating to the new energy concept and Germany phasing out nuclear power. These events will lead to further considerable financial burdens for EnBW. As a result, EnBW expanded its package of measures further in order to safeguard the financial stability of EnBW and its ability to prepare for the future. EnBW's central aims revolve around maintaining its good credit rating. Aside from reducing its gross investment volume, EnBW will also expand its divestiture programme for the period from 2011 to 2013. Plans include increasing the divestiture volume by € 0.5 billion to € 1.5 billion through the sale of

non-strategic equity investments and optimisation of ownership interests. The total divestiture volume will thus increase to € 2.3 billion. Furthermore, the “Fokus” efficiency programme, originally with a target volume of € 300 million, is being expanded and is expected to lead to a sustainable improvement in EBIT of € 750 million p.a. The associated measures will be developed in detail by the end of 2014 and then take full effect on earnings.

Economic environment

There are various external factors that will influence the development of EnBW's business. The main ones are the general economic environment, price developments on the markets for electricity, fuels and CO₂ allowances as well as political and regulatory decisions.

Overall economic developments

The global economy is currently at a critical stage. The International Monetary Fund (IMF) corrected its estimate of global economic growth for 2011 of 4.3% made in June of this year to 4.0% in September. According to the IMF, this slowdown in growth is due to the negative development of the economy in the US and the debt crises in certain euro countries. The pattern of growth in individual countries and regions remains inconsistent. In addition to unsolved structural problems, disastrous events such as the earthquake in Japan and unrest in oil-producing countries have also put a damper on the global economy. These uncertainties led to turbulence on the global financial markets. However, most developing and emerging economies continue to enjoy strong growth. In industrialised countries, by contrast, some economies continue to struggle with high levels of unemployment and structural problems. The European Commission estimates growth to have reached 1.6% in the euro area for the second quarter of 2011 in relation to the same period of the prior year. In addition, inflationary pressure is rising. The annual inflation rate in the EU reached 2.9% in July 2011 compared to 2.1% in July 2010. This means the rate of inflation is 0.4 percentage points above the target corridor for Europe's monetary policy. For the Czech economy, the IMF has forecast a growth rate of 2.0% for the current year. Economic developments in Turkey continue to be expansive, with growth in economic output expected to reach 6.6% for 2011 according to the IMF.

According to the German Federal Statistical Office, the German economy has lost a considerable amount of momentum. In the second quarter of 2011, gross domestic product (GDP) was only up 0.1% on the prior quarter. The result for the first quarter of 2011 was lowered slightly to +1.3%. According to the autumn report for 2011 issued by the German Institute for Economic Research (DIW), German economic growth in the second half of the year will be significantly weaker than previously thought. Primarily thanks to strong growth in the first half of 2011, German economic performance is therefore likely to grow by a further 2.8% this year in relation to the prior year.

Gas consumption in the first six months of 2011 was reduced considerably by mild weather conditions. According to reports from the German Energy and Water Association (BDEW), consumption of natural gas in the first half of 2011 fell by more than 10% compared to the prior-year period (2011: 468 billion kWh/2010: 522 billion kWh). According to the BDEW, electricity consumption remained at the level for the first half of 2010 at 257 billion kWh.

Market situation for primary energy sources, CO₂ allowances and electricity

EnBW's trading activities focus on reducing the uncertainties for the company's generation margin. These can arise from developments in the price of primary energy sources, CO₂ allowances and electricity on the wholesale markets. The quantities of primary energy sources and CO₂ 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 nine months 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 nine months of 2011 will have an effect on the results of subsequent periods. The same applies to the quantities of electricity procured by the sales function on the forward market.

Oil market: The protest movements in several states of North Africa and the Middle East as well as the civil war in Libya with its significant production outages pushed oil prices up until the beginning of April. In early May, the cooling-off of economic optimism and intensification of the debt crisis in some European countries led to a notable change in oil prices. This fall in prices, although highly volatile, continued until the end of September. In the third quarter of 2011, the Brent price increased from a front month price of US\$ 111.77/bbl on 1 July to US\$ 118/bbl within one trading week. At the beginning of August, negative economic indicators for the US and the downgrading of the credit rating of the US by rating agency Standard & Poor's resulted in a sharp fall in global stock markets. The Brent price fell as a result of expectations of a further downturn in the global economy and, accordingly, slower growth in oil demand. The expectation of a recession in the euro area, the emerging fall in Chinese oil demand growth as well as, contrary to expectations, a swift resumption of oil production in Libya led to a further decline in oil price listings as of the end of the third quarter. The price for short-term oil deliveries averaged at US\$ 112.09/bbl in September.

Coal market: As in the prior quarter, average price levels on forward markets for coal deliveries to the ARA ports (Amsterdam, Rotterdam, Antwerp) were significantly higher in the third quarter of 2011 than in the prior-year period. Whereas prices for deliveries in 2012 (front year) were volatile throughout the first quarter, they started to climb steadily as of mid-March. Germany's decision to phase out nuclear power and the resulting expectation of higher demand on the part of European market participants forced prices upwards. China's higher demand for imports compensated for Japan's low import levels. In the third quarter of 2011, forward prices moved sideways between US\$ 125/t and US\$ 130/t. The price level fell slightly at the end of September as a result of the gloomy economic outlook across the globe and uncertainties regarding the European debt crisis. In addition, the US dollar recently appreciated strongly against the euro, regaining some of the ground it had lost.

Price development on the oil and coal markets	Average Q3 2011	Average Q3 2010	Average 2010
Crude oil (Brent) front month (daily quotes in US\$/bbl)	112.09	76.96	80.34
Crude oil (Brent) annual price 2012 (daily quotes in US\$/bbl)	110.05	84.14	86.68
Coal – API #2 Y2012 in US\$/t	127.33	105.23	106.32

Gas market: Long-term gas import contracts form the basis for gas supplies in Germany. Prices essentially track oil quotations with a time lapse of around six months. Following the higher oil prices in 2010, the monthly border price index compiled by the Federal Office of Economics and Export Control (BAFA) for natural gas also started to rise again. It stood at € 27.50/MWh in August 2011.

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. The high price levels on the spot market at the start of 2011 were mainly caused by the cold winter, followed by a phase of slight downwards movements up to August 2011 owing to the good supply situation. By contrast, forward market prices remained stable to a great extent. At the end of February, prices rose once more in light of unrest in North Africa and the Middle East and rising oil prices. The events in Japan in March this year and the assumption of the market that demand for gas there will increase in the future, thereby potentially leading to a decrease in the quantities of liquefied natural gas available for Europe, also pushed prices upwards. As of 1 April 2011, the start of the summer season, prices started to fall slightly. The announcement by the federal government of Germany's intention to phase out nuclear power subsequently caused prices to increase further, particularly on the forward market. At the beginning of August, spot market prices fell in line with the rising levels of gas held in gas storage facilities. Following the announcement of servicing requirements for several liquefied natural gas loading facilities in Qatar, spot market prices rose again before crashing at the end of the gas business year on 30 September. However, prices recovered again in the first few days of the new gas business year. Spot market prices in the third quarter of 2011 averaged € 22.24/MWh, which was € 3.39/MWh or 18% above the level for the comparable prior-year period. The price for deliveries in 2012 was characterised by a sideways movement in the third quarter. The average was € 27.32/MWh, i.e. 23% higher than in the prior year.

Development of prices for natural gas on the TTF (Dutch wholesale market) in €/MWh	Average Q3 2011	Average Q3 2010	Average 2010
Spot	22.24	18.85	17.38
Delivery 2012	27.32	22.22	21.12

CO₂ emission allowances: Under the European emissions trading system, power plants are required to evidence the requisite number of emissions allowances for their CO₂ emissions. The prices of emission allowances (EU Allowances – EUA) for delivery in December 2011 (EUA-11) initially remained stable at around € 15/t CO₂ in January 2011, despite a record level of Certified Emission Reduction (CER) allowances distributed. This was attributable to the unusually low volume of sales by industry and small businesses at that time of year due to the temporary closure of the EU register and the suspension of CO₂ spot trading following a hacker attack and EUA thefts. As of mid-February, rising gas prices and the resulting higher fuel switching costs led to a continual increase in EUA-11 prices. Developments following events in Japan in March 2011 and the resolution by the German federal government to withdraw the decision to extend the working lives of the nuclear power plants in Germany initially drove up the prices of emission allowances. In June, prices then showed a downward trend which continued in the third quarter in spite of the relative stability of fundamental factors. The downward movement in prices was caused by political decisions such as: the planned EUA auctions with a volume of 300 million EUAs for the third trading period as of the fourth quarter of 2011, the EU's proposed Energy Efficiency Directive aiming to reduce future emissions, and the postponement of a decision on raising targets for reducing CO₂ emissions from 20% to 30% to 2020. Furthermore, the critical economic situation of the EU and US and reports of a worldwide economic slowdown are hitting global share markets and therefore European emissions trading, too.

The price of emission allowances in the third quarter of 2011 was below that of the second quarter. The EUA-11 price ranged from € 10.50/t CO₂ to € 13.56/t CO₂. However, at 1.641 billion t CO₂, the trading volume for EUAs in the third quarter of 2011 was markedly in excess of the 1.031 billion t CO₂ traded in the same period of the prior year. The prices of CER-11 allowances ranged between € 7.54 and 10.01/t CO₂. In the reporting period, prices of CER-11 allowances generally paralleled the development of EUA-11 allowances. However, the prices of CER-11 allowances tend to be lower due to the limited trading possibilities in the EU emissions trading system. The spread between EUA-11 and CER-11 allowances was reduced increasingly in the third quarter. Reasons for this include the above-average volume of CER allowances being distributed and the sharper fall in prices for EUA allowances.

Development of prices for emission allowances/ daily quotes in €/t CO ₂	Average Q3 2011	Average Q3 2010	Average 2010
EUA-11	12.26	15.13	14.82
CER-11	9.01	12.42	12.12

Wholesale electricity market: At € 49.17/MWh, the average price for immediate delivery of electricity (base load product) on the spot market of the European Energy Exchange (EEX) in the third quarter of 2011 was around € 5/MWh or 12% higher than the prior-year figure. The primary reason for this is the lower power plant capacity in comparison to the prior year as a result of the withdrawal of the decision to extend their working lives. Furthermore, the rise in fuel prices in comparison to the prior year pushed prices upwards and this effect was not compensated for by the increased value of the euro against the dollar. However, the price was down 8% on the average price for the second quarter of 2011. One reason for this was the improvement in the availability of nuclear power plants. Overall, at € 51.53/MWh, the price for the first nine months of 2011 was some 22% or € 9/MWh higher than in the same prior-year period. On the EEX forward market, the average price for delivery in 2012 increased by around 9% (base load product) to € 57.43/MWh in the third quarter of 2011 compared to the prior-year quarter. This meant that the price was only slightly below that for the prior quarter. Overall, prices on the forward market moved sideways in the third quarter of 2011. The prospect of a possible slowdown in the German economy as part of the global economy stalling put a damper on prices. Price drivers resulted from discussions surrounding a tighter supply situation in the winter months due to the fall in power station capacity. The average price in the first nine months of 2011 for electricity deliveries in 2012 increased on the prior year by approximately 7% to € 56.69/MWh.

Development of prices for electricity (EEX) base load product in €/MWh	Average Q3 2011	Average Q3 2010	Average 2010
Spot	49.17	43.81	44.49
Delivery 2012	57.43	52.72	52.57

Prices for retail and industrial customers: According to surveys by the Statistical Office of the European Union (Eurostat), electricity prices for retail customers in the second half of 2011 rose by 6.3% compared to the prior-year period. This increase is almost entirely due to higher taxes and levies. As regards electricity for industrial customers, Eurostat calculates a price increase of 4.9%. In this regard, a fall in the net prices is more than compensated for by higher taxes and levies.

Political environment

Energy efficiency: In the summer of 2011, the EU Commission submitted its proposal for the Energy Efficiency Directive, which is currently being negotiated in Parliament. Adoption of the directive, however, is not expected until 2012 at the earliest. Another focal point of current EU legislation activities is on regulating financial transactions that may also have an impact on energy trading.

Energy policy in Germany

New energy concept: Amendments to laws in connection with the new energy concept, in particular the German Atomic Power Act, the German Renewable Energies Act and the German Grid Expansion Acceleration Act, were passed by the upper house of German parliament at the beginning of July 2011. The CCS bill, adopted by the lower house in July, failed to pass in the upper house in September. Additional legislative procedures, in particular with regard to expanding grids and improving their efficiency, are currently being discussed as part of a network platform within the Federal Ministry of Economics.

Wind energy: The state government of Baden-Württemberg has approved a state planning act primarily concerned with designating areas for constructing wind turbines. It is possible for the act to be passed by the state before the end of 2011.

Regulation of the electricity and gas markets

Incentive regulation: On 28 June 2011, the German Federal Court of Justice (BGH) issued its decision on the judicial review application filed by EnBW Regional AG on determining the cap on revenue in accordance with the Incentive Regulation Ordinance for the first regulation period (2009 to 2012 for gas networks and 2009 to 2013 for electricity networks). For all key points of dispute, a decision was reached in favour of EnBW. The points decided on by the Federal Court of Justice affect all of EnBW's grid companies. In order to implement the judgment, the Federal Network Agency proposed the corresponding settlement offers to EnBW's grid companies in September, which were accepted by the latter. The settlement offers allow for the network operators to collect the difference from the revenue cap that was set at too low a level between 2009 and 2011 via the network user charges as of 2012. The difference can be collected over a period of between one and six years for gas and between one and seven years for electricity.

Reducing the number of market territories: Quicker than prescribed by the legislator under the Gas Grid Access Ordinance (GasNZV) in September 2010, the number of German market territories was reduced to two as of the beginning of the gas business year 2011/2012 on 1 October 2011. This step had originally been planned for 2013. All former market territories have merged into the two remaining market territories, Gaspool and NetConnect Germany. They include both gas qualities, L gas and H gas. Market participants are able to trade these two gas qualities on both virtual trading places.

The EnBW group

In the third quarter of 2011, the EnBW group recorded a stable operating business. The earnings development over the entire reporting period was negatively impacted by the nuclear fuel rod tax and temporary shutdown of nuclear power plants. The changes in general energy policy significantly reduced the non-operating result in the first nine months. Furthermore, the turbulence on the financial markets caused by the euro debt crisis made it necessary to recognise impairment losses on investments and securities.

Results of operations

Unit sales and revenue

Electricity sales of the EnBW group in billions of kWh	Generation and trading		Grid and sales		Total	
	1/1–30/9/2011	1/1–30/9/2010	1/1–30/9/2011	1/1–30/9/2010	1/1–30/9/2011	1/1–30/9/2010
Retail customers (B2C)	0.0	0.0	13.6	14.7	13.6	14.7
Industry and redistributors (B2B)	3.2	2.3	34.4	33.4	37.6	35.7
Trade	55.5	50.0	10.2	9.5	65.7	59.5
Total	58.7	52.3	58.2	57.6	116.9	109.9

In the first nine months of 2011, unit sales of electricity by the EnBW group came to a total of 116.9 billion kWh. The 6.4% increase in comparison to the prior year is primarily attributable to the 10.4% rise in trading activities. After adjusting for consolidation effects, unit sales rose by 4.5%. At 13.6 billion kWh, unit sales of electricity to retail customers were below the prior-year level of 14.7 billion kWh. Keener competition and milder weather in the first quarter of 2011 in comparison to the prior year more than offset the positive effects from the changes in the consolidated group. In contrast, unit sales to industry customers increased by 5.3% for consolidation-related reasons, reaching 37.6 billion kWh in the reporting period.

Gas sales of the EnBW group in billions of kWh	1/1–30/9/2011	1/1–30/9/2010	Variance %	1/1–31/12/2010
Retail customers (B2C)	5.4	8.2	-34.1	11.8
Industry and redistributors (B2B)	31.0	29.5	5.1	41.8
Trade	6.4	0.0	-	0.0
Total	42.8	37.7	13.5	53.6

At 42.8 billion kWh, the EnBW group's unit sales of gas in the first nine months of 2011 were up on the prior-year level of 37.7 billion kWh. Adjusted for consolidation effects, unit sales of gas rose by 23.0%. The increase in unit sales is primarily attributable to the rise in the group's trading activities. In the retail customer business, unit sales fell significantly by 2.8 billion kWh to 5.4 billion kWh. A considerable portion of this fall in unit sales is due to the sale of GESO Beteiligungs- und Beratungs-AG (GESO) and its subsidiaries in the first quarter of 2010. In a year-on-year comparison, warmer weather and more intense competition were additional factors negatively impacting the development of unit sales to retail customers. With regard to industry customers,

unit sales rose by 5.1% to 31.0 billion kWh in the reporting period despite the sale of GESO and the milder winter.

External revenue of the EnBW group by segment in € millions ¹	1/1–30/9/2011	1/1–30/9/2010	Variance %	1/1–31/12/2010
Electricity generation and trading	4,022.8	3,554.8	13.2	4,817.0
Electricity grid and sales	7,908.7	7,618.5	3.8	10,192.7
Gas	1,269.3	1,258.9	0.8	1,788.1
Energy and environmental services	560.2	517.9	8.2	711.2
Total	13,761.0	12,950.1	6.3	17,509.0

¹ After deducting electricity and natural gas tax.

In the reporting period, the EnBW group generated external revenue including electricity and natural gas tax of € 14,468.3 million. After deducting electricity and natural gas tax, external revenue came to € 13,761.0 million, a drop of 6.3% in comparison to the prior year. After adjusting for consolidation effects, external revenue rose by 5.3%.

Electricity generation and trading: In the reporting period, revenue in the electricity generation and trading segment recorded a rise of 13.2% to € 4,022.8 million in comparison to the prior-year period. After eliminating consolidation effects, this constitutes an increase of 14.3%. This rise is essentially the result of positive volume effects. This segment's share in total group revenue increased to 29.2%, after 27.4% in the prior year.

Electricity grid and sales: In the first nine months of 2011, revenue in the electricity grid and sales segment rose by 3.8% to € 7,908.7 million. After eliminating consolidation effects, it would have increased by 0.4%. This segment accounted for as much as 58.8% of group revenue in the prior year but it fell slightly by 1.3 percentage points to 57.5% in the reporting period.

Gas: Despite a 13.5% rise in unit sales in comparison to the prior year, the revenue of € 1,269.3 million generated by the gas segment remained virtually at the prior-year level. Without taking into account consolidation effects, revenue would have improved by 10.6%. This segment's share in total group revenue decreased only marginally from 9.7% in the prior year to 9.2% in the reporting period.

Energy and environmental services: Within the first nine months of 2011, revenue in the energy and environmental services segment increased by 8.2% in comparison to the prior year to € 560.2 million. The increase in revenue is attributable to the volume growth seen in the contracting business. This means that, at 4.1%, this segment's share in total group revenue is slightly up on the prior-year level.

Material developments in the income statement

In the reporting period, other operating income came to € 490.3 million, a significant fall on the prior year. The high prior-year figure of € 1,009.0 million was essentially attributable to positive effects from deconsolidation of GESO Beteiligungs- und Beratungs-AG (GESO), the increase in the shareholding in Pražská energetika a.s. (PRE) and a compensation payment received for the premature termination of a long-term electricity supply agreement. Due to the rise in revenue and extraordinary expenses as a result of additions to nuclear power provisions under the amendments to the German Atomic Power Act passed by the German federal government, the cost of materials increased by 19.1% to € 11,160.3 million in the reporting period. Personnel expenses rose by 4.4% to € 1,230.1 million in the first nine months of 2011 primarily on account of a collective wage increase. The investment result showed a loss of € 468.6 million due to impairment losses, in contrast to a profit of € 171.1 million seen in the prior year. Accordingly, earnings before taxes (EBT) came to € -375.3 million. In the prior year, EBT amounted to € 1,568.9 million. In line with this development, income taxes were lower than in the prior-year period at € 112.7 million compared to € 339.2 million one year earlier.

Earnings

EnBW reported a group net loss in terms of the loss/profit shares attributable to the equity holders of EnBW AG of € -551.9 million (prior year: € 1,245.4 million). This was attributable to the ongoing high negative non-operating result of the group of € -1,205.5 million, whereas the group had recorded a clearly positive figure of € 341.8 million one year earlier. The operating result could only compensate for some of these effects. After the first nine months of 2011, earnings per share stood at € -2.26, after € 5.10 in the prior year.

Adjusted earnings and non-operating result

One key performance indicator within the EnBW group is adjusted EBIT. Adjusted EBIT is an earnings ratio adjusted for non-operating effects to accurately reflect the development of results of operations. The non-operating result 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– 30/9/2011	1/1– 30/9/2010	Variance %	1/1– 31/12/2010
Electricity generation and trading	1,012.7	1,300.6	-22.1	1,626.7
Electricity grid and sales	263.8	282.6	-6.7	263.8
Gas	7.6	48.4	-84.3	80.1
Energy and environmental services	121.6	93.3	30.3	111.3
Holding/consolidation	-99.1	-110.9	10.6	-151.3
Total	1,306.6	1,614.0	-19.0	1,930.6

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

In the first nine months of 2011, the EnBW group generated adjusted EBIT of € 1,306.6 million. This figure is 19.0% below the prior-year period. The earnings development was negatively impacted primarily by losses in the operating business and the deconsolidation of GESO. In contrast, there was a positive effect from the share swap with Pražská energetika a.s. (PRE) and Pražská teplárenská a.s. (PT). After eliminating consolidation effects, adjusted EBIT decreased by 17.5%.

In the first nine months of 2011, the adjusted EBIT in the electricity generation and trading segment fell by 22.1% from € 1,300.6 million in the corresponding prior-year period to € 1,012.7 million. Earnings were reduced significantly by the newly introduced nuclear fuel rod tax. The permanent shutdown of two of our nuclear power plants as part of the new energy concept in Germany and the procurement of quantities of electricity from these power plants that had already been sold on the forward market caused a further loss of earnings. In addition, the smaller spreads between the price of off-peak and peak electricity and higher fuel costs in comparison to the prior year negatively impacted earnings. After eliminating consolidation effects, adjusted EBIT was 21.0% below the prior-year level.

In the electricity grid and sales segment, the EnBW group was faced with a fall in earnings of 6.7% to € 263.8 million in the first nine months of 2011. After eliminating consolidation effects, adjusted EBIT fell by 10.4%. This fall in earnings is primarily the result of higher expenses in the grid area. On the other hand, earnings in the sales business are stable.

In the first nine months of 2011, the gas segment saw a significant decline in adjusted EBIT of 84.3% to € 7.6 million in comparison to the prior year. The decisive factor in this negative development was, in particular, the sale of GESO. Adjusted for consolidation effects, adjusted EBIT was € 13.3 million below the prior-year value. The fall in earnings is due to the lower level of revenue from network user charges in relation to the comparative period. This was due to the weather-related fall in the quantities of gas transmitted.

Adjusted EBIT in the energy and environmental services segment was significantly above the level of the prior year. This segment recorded a sharp rise in earnings of 30.3% to € 121.6 million in the first nine months of 2011. The reasons here included above all higher income from other services, among other things on account of restructuring that did not impact the group.

The holding company recorded a reduction in the loss by 10.6% to € -99.1 million in comparison to the € -110.9 million seen in the prior year.

Adjusted earnings indicators of the EnBW group in € millions ¹	1/1– 30/9/2011	1/1– 30/9/2010	Variance %	1/1– 31/12/2010
Adjusted investment result	215.7	180.8	19.3	192.3
Adjusted financial result	-497.7	-463.2	-7.4	-642.8
Adjusted income taxes	-312.5	-386.9	19.2	-444.7
Adjusted group net profit	712.1	944.7	-24.6	1,035.4
of which loss/profit shares attributable to non-controlling interests	(58.5)	(41.1)	42.3	(48.7)
of which loss/profit shares attributable to the equity holders of EnBW AG	(653.6)	(903.6)	-27.7	(986.7)

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

In comparison to the prior-year period, the adjusted investment result was 19.3% higher and came to € 215.7 million. The loss seen in the adjusted financial result of € 497.7 million has increased on the prior year (€ -463.2 million), caused by higher increases in nuclear power provisions on account of the amendment to the German Atomic Power Act. Running parallel to earnings in the operating business, adjusted income taxes fell from € 386.9 million in the prior year to € 312.5 in the reporting period. Adjusted group net profit in terms of the loss/profit shares attributable to the equity holders of EnBW AG fell by 27.7% on the prior-year period, to € 653.6 million.

Non-operating result of the EnBW group in € millions	1/1– 30/9/2011	1/1– 30/9/2010	1/1– 31/12/2010
Income/expenses relating to nuclear power	-563.4	-27.8	-77.5
Income from the reversal of other provisions	67.1	35.1	75.8
Gains on sale and income from acquisitions achieved in stages	23.1	459.9	473.1
Other non-operating result	-137.1	62.9	-29.4
Non-operating EBITDA	-610.3	530.1	442.0
Impairment losses	-44.5	-233.8	-257.6
Non-operating EBIT	-654.8	296.3	184.4
Non-operating investment result	-684.3	-9.7	-89.1
Non-operating financial result	-60.8	-49.3	-46.9
Non-operating income taxes	199.8	47.7	80.1
Non-operating group net loss/profit	-1,200.1	285.0	128.5
of which loss/profit shares attributable to non-controlling interests	(5.4)	(-56.8)	(-54.2)
of which loss/profit shares attributable to the equity holders of EnBW AG	(-1,205.5)	(341.8)	(182.7)

Non-operating EBIT for the reporting period of € -654.8 million is attributable to the high extraordinary burdens in the current fiscal year 2011. The high loss was due, in particular, to expenses of € 563.4 million in the area of nuclear energy. These expenses originated from the immediate and final shutdown of two of EnBW's nuclear power units as a consequence of the 13th amendment to the German Atomic Power Act. This gives rise to an extraordinary addition to the decommissioning provisions and a write-off of the nuclear fuel rods in the reactor. The withdrawal of the decision to extend the working lives of the remaining nuclear power plants under the amendment to the German Atomic Power Act and their earlier dismantling as a consequence similarly result in higher decommissioning provisions. In the prior year, non-operating EBIT came to € 296.3 million, a figure that was boosted by gains on the disposal of GESO, compensation payments for the termination of a long-term electricity supply agreement and the revaluation of the shareholding in PRE. In the current reporting period, additions to provisions placed a burden on the other non-operating result of € -137.1 million. The permanent closure of the two nuclear power plants additionally made it necessary to recognise impairment losses on non-current assets.

The non-operating investment result records a loss of € 684.3 million, after a loss of € 9.7 million in the comparative period of the prior year. The main factor for this were impairment losses that had to be recognised in relation to EWE Aktiengesellschaft (EWE) and EVN AG. At EWE, the impairment losses of € 296.5 million were caused by an increased interest level and changed conditions in the energy industry. The carrying amount of the investment

in EVN AG was adjusted to market price by recognising an impairment loss of € 245.4 million. In addition, there were other non-operating expenses of € 73.6 million and € 74.5 million relating to the accounting for EWE and EVN AG, respectively, using the equity method. At € -60.8 million, the non-operating financial result records a 23.3% greater loss in the reporting period than in the prior year (€ -49.3 million). The main factor in this respect were impairment losses on securities of € 60.6 million in connection with falling prices on the stock markets following the euro debt crisis.

The tax income that rose to € 199.8 million in the reporting period is essentially the result of the high negative non-operating result. The effects listed aggregate to a non-operating group net loss in terms of the loss/profit shares attributable to the equity holders of EnBW AG of € 1,205.5 million. In contrast, a non-operating group net profit of € 341.8 million had been generated in the prior-year period.

Financial performance of the EnBW group in € millions

Adjusted EBITDA	1,952.6	2,268.1	-13.9%
Non-operating EBITDA	-610.3	530.1	
EBITDA	1,342.3	2,798.2	-52.0%
Adjusted EBIT	1,306.6	1,614.0	-19.0%
Non-operating EBIT	-654.8	296.3	
EBIT	651.8	1,910.3	-65.9%
Adjusted group net profit ¹	653.6	903.6	-27.7%
Non-operating group net loss/profit ¹	-1,205.5	341.8	
Group net loss/profit ¹	-551.9	1,245.4	
	1/1–30/9/2011	1/1–30/9/2010	Variance [%]

¹ In relation to the loss/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 and amounted to € 1,522.6 million in the first nine months of 2011.

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

- > Commercial paper (CP) programme for a total of € 2.0 billion (undrawn as of 30 September 2011)
- > Syndicated line of credit for € 2.0 billion with a term of five years (undrawn as of 30 September 2011)
- > Bilateral short-term lines of credit (€ 507 million, undrawn as of 30 September 2011)
- > Euro Medium Term Note (EMTN) programme with a line of € 7.0 billion (€ 5.0 billion utilised as of 30 September 2010)
- > Measures to strengthen equity and offering of special products

There are no maturities on the capital market in 2011. We intend to cover the bonds totalling € 1.0 billion that mature in 2012 from our liquidity position and free cash flow. EnBW's bonds have a well-balanced maturity profile.

Capital expenditures and acquisitions

In the first nine months of 2011, the total investment of the EnBW group came to € 926.0 million (prior year: € 1,628.7 million). This corresponds to a decrease of 43.1% compared to the prior-year period. The higher prior-year figure was mainly due to more extensive financial investments.

Over the period from January to September 2011, some 42% of investments related to growth projects. The remaining investments related to replacement and renewal measures, in particular for power stations and grid infrastructure. Around 17% of total investments serve the expansion of renewable energies. The commissioning of the first offshore wind farm, EnBW Baltic 1, and the preparatory work for the construction of the second offshore wind farm, EnBW Baltic 2, should be noted in this context.

In the reporting period, € 811.0 million (prior year: € 966.9 million) related to capital expenditures on intangible assets and property, plant and equipment. This is equivalent to 87.6% of total investment in comparison to 59.4% in the prior-year period. Around half of the capital expenditure on intangible assets and property, plant and equipment was made in the electricity generation and trading segment. The investment volume of € 399.1 million is 28.8% down on the prior-year figure. The investment focus was placed on ongoing projects such as the construction of RDK 8 hard coal power station in Karlsruhe, the extension of the hydro-electric power station in Iffezheim, realisation of the offshore wind farms in the Baltic Sea and the hydro-electric power station in Rheinfelden already put into technical operation at the end of 2010. In the electricity grid and sales segment, capital expenditure stood at € 223.3 million, which is close to the prior-year level of € 224.6 million. The funds mainly flow into the ongoing modernisation and expansion of our grids in particular to permit the connection of facilities for the generation of renewable energies and to render them suitable for linking up to the grid. We invested € 84.4 million in expanding the gas segment, in particular for the gas storage project in Etzel. In the energy and environmental services segment, capital expenditures totalled € 104.2 million as of 30 September 2011, 19.4% below the prior-year level of € 129.3 million. Investments in this segment include but are not limited to the construction of a substitute fuel power plant in Eisenhüttenstadt.

In the first nine months of 2011, the financial investments came to € 115.0 million and essentially include a subsequent purchase price payment relating to the acquisition of a shareholding in EWE Aktiengesellschaft. The higher prior-year figure of € 661.8 million principally arose from the purchase of a shareholding in Gesellschaft für die Beteiligung an dem Kraftwerk Rostock mbH and the increase in the shareholding in Pražská energetika a.s. The divestitures made in the prior-year period totalled € 906.8 million and were mainly the result of the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries. The comparatively low level of divestitures in the reporting period of € 103.1 million comprise above all construction cost subsidies and other disposals of assets. An amount of € 25.2 million stems from the successful sale to municipal utilities of shares in the EnBW Baltic 1 offshore wind farm. Net investments in the reporting period therefore totalled € 822.9 million.

Net cash investments of the EnBW group in € millions	1/1– 30/9/2011	1/1– 30/9/2010	Variance %	1/1– 31/12/2010
Electricity generation and trading	399.1	560.7	-28.8	933.4
Electricity grid and sales	223.3	224.6	-0.6	383.3
Gas	84.4	52.3	61.4	92.7
Energy and environmental services	104.2	129.3	-19.4	215.4
Total capital expenditures on intangible assets and property, plant and equipment	811.0	966.9	-16.1	1,624.8
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method ¹	85.5	638.8	-86.6	643.1
Cash paid for the acquisition of investments ²	29.5	23.0	28.3	60.0
Total investments	926.0	1,628.7	-43.1	2,327.9
Cash received from disposals of intangible assets and property, plant and equipment	-23.4	-28.1	-16.7	-45.7
Cash received from construction cost and investment subsidies	-34.3	-40.4	-15.1	-78.3
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method ³	-6.3	-834.4	-99.2	-843.9
Cash received from the sale of investments ²	-13.9	-3.9	-	-3.9
Cash received from changes in ownership interest that do not result in loss of control	-25.2	0.0	-	0.0
Total divestitures	-103.1	-906.8	-88.6	-971.8
Net (cash) investments	822.9	721.9	14.0	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 2010 to 30 September 2010: € 12.1 million; 1 January 2010 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 2010 to 30 September 2010: € 61.7 million; 1 January 2010 to 31 December 2010: € 63.0 million].

Liquidity analysis

Free cash flow in € millions	1/1– 30/9/2011	1/1– 30/9/2010	Variance %	1/1– 31/12/2010
FFO electricity generation and trading	1,238.9	1,762.4	-29.7	2,077.2
FFO electricity grid and sales	379.5	364.3	4.2	359.4
FFO gas	53.0	101.2	-47.6	155.4
FFO energy and environmental services	226.5	166.9	35.7	257.4
FFO Holding/consolidation	-102.3	-96.4	-6.1	-101.7
Funds from operations (FFO) before taxes and financing	1,795.6	2,298.4	-21.9	2,747.7
Change in assets and liabilities from operating activities	-317.5	-131.4	-141.6	124.8
Income tax paid	44.5	-149.3	-	-311.6
Cash flow from operating activities	1,522.6	2,017.7	-24.5	2,560.9
Capital expenditures on intangible assets and property, plant and equipment	-811.0	-966.9	-16.1	-1,624.8
Cash received from disposals of intangible assets and property, plant and equipment	23.4	28.1	-16.7	45.7
Cash received from construction cost and investment subsidies	34.3	40.4	-15.1	78.3
Free cash flow before financing	769.3	1,119.3	-31.3	1,060.1
Interest and dividends received	332.4	316.3	5.1	381.6
Interest paid for financing activities	-237.8	-204.3	16.4	-355.1
Free cash flow after financing	863.9	1,231.3	-29.8	1,086.6

A decrease in group EBITDA was the main factor causing the decrease in funds from operations (FFO) before taxes and financing; this figure fell to € 1,795.6 million over the first nine months of 2011, a fall of 21.9% in comparison to the prior year (€ 2,298.4 million). The cash flow from operating activities fell by 24.5% to € 1,522.6 million. The drop was partly also due to the higher increase in assets and liabilities from operations, caused by higher security deposits for derivatives. In contrast, the sale of a corporate income tax credit brought about a cash inflow from income taxes in the reporting period.

Free cash flow before financing dropped from € 1,119.3 million in the prior year to € 769.3 million in the first nine months of 2011. The interest and dividends received were at a slightly higher level than in the prior year. The interest paid for financing activities increased by 16.4% to € 237.8 million. Overall, the free cash flow after financing totalled € 863.9 million after € 1,231.3 million in the prior-year period.

Cash flow statement in € millions	1/1– 30/9/2011	1/1– 30/9/2010	Variance %	1/1– 31/12/2010
Cash flow from operating activities	1,522.6	2,017.7	-24.5	2,560.9
Cash flow from investing activities	-314.4	-390.0	-19.4	-1,272.6
Cash flow from financing activities	-993.6	-995.4	-0.2	-1,001.2
Net change in cash and cash equivalents	214.6	632.3	-66.1	287.1
Net foreign exchange difference	2.6	13.3	-80.5	12.3
Change in cash and cash equivalents	217.2	645.6	-66.4	299.4

In the first nine months of 2011, the cash outflow from investing activities amounted to € 314.4 million, € 75.6 million less than in the prior-year period. At € -993.6 million, cash flow from financing activities is at virtually the same level as the prior-year figure. Cash and cash equivalents in the group increased by € 217.2 million in the reporting period. In the corresponding period of the prior year, this figure had increased by € 645.6 million.

Net assets

As of the end of the reporting period on 30 September 2011, the total net assets of the EnBW group came to € 34,169.0 million, in comparison to € 35,279.4 million as of 31 December 2010. The fall in total net assets is due primarily to the € 841.8 million drop in non-current assets, which is essentially attributable to impairment losses on investments and falling security prices. Current assets similarly fell by € 446.5 million to € 8,617.1 million. The main factor here was the decline in trade receivables to € 1,930.7 million as of the end of the reporting period. The opposite effect was exerted by an increase in other current assets by € 961.8 million to € 2,597.3 million. The assets held for sale increased to € 189.7 million in the third quarter of 2011. The main reason for this is the planned sale of our Polish operations. As a result of the reclassification of bonds totalling € 1 billion that are due for repayment at the end of February 2012, current financial liabilities increased to € 1,435.9 million while non-current financial liabilities fell to € 5,545.7 million. On account of the net loss in the first nine months of 2011, equity decreased by 16.1% to € 6,406.8 million as of 30 September 2011. As of this date, the equity ratio came to 18.8%, after 21.7% as of the end of the year 2010.

Balance sheet structure of the EnBW group in € millions ¹	30/9/2011	31/12/2010	Variance %
Non-current assets	25,362.2	26,204.0	-3.2
Current assets	8,617.1	9,063.6	-4.9
Assets held for sale	189.7	11.8	-
Assets	34,169.0	35,279.4	-3.1
Equity	6,406.8	7,640.5	-16.1
Non-current liabilities	20,105.3	20,226.8	-0.6
Current liabilities	7,656.9	7,412.1	3.3
Equity and liabilities	34,169.0	35,279.4	-3.1

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

Adjusted net debt

As of 30 September 2011, adjusted net debt stood at € 8,982.4 million, an increase of 10.4% over the level as of the end of 2010. This increase is mainly attributable to non-recurring non-cash effects. These include a higher level of nuclear power provisions and the lower market value of our securities following the extreme fall in prices on the stock markets. These effects were only partially compensated for by current cash flow. In comparison to the net debt reported in the balance sheet, which rose by 12.3% or € 1,051.7 million, adjusted net debt saw a smaller rise of € 842.6 million to € 8,982.4 million. The main reason for this is the rise in the interest rate used for discounting our pension provisions from 5.25% to 5.50%. This brought about a positive change in the actuarial gains and losses not yet offset.

Adjusted net debt in € millions	30/9/2011	31/12/2010	Variance %
Cash and cash equivalents	-2,987.1	-2,718.1	9.9
Cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions	1,392.5	1,038.5	34.1
Adjusted cash and cash equivalents	-1,594.6	-1,679.6	-5.1
Bonds	5,446.1	5,490.9	-0.8
Liabilities to banks	1,029.3	1,182.8	-13.0
Other financial liabilities	506.2	647.2	-21.8
Financial liabilities	6,981.6	7,320.9	-4.6
Recognised net financial liabilities¹	5,387.0	5,641.3	-4.5
Pension and nuclear power provisions	10,616.5	9,616.2	10.4
Long-term investments and loans ²	-4,933.1	-5,536.7	-10.9
Cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions	-1,392.5	-1,038.5	34.1
Other	-100.4	-156.5	-35.8
Recognised net debt²	9,577.5	8,525.8	12.3
Actuarial gains (-)/losses (+) not yet offset arising from provisions for pensions and similar obligations	27.6	157.3	-82.5
Non-current receivables associated with nuclear power provisions	-502.5	-464.4	8.2
Valuation effects from interest-induced hedging transactions	-120.2	-78.9	52.3
Adjusted net debt²	8,982.4	8,139.8	10.4

¹ Adjusted for valuation effects from interest-induced hedging transactions, net financial liabilities amount to € 5,266.8 million (31 December 2010: € 5,562.4 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	30/9/2011	31/12/2010	Variance %
Electricity generation and trading	4,982	4,850	2.7
Electricity grid and sales	6,183	5,535	11.7
Gas	668	704	-5.1
Energy and environmental services	8,872	9,378	-5.4
Holding	490	485	1.0
Total	21,195	20,952	1.2
Number of full-time equivalents ²	20,337	20,119	1.1

¹ Number of employees without apprentices and without inactive employees.

² Number of employees translated into full-time equivalents.

As of 30 September 2011, the EnBW group employed 21,195 people. This constitutes an increase of 243 employees or 1.2% in comparison to 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. Furthermore, with a view to bundling the sales competencies, the sales area of EnBW Gas GmbH was integrated into EnBW Vertrieb GmbH (in its electricity grid and sales segment) as of 1 July 2011. The number of employees in the gas segment fell by 5.1% in this context.

In the meantime, the process to implement the results of the 2010 employee survey at group level has reached the implementation stage. Appropriate measures were assigned to the fields of action identified and bundled in five change processes for implementation. These are leadership, personnel development, organisation and processes, communication and strategy development. Each change process is monitored by a mentor at management board level. Parallel to the measures at group level, the results of the employee survey were analysed and discussed at entity and team level. Critical points and potential were extracted and used to derive measures.

On Diversity Day, held by EnBW on an annual basis since 2008, participants have the opportunity to discuss issues relating to diversity within the company. Age diversity was the focal point of this year's management event. EnBW identified demography management as an important area requiring action at an early stage. In addition to drafting workforce development scenarios, working time models for various stages of life are currently being prepared.

In September, training and studies began at EnBW's core companies for more than 300 young people. They are learning a technical or commercial profession or are studying at a college or university of cooperative education in addition to their training. With a total of more than 1,000 trainees and students, EnBW is one of the largest providers of vocational training in Baden-Württemberg. Trainees, apprentices and students with good grades are offered employment for a further twelve months. With this follow-on employment, EnBW makes an important contribution to securing the supply of qualified junior employees for the group.

The "Fokus" efficiency programme also includes a contribution on the part of our employees. A concept on how this amount can be achieved is currently being drafted and will be further specified in upcoming negotiations with the works council and trade unions.

Research and development

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

- > **To viably exploit renewable energies and tap additional potential**, for example in the fields of wind energy, new sources of bioenergy and 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 also continue the development of combined heat and power solutions that are able to make additional contributions to managing grid imbalances. At the same time, marketable products are being prepared in close cooperation with sales to open up to our customers the opportunities provided by the new energy environment
- > **To press forward with electromobility** using model and pilot projects for the emission-free individual mobility of tomorrow
- > **To use conventional sources of energy more efficiently and reduce emissions**, by increasing the degree of efficiency of power stations and separating CO₂ from flue gases

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

Innovative fields of application of geothermal power: A virtually energy self-sufficient greenhouse is currently being tested at a market garden near Lörrach within the scope of a two-year research project by EnBW in conjunction with Energiedienst AG. Due to the climate in Germany, operating a greenhouse all year requires a considerable amount of energy that is mostly obtained from fossil fuels, heating oil as a rule. The objective of this research project is to replace the fossil sources of energy used in market gardening with renewable alternatives, which offers great potential for reducing CO₂ emissions. The new system runs solely on the basis of a smart combination of solar and geothermal energy. There are specially contoured plastic sheets, known as Fresnel lenses, located below the roof that focus direct sunlight and simultaneously reduce the heat exposure within the greenhouse, allowing the plants to grow faster. The warmth is stored in the subsoil by means of a standard ground probe system. In winter, the greenhouse is heated by the stored solar and geothermal energy.

Electromobility and hydrogen: In September, the major pilot projects MeRegioMobil and the electric scooter fleet test in the model region of Stuttgart, which were government-subsidised, came to successful conclusions. In Stuttgart, EnBW performed research into electric mobility behaviour by means of the largest electric fleet in Germany consisting of some 600 electric scooters which have travelled a total of one million kilometres. In the case of MeRegioMobil, more than 200 publicly accessible charging stations were installed in Stuttgart and Karlsruhe, thus creating the first closely meshed smart charging infrastructure. The charging and invoicing concept developed within the scope of MeRegioMobil to be independent of location was tested by EnBW in cooperation with Stadtwerke Karlsruhe using a test fleet with 40 smart electric drive vehicles. The vehicle-to-grid approach, where the idea is to use the batteries of electric vehicles to help manage the electricity grid, was installed and tested as a prototype in the Energy Smart Home laboratory of the Karlsruhe Institute of Technology (KIT).

EnBW is also investigating hydrogen as a source of energy for emission-free individual mobility of tomorrow. At an international level, an agreement has already been reached on a universal standard for filling up fuel cell vehicles in the future. A special refilling method already makes it possible today to fill up fuel cell vehicles in as little as three minutes. EnBW is one of the first companies in Germany to have built a filling station according to this new standard; it went into operation at EnBW's depot in Karlsruhe. There are plans to put a hydrogen filling station into operation in Stuttgart towards the end of the year. This filling station will additionally be equipped with a variable-output system electrolysis to establish the viability of hydrogen as a storage medium for wind energy. The findings from these projects will be incorporated on an ongoing basis in current investigations into potential business models along the H₂ value added chain. Already since September 2009, EnBW has been involved in "H₂Mobility", a joint initiative by leading industrial enterprises to develop business models for hydrogen infrastructure in Germany.

Risk management

The package of laws on a new energy concept adopted in Germany in summer 2011 presents major challenges for the energy industry as a whole and consequently also for EnBW. These give rise to considerable risks and also opportunities. The euro debt crisis is putting pressure on international financial markets, which may make it necessary to revalue securities. The EnBW group's risk situation remains tense. However, there are currently no identifiable risks to the group's ability 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 can be subdivided as follows: systemic and industry risks, strategic risks, IT risks, personnel risks, financial risks, operating risks and other risks. Building on the reporting contained in the annual report 2010 and the quarterly and six-monthly financial reports for 2011, this nine-monthly financial report presents the material risks that have changed or come into being in the reporting period.

Systemic and industry risks

Economic risks

Market and price risks: On account of the political decisions involving Germany phasing out nuclear power, EnBW took two nuclear power plants offline in March 2011 and the operations of these plants finally ceased on a permanent basis in summer 2011. In an environment of rising prices, we had 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. As prices have started to fall again in the meantime on the wholesale market for electricity, this gives rise to the risk of negative effects on EnBW's results of operations.

The ongoing debt crisis in some countries of the euro area, the political discussions pertaining to the increase in the US government debt ceiling and the downgrading of the credit rating of the US caused turbulence on the international financial markets. For EnBW, a permanent fall in the general market prices for securities entails the risk of having to recognise impairment losses on securities, for instance those that form part of the assets covering pension obligations.

Political and regulatory risks

New energy concept: At EnBW, the final shutdown of the nuclear power plants put into operation prior to 1981 relates to unit I of Neckarwestheim nuclear power plant (GKN I) and unit 1 of Philippsburg nuclear power plant (KKP 1). The shutdown will lead to a loss of earnings in the fiscal year 2011. In addition, impairment losses were recognised on the fuel rods and property, plant and equipment already in the financial statements for the first six months of 2011. In addition, extraordinary additions to the provisions for nuclear power have reduced earnings and increased net debt. The earthquake in Japan may also bring about a change in the attitude towards nuclear power in France and lead to additional requirements for nuclear power plants being imposed by law or the authorities. This could negatively impact existing agreements with Electricité de France S.A.

Network use: Incentive regulation and the associated revenue caps and network user charges may be subject to changes within a regulation period. The amendment to the German Energy Industry Act (EnWG) means that the individual network user charges for energy-intensive customers no longer apply and network user charges will be shared among all customers throughout Germany. The cost allocation mechanism which has yet to be determined means that there is temporarily the risk of lower revenue.

Strategic risks

Viability of investments: The EnBW group is pressing forward with a series of construction projects. Typically, these large-scale projects are highly complex due to the large number of participants involved. For this reason, it is impossible to rule out deviations from the planned project schedules involving delays and cost increases. We currently anticipate that the construction work for the new hard coal power station RDK 8 will be further delayed beyond the end of 2012. The new GKM 9 coal power station and the EnBW Baltic 2 offshore wind farm will probably be affected by delays in completion. It is likely that the gas storage project in Etzel will be commissioned at a later date and involve higher costs than originally planned. These disruptions in the construction process and changes in the market environment involve the risk that the return on investment is not achieved as planned and impairment losses may be necessary.

Equity investments: EnBW acquires and disposes of investments as part of its group strategy. The respective transactions and the integration of the entities in the group are, by the very nature of the activity, subject to uncertainties that may have a negative impact on EnBW in the shape of impairment losses on their carrying amounts at group level. EWE Aktiengesellschaft (EWE) deems EnBW obliged to purchase the shares in VNG-Verbundnetz Gas Aktiengesellschaft (VNG) from EWE by the end of 2011. EnBW is of the opinion that there is no legal obligation to do so as the contractual agreements in place provide for a call option on the part of EnBW. Should EWE's legal opinion be upheld and VNG's annual general meeting approve the share transfer, EnBW would be required to purchase the VNG shares from EWE. The share purchase would lead to an unplanned financial burden on the group and could jeopardise EnBW's rating. In addition, the level of the purchase price means that there is the risk of the investment being immediately subject to an impairment loss.

Furthermore, in the event of a change of control, EnBW AG will be obliged to offer its shareholding in EWE to EWE's municipal shareholders. EnBW is working on the assumption that no change of control took place in the fiscal year 2011 on account of the purchase by NECKARPRI-Beteiligungsgesellschaft mbH (NECKARPRI) of the shareholding previously held by E.D.F. International S.A. and the signing of a shareholder agreement between NECKARPRI and OEW Energie-Beteiligungs GmbH. The municipal shareholders of EWE are of a different opinion in this respect and have consequently asked EnBW to submit a sales offer. In the event that the parties do not come to a mutual agreement, the purchase price would be the market price as determined by an expert appraisal. There is a risk that such purchase price will be below the current carrying amount at EnBW.

In terms of amount and timing, EnBW's investment programme is also dependent upon the success of divestitures. In this respect, there is the risk that the timing of divestitures and the associated gains on sale do not correspond to our budget and plans. This would affect the amount of the group's total investment and could give rise to the need for impairment losses.

Financial risks

Rating: On account of the changed energy policy environment, rating agencies are paying closer attention to German energy companies. Moody's and Fitch already amended their ratings for EnBW in June 2011: Moody's lowered its outlook to "negative" and Fitch downgraded its rating to "A-". At the end of March 2011, Standard & Poor's (S&P) had confirmed its rating of EnBW at "A-, outlook negative", and a final review of the rating was announced for the second half of 2011. EnBW intends to maintain its A rating in the medium term in order to safeguard the group's refinancing on the capital market at reasonable terms. Already at the end of 2010, we put together an extensive package of measures to reinforce the financial strength of the company. Following the adoption of the package of laws on the new energy concept in summer 2011, EnBW further sharpened the focus of its strategic profile, increased the volume of planned divestitures and expanded existing efficiency programmes. We are nevertheless aware of the risk that the rating agencies could downgrade EnBW's credit rating.

Other risks

Legal risks: There are legal proceedings pending before the Federal Labour Court relating to the reorganisation of the company pension scheme at EnBW. A final ruling is not expected before the end of 2012. According to the lawyers representing EnBW there are generally good prospects for success.

Overall assessment

The EnBW group's risk exposure has remained at a high level since the first quarter of 2011. In the fiscal year 2011, financial burdens have arisen among other things from operations being discontinued at two of the company's nuclear power plants. The euro debt crisis and its impact on international financial markets may necessitate the recognition of further impairment losses on securities. In our opinion, there are currently no discernible 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

At its meeting held on 17 October 2011, the general meeting of Zweckverband Oberschwäbische Elektrizitätswerke (OEW) passed a resolution expressing its willingness to support EnBW with further capital and mandated the management of the association to hold the necessary negotiations. OEW invited the state of Baden-Württemberg to participate in the capital increase. OEW will decide on the exact amount when the final position of the state of Baden-Württemberg becomes apparent.

On 24 October 2011, EnBW successfully issued a hybrid bond with a volume of € 750 million. The bond has a term to maturity of around 60 years with repayment rights every five years after the first interest payment date. Based on its terms and conditions, half of the amount of the bond will be recognised as equity by rating agencies until the first possible date of repayment, thereby supporting EnBW's current A rating. The date of issue was 28 October 2011 and the date for the last repayment will be 2 April 2072. The bond is equipped with a coupon of initially 7.375% and was significantly oversubscribed.

Forecast

The new energy concept in Germany will cause a considerable loss in earnings at EnBW in the fiscal year 2011. We are currently adjusting our investment and divestiture projects to the changed environment and are considerably expanding the existing “Fokus” efficiency programme.

In the following forecast, we take an in-depth look at the expected future development of EnBW and the business environment for the current fiscal year. The present economic environment clearly increases the uncertainty with regard to predictions of future development, as the premises on which they were based can quickly become outdated. The framework conditions give rise to opportunities and risks for the business development of EnBW. Current risks are summarised in the section entitled “risk management”.

Compared to the forecast made in the annual report 2010, the current outlook for 2011 is influenced by factors that have arisen in the course of 2011. These include most of all the effects of the decision by the German federal government to phase out nuclear power in Germany. This will lead to significant burdens for the company. In addition, the debt crisis negatively impacts EnBW’s financial indicators.

Future economic conditions

Overall economic developments: The International Monetary Fund (IMF) revised its growth forecast for the global economy downwards by a further 0.3 percentage points in September 2011. For the year 2011 it now anticipates a 4.0% increase in global gross domestic product (GDP). Emerging and developing countries are expected to grow at a rate of 6.4%, exhibiting more dynamism than industrialised countries, which look set to grow by only 1.6%, according to the IMF. This means that the IMF has reduced its forecast published in June 2011 by 0.6 percentage points. The corrections were made on account of the negative effects of the earthquake in Japan, the weaker economic growth in the US and the debt crisis in some countries in the euro area. In its growth forecast for the year 2011, the European Commission expects GDP growth of 1.6% in the European Union. According to the German Institute for Economic Research (DIW), the German economy is expected to achieve GDP growth of 2.8% in 2011. For 2012, DIW forecasts a growth rate of only 1.0% as production is expected to stagnate in the winter half of the year. According to estimates by the IMF, real GDP growth in the Czech Republic will come to 2.0% in 2011 and 1.8% in 2012. For Turkey, the IMF anticipates economic growth of 6.6% in the current year and – on account of the more stringent fiscal policy – of 2.2% next year.

Demand for energy: According to BP Energy Outlook 2030, global energy consumption increased by 5.6% in 2010, the highest rate of growth since 1973. Global energy consumption is also predicted to increase in the long term. The main factor driving this development is the industrialisation of developing economies. Until 2030, per capita energy consumption is expected to grow at a rate similar to that seen over the period from 1970 to 1990, i.e. at rate of 0.7% p.a.

Markets for primary energy sources: In the first nine months of 2011, the price developments on the markets for primary sources of energy were dominated by extraordinary effects, some of which will continue to affect prices in the future. Forward prices for oil stood at US\$ 110.05/bbl (front year 2012) as of 30 September 2011. On the supply side, the main factor relevant to future price development is Libya where oil production is gradually starting up again. On the demand side, the debt crisis of industrialised countries and the development of global economic growth are significant factors in pricing. Prices are currently expected to follow a general downward trend. In addition, the future value of the US dollar and the appeal to market players of crude oil as an asset class will play an important role in pricing. The forward contracts for coal reveal a rising price level for subsequent years in comparison to the current spot prices. Reasons for the higher prices are the ongoing uncertainties in connection with the amounts imported by China in future based on their economic development. Japan and Germany are expected to have higher demand for imports in particular in the upcoming winter months as a result of the reduction in electricity generation from nuclear power. Short-term

supply shortages caused by bad weather or impairment to the infrastructure may also drive coal prices upwards. The main factors affecting the demand side will be the development of the world economy, the danger of recession in Europe and the possibility of economic growth cooling in emerging countries. On the gas market, the forward prices for 2012 have been significantly higher than the spot price since the beginning of 2011. Market participants expect the Japanese demand for LNG to increase. On account of the events in March 2011, this country will increasingly generate electricity with gas power stations. Following the accelerated phase-out of nuclear power, Germany will also have to fall back on using more gas and coal-fired power stations, which will in turn cause a higher demand for the respective energy sources. Prices will also be kept high by the unstable situation in North Africa and the Middle East. The announced maintenance work on LNG facilities in Qatar at the beginning of 2012 could cause supply bottlenecks and similarly drive prices upwards.

CO₂ allowances: Important factors influencing the development of the price of CO₂ allowances include the progress of the international climate protection negotiations and the upcoming 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. Another factor influencing prices is the future level of fuel switching costs. Demand is determined by the volume of emissions, i.e. by the future development of the European economy that is currently in danger of falling into recession.

Electricity market: At the end of the third quarter of 2011, market participants anticipate a stable price level slightly above today's spot prices for the years 2012, 2013 and 2014. The forward price curve demonstrates a sideways movement. The forward price curves for most primary energy sources and CO₂ allowances that reveal only a slight upward trend and the moderating effects of new power station capacities and the expansion of renewable energies ultimately permit the conclusion to be drawn that the prices for future electricity deliveries will remain stable. In addition to the price of fuel and CO₂ allowances, 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. Supply-related factors that could reduce prices include, for example, the great expansion of renewable energies and the realisation of existing power station construction projects. In contrast, if the supply situation remains tense, the decommissioning of older nuclear power plants is likely to push prices up. The increase in volatility on the wholesale spot market is mostly attributable to the increase in the feed-in level of renewable energies based on the purchase and remuneration obligation under the German Renewable Energies Act (EEG). This may lead to the more frequent occurrence of very low prices in some hours. At the same time, the cost allocation under the German Renewable Energies Act will cause a structural rise in the costs for end customers.

Future development of the company

Capital expenditure, strategy and financing: The changed energy policy environment imposes considerable financial burdens on EnBW. In addition to the loss of earnings on account of the amendment to the German Atomic Power Act and the permanent shutdown of two of our nuclear power stations the nuclear fuel rod tax will also have a negative impact on the group's net profit/loss for 2011. EnBW is currently forging ahead with countermeasures in order to safeguard its future and strategic flexibility. As part of this process, we have reviewed our investment programme and adjusted it as necessary. We raised the volume of planned divestitures by € 0.5 billion to € 1.5 billion in terms of the sale of non-strategic equity investments and optimisation of ownership interests; the total divestiture volume thus comes to € 2.3 billion. We increased the "Fokus" efficiency programme launched in October 2010 by € 450 million. The objective is to achieve a sustainable improvement in EBIT of € 750 million p.a. An amount of € 250 million thereof is attributable to personnel measures. The associated measures will be developed in detail by the end of 2014 and then take full effect on earnings.

Anticipated development of earnings: Our expectations regarding earnings over the fiscal year 2011 as a whole have improved slightly in comparison to the presentation in the six-monthly financial report. However, we continue to work on the assumption that the group's adjusted EBIT will fall by between 20% and 25%. The result from the electricity generation and trading segment, which contributed around 84% of the adjusted EBIT of the EnBW group in 2010, will fall significantly. The reasons include the wide range of financial burdens arising from the fundamental changes to the energy policy environment in Germany. We have filed an appeal against the nuclear fuel rod tax. Courts have in the meantime passed two preliminary decisions that are positive for the energy industry, but a final court decision may still take several years. Until that point, any potential effects on earnings that may arise from the final decision cannot be taken into consideration. Also in the electricity grid and sales segment we are experiencing an ongoing significant downward movement of earnings, triggered by considerable expenditure in the grid area in connection with renewable energies in addition to regulatory unbundling, even if the general situation with regard to the sales segment has become more positive in the meantime. Developments in the gas sales business run contrary to this with margins in the midstream business remaining unsatisfactory. The energy and environmental services segment is developing in a positive way, even if some of the improvements are attributable to restructuring measures within the group.

Development of earnings 2011 (adjusted EBIT) compared to the prior year	Annual report 2010	Q3 2011
Electricity generation and trading segment	falling	falling strongly
Electricity grid and sales segment	falling strongly	falling strongly
Gas segment	falling	falling strongly
Energy and environmental services segment	falling	increasing
Consolidated companies	no effect	no effect
Adjusted EBIT, group	-10% to -15%	-20% to -25%

INTERIM FINANCIAL STATEMENTS OF THE ENBW GROUP (UNAUDITED)

Income statement

€ millions	1/7- 30/9/2011	1/7- 30/9/2010	1/1- 30/9/2011	1/1- 30/9/2010
Revenue including electricity and natural gas tax	4,542.3	4,185.9	14,468.3	13,639.8
Electricity and natural gas tax	-191.1	-187.2	-707.3	-689.7
Revenue	4,351.2	3,998.7	13,761.0	12,950.1
Changes in inventories	13.0	-4.0	30.0	16.0
Own work capitalised	17.2	19.0	41.5	45.6
Other operating income	125.2	403.8	490.3	1,009.0
Cost of materials	-3,348.4	-2,935.5	-11,160.3	-9,368.6
Personnel expenses	-373.1	-367.6	-1,230.1	-1,178.7
Other operating expenses	-189.1	-189.4	-590.1	-675.2
EBITDA	596.0	925.0	1,342.3	2,798.2
Amortisation and depreciation	-216.2	-442.4	-690.5	-887.9
Earnings before interest and taxes (EBIT)	379.8	482.6	651.8	1,910.3
Investment result	-14.9	14.3	-468.6	171.1
of which net loss/profit from entities accounted for using the equity method	(-41.4)	(9.7)	(-515.7)	(142.1)
of which other income from investments	(26.5)	(4.6)	(47.1)	(29.0)
Financial result	-254.8	-177.7	-558.5	-512.5
of which finance revenue	(147.3)	(76.0)	(327.0)	(294.5)
of which finance costs	(-402.1)	(-253.7)	(-885.5)	(-807.0)
Earnings before tax (EBT)	110.1	319.2	-375.3	1,568.9
Income tax	-56.1	-30.2	-112.7	-339.2
Group net loss/profit	54.0	289.0	-488.0	1,229.7
of which loss/profit shares attributable to non-controlling interests	(16.1)	(-57.4)	(63.9)	(-15.7)
of which loss/profit shares attributable to the equity holders of EnBW AG	(37.9)	(346.4)	(-551.9)	(1,245.4)
Shares outstanding (millions), weighted average	244.257	244.257	244.257	244.257
Earnings per share from group net loss/profit (€)¹	0.16	1.42	-2.26	5.10

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

Statement of comprehensive income

€ millions	1/7– 30/9/2011	1/7– 30/9/2010	1/1– 30/9/2011	1/1– 30/9/2010
Group net loss/profit	54.0	289.0	-488.0	1,229.7
Difference from currency translation	1.6	2.6	11.8	-8.0
Cash flow hedge	28.8	-155.0	69.0	144.8
Available-for-sale financial assets	-217.8	35.8	-372.1	114.4
Entities accounted for using the equity method	0.0	-17.3	-6.7	-79.4
Income taxes on other comprehensive income	-2.5	36.3	-5.6	-51.7
Other comprehensive income	-189.9	-97.6	-303.6	120.1
Total comprehensive income	-135.9	191.4	-791.6	1,349.8
of which loss/profit shares attributable to non-controlling interests	(20.5)	(-53.6)	(68.7)	(-14.3)
of which loss/profit shares attributable to the equity holders of EnBW AG	(-156.4)	(245.0)	(-860.3)	(1,364.1)

Balance sheet

€ millions ¹	30/9/2011	31/12/2010
Assets		
Non-current assets		
Intangible assets	2,085.1	2,144.9
Property, plant and equipment	13,664.1	13,435.0
Investment properties	99.1	99.0
Entities accounted for using the equity method	2,999.6	3,752.5
Other financial assets	5,355.6	5,950.6
Trade receivables	525.9	479.2
Income tax refund claims	22.4	23.7
Other non-current assets	568.5	290.9
Deferred taxes	41.9	28.2
	25,362.2	26,204.0
Current assets		
Inventories	876.7	991.1
Financial assets	926.8	955.8
Trade receivables	1,930.7	3,213.8
Income tax refund claims	190.1	389.1
Other current assets	2,597.3	1,635.5
Cash and cash equivalents	2,095.5	1,878.3
	8,617.1	9,063.6
Assets held for sale	189.7	11.8
	8,806.8	9,075.4
	34,169.0	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	4,516.0	5,442.2
Treasury shares	-204.1	-204.1
Other comprehensive income	276.4	584.8
	5,250.5	6,485.1
Non-controlling interests	1,156.3	1,155.4
	6,406.8	7,640.5
Non-current liabilities		
Provisions	10,821.2	9,767.8
Deferred taxes	1,807.4	1,815.9
Financial liabilities	5,545.7	6,677.4
Other liabilities and subsidies	1,931.0	1,965.7
	20,105.3	20,226.8
Current liabilities		
Provisions	1,050.6	1,213.2
Financial liabilities	1,435.9	643.5
Trade payables	2,205.3	3,164.4
Income tax liabilities	36.4	47.7
Other liabilities and subsidies	2,928.7	2,343.3
	7,656.9	7,412.1
	34,169.0	35,279.4

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

Cash flow statement

€ millions	1/1– 30/9/2011	1/1– 30/9/2010
1. Operating activities		
EBITDA	1,342.3	2,798.2
Change in non-current provisions	375.8	-93.6
Gain/loss on disposal of non-current assets	0.7	-192.6
Other non-cash expenses/income	76.8	-213.6
Funds from operations (FFO) before taxes and financing	1,795.6	2,298.4
Change in assets and liabilities from operating activities	-317.5	-131.4
Inventories	(-56.6)	(-3.0)
Net balance of trade receivables and payables	(245.7)	(-13.7)
Net balance of other assets and liabilities	(-387.4)	(-75.0)
Current provisions	(-119.2)	(-39.7)
Income tax paid	44.5	-149.3
Cash flow from operating activities	1,522.6	2,017.7
2. Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-811.0	-966.9
Cash received from disposals of intangible assets and property, plant and equipment	23.4	28.1
Cash received from construction cost and investment subsidies	34.3	40.4
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method	-85.5	-626.7
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method	6.3	772.7
Change in securities and investments	185.7	46.1
Interest received	195.2	183.1
Dividends received	137.2	133.2
Cash flow from investing activities	-314.4	-390.0
3. Financing activities		
Interest paid for financing activities	-237.8	-204.3
Dividends paid	-444.5	-417.7
Cash received from changes in ownership interest that do not result in loss of control	25.2	0.0
Proceeds from financial liabilities	199.1	162.2
Repayment of financial liabilities	-535.6	-535.6
Cash flow from financing activities	-993.6	-995.4
Net change in cash and cash equivalents	214.6	632.3
Net foreign exchange difference	2.6	13.3
Change in cash and cash equivalents	217.2	645.6
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	2,095.5	2,224.5
of which cash and cash equivalents recognised as current assets	(2,095.5)	(2,224.5)
of which cash and cash equivalents of assets held for sale	(0.0)	(0.0)

€ millions	1/1– 30/9/2011	1/1– 30/9/2010
Interest paid for investing activities (capitalised borrowing costs)	-37.4	-38.9
Interest paid for financing activities	-237.8	-204.3
Total interest paid in the period	-275.2	-243.2

Statement of changes in equity

€ millions ¹	Sub- scribed capital and capital reserve ²	Revenue reserve	Treasury shares	Other comprehensive income ³				Equity holders of EnBW AG ³	Non- control- ling interests ³	Total
				Differ- ence from currency trans- lation	Cash flow hedge	Available- for-sale financial assets	Entities account- ed for using the equity method			
As of 31/12/2009	662.2	4,646.5	-204.1	-4.3	-130.3	336.0	23.8	5,329.8	1,077.9	6,407.7
Other comprehensive income				-8.0	95.7	110.4	-79.4	118.7	1.4	120.1
Group net profit		1,245.4						1,245.4	-15.7	1,229.7
Total comprehensive income	0.0	1,245.4	0.0	-8.0	95.7	110.4	-79.4	1,364.1	-14.3	1,349.8
Dividends paid		-373.7						-373.7	-44.0	-417.7
Other changes								0.0	124.2	124.2
As of 30/9/2010	662.2	5,518.2	-204.1	-12.3	-34.6	446.4	-55.6	6,320.2	1,143.8	7,464.0
As of 31/12/2010	662.2	5,442.2	-204.1	-49.6	102.8	524.9	6.7	6,485.1	1,155.4	7,640.5
Other comprehensive income				12.2	53.5	-367.4	-6.7	-308.4	4.8	-303.6
Group net loss/profit		-551.9						-551.9	63.9	-488.0
Total comprehensive income	0.0	-551.9	0.0	12.2	53.5	-367.4	-6.7	-860.3	68.7	-791.6
Dividends paid		-373.7						-373.7	-70.8	-444.5
Other changes		-0.6						-0.6	3.0	2.4
As of 30/9/2011	662.2	4,516.0	-204.1	-37.4	156.3	157.5	0.0	5,250.5	1,156.3	6,406.8

¹ The prior-year figures have been restated.

² Of which subscribed capital € 640.0 million and capital reserve € 22.2 million.

³ Of which other comprehensive income directly associated with assets classified as held for sale amounting to € 16.0 million as of 30 September 2011 (31 December 2010: € 0.0 million; 30 September 2010: € 0.0 million). Attributable to the equity holders of EnBW AG: € 16.0 million (31 December 2010: € 0.0 million; 30 September 2010: € 0.0 million).

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 30 September 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 30 September 2011 was condensed compared to that of the consolidated financial statements as of 31 December 2010.

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

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

Changes in accounting policy

The International Accounting Standards Board (IASB) and the International Financial Reporting 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. Such rights should now 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 that does not result in the loss of control 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 to the consolidated group

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 company PRE and thereby expand our presence in the Czech Republic, a strategic target 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 goodwill of € 271.1 million includes non-separable synergies in the electricity 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 were acquired and the following liabilities were assumed as part of the acquisition.

€ 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 2011 reports
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 loss/profit shares attributable to non-controlling interests	(-5.0)	(-0.5)	(-5.5)
of which loss/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 2011 reports
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 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 the 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 companies have been consolidated as follows:

Type of consolidation and number	30/9/2011	31/12/2010	30/9/2010
Full consolidation	115	114	106
Proportionate consolidation (joint ventures)	29	31	31
Entities accounted for using the equity method (associates)	19	18	17

Investment result

€ millions	1/1– 30/9/2011	1/1– 30/9/2010
Share of loss/profit of entities accounted for using the equity method	26.2	142.1
Write-downs of entities accounted for using the equity method	-541.9	0.0
Net loss/profit from entities accounted for using the equity method	-515.7	142.1
Investment income	41.4	38.7
Write-downs of investments	-0.9	-9.7
Income from the sale of equity investments	6.6	0.0
Other income from investments	47.1	29.0
Investment result	-468.6	171.1

The write-downs of entities accounted for using the equity method include impairment losses recognised on the carrying amount of the investment in EWE Aktiengesellschaft (EWE) and EVN AG. At EWE, the impairment losses of € 296.5 million were caused by the interest level increasing by 0.5 percentage points and changed conditions in the energy industry. The carrying amount of the investment in EVN AG was adjusted to market price by recognising an impairment loss of € 245.4 million.

Financial result

€ millions	1/1– 30/9/2011	1/1– 30/9/2010
Interest and similar income	165.7	156.9
Other finance revenue	161.3	137.6
Finance revenue	327.0	294.5
Borrowing costs	-238.5	-236.7
Other interest and similar expenses	-27.2	-23.2
Interest portion of increases in provisions	-422.4	-387.6
Personnel provisions	(-167.9)	(-171.1)
Provisions relating to nuclear power	(-248.4)	(-214.0)
Other non-current provisions	(-6.1)	(-2.5)
Other finance costs	-197.4	-159.5
Finance costs	-885.5	-807.0
Financial result	-558.5	-512.5

Notes to the cash flow statement

Funds from operations (FFO) in € millions	1/1– 30/9/2011	1/1– 30/9/2010
FFO before taxes and financing	1,795.6	2,298.4
Income tax paid	44.5	-149.3
Interest and dividends received	332.4	316.3
Interest paid for financing activities	-237.8	-204.3
FFO after taxes and financing	1,934.7	2,261.1

Other non-cash expenses and income in the reporting period contain write-downs on inventories of € 84.7 million.

Contingent liabilities and financial commitments

Compared to 31 December 2010, contingent liabilities and financial commitments have increased by € 1,292.4 million to € 21,770.1 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, 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 1.54% of the EnBW shares to OEW GmbH on 11 April 2011 at the offer price. This transaction was performed outside of the tender 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 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, OEW indirectly holds 46.55% of the shares in EnBW AG, and OEW 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. 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 these transactions was immaterial in the reporting period; most of the receivables had been settled as of 30 September 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 are 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– 30/9/2011	1/1– 30/9/2010
Revenue	4.2	18.8
Cost of materials	-4.3	-11.8

Balance sheet in € millions	30/9/2011	31/12/2010
Other loans	8.5	11.2
Receivables	0.8	2.8
Liabilities	4.9	1.5
Payments on account received	0.1	0.1

Contingent liabilities and financial commitments in € millions	30/9/2011	31/12/2010
Guarantees and collateral	54.7	45.2
Other financial commitments	2.2	6.6
Total	56.9	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– 30/9/2011	1/1– 30/9/2010
Revenue	216.3	176.8
Cost of materials	-159.2	-113.4

Balance sheet in € millions	30/9/2011	31/12/2010
Other loans	10.3	10.1
Receivables	26.2	26.7
Payments on account	10.1	0.0
Liabilities	39.0	110.0
Payments on account received	0.2	0.2

Contingent liabilities and financial commitments in € millions	30/9/2011	31/12/2010
Electricity purchase commitments	347.5	302.3
Financial commitments from business combinations	0.3	0.3
Other financial commitments	4.4	4.0
Total	352.2	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 30 September 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– 30/9/2011 in € millions	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	Total
External revenue	4,022.8	7,908.7	1,269.3	560.2	0.0	13,761.0
Internal revenue	2,936.5	138.4	56.8	475.6	-3,607.3	0.0
Total revenue	6,959.3	8,047.1	1,326.1	1,035.8	-3,607.3	13,761.0
Adjusted EBIT	1,012.7	263.8	7.6	121.6	-99.1	1,306.6
EBIT	341.6	277.3	8.1	124.2	-99.4	651.8
Amortisation and depreciation	-255.3	-209.8	-55.1	-124.5	-1.3	-646.0
Impairment losses	-35.0	-8.8	0.0	-0.7	0.0	-44.5
Capital employed as of 30/9/2011	6,207.7	4,435.7	1,489.2	1,532.9	1,696.1	15,361.6

1/1– 30/9/2010 in € millions	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	Total
External revenue	3,554.8	7,618.5	1,258.9	517.9	0.0	12,950.1
Internal revenue	3,243.5	173.1	63.6	309.4	-3,789.6	0.0
Total revenue	6,798.3	7,791.6	1,322.5	827.3	-3,789.6	12,950.1
Adjusted EBIT	1,300.6	282.6	48.4	93.3	-110.9	1,614.0
EBIT	1,185.8	662.9	52.6	96.6	-87.6	1,910.3
Amortisation and depreciation	-310.8	-177.5	-54.9	-109.5	-1.4	-654.1
Impairment losses	-233.8	0.0	0.0	0.0	0.0	-233.8
Capital employed as of 31/12/2010 ¹	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 have been restated.

One of the key performance indicators is adjusted EBIT. Adjusted EBIT is an earnings ratio adjusted for non-operating effects, which accurately reflects the development of results of operations. The management report describes the development of segments on the basis of adjusted EBIT.

Adjusted EBIT can be reconciled to earnings before tax (EBT) as follows:

€ millions	1/1– 30/9/2011	1/1– 30/9/2010
Adjusted EBIT	1,306.6	1,614.0
Non-operating EBIT	-654.8	296.3
Earnings before interest and taxes (EBIT)	651.8	1,910.3
Investment result	-468.6	171.1
Financial result	-558.5	-512.5
Earnings before tax (EBT)	-375.3	1,568.9

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

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

Dr. Dirk Erich Mausbeck, Karlsruhe
Chief Commercial Officer
since 1 October 2011
Appointed until 30 September 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

Günther Cramer, Kassel
Supervisory board chairman of SMA
Solar Technology AG
Member since 10 July 2011

Dirk Gaerte, Sigmaringendorf
District administrator of the
Sigmaringen district

Prof. Dr. Ulrich Goll MdL, Waiblingen
Former minister of justice and deputy
prime minister of the federal state of
Baden-Württemberg
Member until 9 July 2011

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

Silke Krebs, Freiburg
Minister at the state ministry of Baden-
Württemberg
Member since 10 July 2011

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

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

Dr. Hubert Lienhard, Heidenheim
CEO of Voith GmbH

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

Bodo Moray, Mannheim
ver.di trade union secretary responsible
for supply and waste disposal division in
Baden-Württemberg

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

Helmut Rau MdL, Ettenheim
Former minister at the state ministry of
Baden-Württemberg
Member until 9 July 2011

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

Dr. Nils Schmid MdL, Nürtingen
Deputy prime minister and minister of
finance and economy of Baden-
Württemberg, Member since 1 July 2011

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

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

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

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

Kurt Widmaier, Ravensburg
District administrator of the Ravensburg
district

Dr. Bernd-Michael Zinow, Pfinztal
Senior vice president public affairs at
EnBW Energie Baden-Württemberg AG
As of 1 October 2011

Important note

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11 | 11 | 2011

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

7 | 3 | 2012

Publication of the Annual Report 2011

26 | 4 | 2012

2012 annual general meeting

8 | 5 | 2012

Publication of the Quarterly Financial Report January to March 2012

27 | 7 | 2012

Publication of the Six-Monthly Financial Report January to June 2012

9 | 11 | 2012

Publication of the Nine-Monthly Financial Report January to September 2012

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