Annual Report 2008

Energy is a responsibility

08

EnBW Energie
Baden-Württemberg AG

Brief portrait

With some six million customers and more than 20,000 employees, EnBW Energie Baden-Württemberg AG generated annual revenue in excess of € 16 billion in 2008. As the third-largest energy company in Germany, we focus on the segments of electricity and gas as well as energy and environmental services.

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

The cover picture of our annual report 2008 shows the blade wheels of a steam turbine. A steam turbine converts energy of flow into rotational energy, which is then in turn converted into electrical energy by a generator. Electricity generation using turbines may be based on various primary energy sources such as natural gas and coal, or alternatively water or wind. As an energy generator and provider, we are responsible for safely and reliably delivering this energy to our customers. By further expanding our generation capacities, we will continue to embrace this responsibility in future.

"Our goal is to increase the value of the company on a sustainable basis. We can only achieve this goal by taking the needs of our customers, employees, the environment and society into consideration. EnBW's forward-looking investments today safeguard energy supplies for tomorrow."

Hans-Peter Villis, Chief Executive Officer

At a glance

EnBW group

€ millions	2008	2007	Variance %
Revenue			
Electricity	12,736.4	11,539.7	10.4
Gas	2,881.2	2,479.3	16.2
Energy and environmental services	687.8	693.2	-0.8
External revenue, total	**16,305.4**	**14,712.2**	**10.8**
Adjusted EBITDA	2,595.6	2,328.3	11.5
EBITDA	2,540.1	2,336.4	8.7
Adjusted EBIT	1,793.9	1,563.0	14.8
EBIT	1,468.2	1,559.2	-5.8
Adjusted group net profit[1]	1,091.3	821.0	32.9
Group net profit[1]	871.8	1,364.1	-36.1
Earnings per share from adjusted group net profit[1] (€)	4.47	3.36	33.0
Earnings per share from group net profit[1] (€)	3.57	5.58	-36.0
Cash flow from operating activities	1,523.9	1,558.7	-2.2
Free cash flow	415.1	853.2	-51.3
Net financial liabilities[2]	2,918.5	2,972.3	-1.8
Capital expenditures on intangible assets and property, plant and equipment[3]	1,246.0	816.1	52.7
Return on capital employed (ROCE)[4] (%)	17.1	16.2	5.6
Weighted average cost of capital (WACC) before tax (%)	9.2	9.0	2.2
Average capital employed[4]	12,245.8	11,471.5	6.7
Value added[4]	964.0	828.3	16.4

Energy sales of the EnBW group

billions of kWh	2008	2007	Variance %
Electricity	130.5	139.5	-6.5
Gas	69.8	75.2	-7.2

Employees of the EnBW group[5]

Number	2008	2007	Variance %
Employees (annual average)	20,357	20,499	-0.7

[1] In relation to the profit shares attributable to the equity holders of EnBW AG.
[2] Without cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions.
Adjusted for valuation effects from interest-induced hedging transactions.
[3] From continuing operations.
[4] Prior-year figures restated.
[5] Number of employees without apprentices and without inactive employees.

The EnBW group

The EnBW group's[1] segments at a glance

ELECTRICITY	GAS	ENERGY AND ENVIRONMENTAL SERVICES
	MIDSTREAM	
Generation EnBW Kraftwerke AG EnBW Kernkraft GmbH EnBW Renewables GmbH	**Import agreements and infrastructure** EnBW Gas Midstream GmbH	**Companies with central functions** EnBW Energy Solutions GmbH EnBW Systeme Infrastruktur Support GmbH
Trading/procurement EnBW Trading GmbH	**Storage** EnBW Gas Midstream GmbH GasVersorgung Süddeutschland GmbH EnBW Gas GmbH	
Transmission and distribution[2] EnBW Transportnetze AG EnBW Regional AG	**Trade/portfolio management** EnBW Gas Midstream GmbH EnBW Trading GmbH GasVersorgung Süddeutschland GmbH EnBW Gas GmbH	
Sales EnBW Vertriebs- und Servicegesellschaft mbH Yello Strom GmbH	DOWNSTREAM	
	Transmission and distribution[2] GVS Netz GmbH EnBW Gasnetz GmbH	
	Sales GasVersorgung Süddeutschland GmbH EnBW Gas GmbH EnBW Vertriebs- und Servicegesellschaft mbH Yello Strom GmbH[3]	

[1] The diagram shows EnBW's core companies.
[2] The companies operating the grids are independent network operators in accordance with the unbundling provisions of the German Energy Industry Act.
[3] Gas sales to households project.

IMPORTANT NOTE

No offer or investment recommendation
This report has been prepared for information purposes only. It does not constitute an offer, an invitation or a recommendation to purchase or sell securities issued by EnBW Energie Baden-Württemberg AG (EnBW), a company of the EnBW group or any other company. This report does not constitute a request, instruction or recommendation to vote or give consent. All descriptions, examples and calculations are included in this report for illustration purposes only.

Future-oriented statements
This report contains future-oriented statements that are based on current assumptions, plans, estimates and forecasts of the management of EnBW. Such future-oriented statements are therefore only valid at the time at which they are published for the first time. Future-oriented statements are indicated by the context, but may also be identified by the use of the words "may", "will", "should", "plans", "intends", "expects", "believes", "assumes", "forecasts", "potentially" or "continued" and similar expressions.

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

No obligation to update the information
EnBW assumes no obligation of any kind to update the information contained in this report or to adjust or update future-oriented statements to future events or developments. This annual report can also be downloaded from the internet in German, English or French. In case of doubt, the German version shall prevail.

Contents

Hans-Peter Villis, Chief Executive Officer

Letter to our shareholders

Dear shareholders,
investors and friends of EnBW,

As a leading integrated energy company in Europe, EnBW Energie Baden-Württemberg AG pursues the goal of sustainable profitable growth. Accordingly, the focus of our corporate strategy is on securing our existing business and consistently exploiting growth potential as well as on continuing our investment programme. We want to be a partner for our customers. Whether private households, municipal utilities or small and medium-sized and large industrial customers are concerned, our aim must always be to meet customer requirements better than the competition.

This focus on customers and the competition is also one of the reasons for EnBW's good operational development throughout fiscal year 2008 and the further improvement in the EnBW group's economic situation. With around 20,000 employees, EnBW sold 130.5 billion kilowatt-hours of electricity and 69.8 billion kilowatt-hours of gas in the reporting year to its roughly six million customers, thereby reinforcing its position as Germany's third-largest energy supplier. In detail, the key indicators developed as follows:

> Revenue grew to € 16,305.4 million. This is 10.8 per cent more than in the prior year.
> Earnings before interest, taxes, depreciation and amortisation adjusted for non-operating effects (adjusted EBITDA) increased by 11.5 per cent to € 2,595.6 million. Adjusted earnings before taxes and interest (adjusted EBIT) improved by 14.8 per cent to € 1,793.9 million.
> Group net profit in terms of the profit shares attributable to the equity holders of EnBW AG reached € 871.8 million. The 36.1 per cent drop compared to 2007 is due on the one hand to a special effect recognised in the prior year in connection with the business tax reform and, on the other, to impairment losses recognised on the electricity and gas networks and our financial investments in the reporting year. Adjusted for these special effects, group net profit in terms of the profit shares attributable to the equity holders of EnBW AG (adjusted group net profit) grew by 32.9 per cent to € 1,091.3 million.

Overall, EnBW has thus achieved its ambitious economic targets and successfully strengthened its segments. In light of the positive development of operations, we will propose a dividend distribution of € 2.01 per share to the annual general meeting on 23 April 2009. This distribution marks a year-on-year increase of 33 per cent in dividends paid.

Profitable, sustainable and balanced growth in our core business segments will again be at the heart of our corporate development in 2009. EnBW's sound financial position and net assets, buoyed by our good market position, form the basis for further growth. Capital expenditures of € 7.7 billion have been budgeted for the period from 2009 to 2011.

Financial investments account for around € 2.2 billion of this total, capital expenditures for € 5.5 billion. Of the capital expenditures, 82 per cent is earmarked for growth projects including new power stations.

We will finance most of our investment programme from the cash flow from operating activities. Net financial liabilities are expected to increase by approximately € 2 billion in the medium term. This ensures that EnBW maintains its sound financial position – the condition for EnBW to obtain a good A category rating in the future. Two bonds issued successfully in November 2008 with a total volume of € 1,500 million, together with a private placement of approximately € 170 million in December 2008, have added to EnBW's financial strength. The bonds have terms to maturity of 5 and 10 years, and the private placement has a 30-year term.

In the fiscal year 2008, EnBW already made capital expenditures of € 1.2 billion. This is € 429.9 million or 52.7 per cent more than in the prior year. In this way, we have successfully launched important future projects for sustainable growth. Not only did we invest in the maintenance of our infrastructure in the reporting year – and thus in supply reliability – but also in the following projects:

- Construction of the state-of-the-art hard coal power station RDK 8 in Karlsruhe (€ 239.3 million)
- Offshore wind power projects (€ 97.1 million)
- Construction of a new run-of-the-river power station in Rheinfelden (€ 35.0 million)
- Restructuring of the extra-high voltage networks (€ 44.4 million)
- Construction of the new EnBW City building in Stuttgart (€ 93.0 million), ZEAG administrative building in Heilbronn (€ 22.1 million), office centre in Biberach (€ 11.7 million)

In 2008, EnBW also increased its shareholding in the Czech and Polish energy supply companies Praská energetiká a.s. and Elektrownia Rybnik S.A., purchased shares in Stadtwerke Hilden GmbH and arranged to acquire 26 per cent of the shares in EWE AG. EnBW was also the first energy supply company in Germany to launch an intelligent electricity meter on the market.

Furthermore, we adopted the decision to expand the Iffezheim run-of-the-river power station by adding a fifth turbine, signed a memorandum of understanding for the acquisition of power station capacity in Lippendorf (446 MW) and Bexbach (79 MW), made further progress on plans for the Stade power station project and incorporated EnBW Gas Midstream GmbH.

In light of the current overall economic situation, we cannot rule out the possibility of a decline in electricity and gas unit sales for EnBW in 2009. Energy policy also has a notable impact on our business development. In the reporting year 2008, for example, European energy policy was dominated by debates on the EU Commission's energy and climate package and the emissions trading directive. Topical energy policy issues in Germany included the federal government's integrated energy and climate programme, the structure of German transmission grids and details of the future energy mix. EnBW plays an active role in these energy policy debates. I have held many talks with politicians and all other interest groups involved and have advocated a sustainable energy mix for the future that takes account of the strengths of all forms of energy generation and an equitable regulatory framework. Our objective is to refocus the debate on the subject at hand and ensure that the aspects of supply reliability, economic feasibility and environmental compatibility are given equal weight in energy policy.

Despite a troubled economic outlook and an uncertain political framework, EnBW aims to achieve earnings in 2009 to match the prior-year level. We are also relying on our competent and motivated employees in this respect. I would like to thank them for their good work and their commitment to our company and our customers. A thank-you also goes to my colleagues on the Board of Management and the entire EnBW management team, without whom the good result for the year 2008 would not have been possible.

Yours sincerely,

Hans-Peter Villis

Hans-Peter Villis
Chief Executive Officer

Karlsruhe, February 2009

Board of Management

Dr. Hans-Josef Zimmer

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

Hans-Peter Villis

Born 1958 in Castrop-Rauxel
Chairman of the Board of Management
Chief Executive Officer
since 1 October 2007
also Chief Financial Officer
from 1 May 2008 to 31 December 2008
Appointed until 30 September 2012
Castrop-Rauxel/Karlsruhe

Pierre Lederer

Born 1949 in Paris
Deputy chairman of the Board of Management
Chief Operating Officer
since 1 May 2003
Appointed from 1 June 2000 to 31 January 2009
Karlsruhe

Dr. Rudolf Schulten

Born 1955 in Göttingen
Member of the Board of Management
Chief Financial Officer
since 1 January 2009
Appointed until 31 December 2013
Mannheim

Christian Buchel

Born 1963 in Strasbourg
Member of the Board of Management
Chief Operating Officer
since 1 February 2009
Appointed until 31 January 2012
Strasbourg

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

Dr. Bernhard Beck, LL.M.

Born 1954 in Tuttlingen
Member of the Board of Management
and Chief Personnel Officer
Chief Personnel Officer
since 1 October 2002
Appointed until 30 September 2012
Leonberg

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

Energy is a responsibility. EnBW will continue to take responsibility for reliable energy supplies to its customers in the future. In September we laid the foundation stone for a new coal power station in Karlsruhe.

CORPORATE RESPONSIBILITY


7.7
billion euros invested

GROWTH

We are pursuing a long-term investment programme to safeguard the future sustainability of our company. We intend to invest € 7.7 billion by the year 2011 alone. 70% will be used for the group's growth areas. € 3 billion will be invested in expanding renewable energies in the medium term. Together with conventional electricity generation, the expansion of our value added chain in the fields of gas and innovative energy management solutions, this will open up attractive growth potential. Growth that pays.

COAL POWER STATION
A new hard coal power station (RDK 8) is currently being built at Karlsruhe Rheinhafen port with an output of around 900 MW. The power station is scheduled to go into operation towards the end of 2011. State-of-the-art power station technology and engineering know-how facilitate an operating efficiency in excess of 46% and consequently much lower CO_2 emissions compared with existing plants. This power station will additionally generate around 70 permanent jobs on site and around 200 for service providers and suppliers in the region.

Values, goals, strategy

As a leading integrated energy company located at the heart of Europe, EnBW pursues the goal of sustainable profitable growth. Our strategy centres on a major investment programme. The way we think and act is shaped by an awareness of our special responsibility for our employees, environment and society at large. We are convinced that the long-term growth of EnBW's value as a company requires, most of all, a focus on the needs of our customers, innovative ability and the will to change. We are consistent and reliable in our actions.

A partner for our customers

Whether private households, municipal utilities or small and medium-sized and large industrial customers are concerned, EnBW's aim must always be to meet customer requirements better than the competition. As a partner to our customers, we not only provide the best possible energy supply solutions but also develop and implement innovative concepts for improving energy efficiency.

- Pioneering technology such as EnBW's Intelligenter Stromzähler® (intelligent electricity meter) assists private households to manage their electricity consumption. Over the test period, around one third of the participating customers succeeded in making energy savings of more than 10%.
- In the industrial field, we are working together with our customers in the "EnBW energy efficiency networks" to optimise energy-related processes and to achieve potential savings of up to 20%.
- We provide support to municipalities with electricity products and numerous other services. Together, we implement energy and infrastructure solutions, analyse consumption data from public entities and develop concepts to increase energy efficiency.

The ongoing maintenance and renewal of our networks and generation facilities ensure reliable supplies to our customers.

An attractive employer

Motivated and qualified employees ensure EnBW's success. We will only succeed in attracting and retaining these employees by being an attractive employer. We require and promote flexibility, creativity and commitment. Our employees make a great contribution – fairness, respect and trust are the pillars of our cooperation. Intensive support for young talent, targeted workforce development measures and seminars provide assistance to our staff today and open up potential for tomorrow.

- We employ our group-wide intellectual capital statement to analyse the existing professional, methodical and social competencies on the part of our employees and identify any need for development. Exchanging information and views is part of our corporate culture. We provide our employees with information on a regular basis through our monthly EnBW newspaper, the group's intranet and our "Quo vadis" information event. We used an employee survey for the first time in November 2008 to record the opinions and attitudes prevailing among our employees. We plan to survey our employees every two to three years about their work at EnBW.

- The EnBW Academy provides excellent further training opportunities for our employees and executives. The internal job market and the personnel exchange programme with EDF open up new possibilities both in Germany and abroad.
- We put particular emphasis on promoting our employees' health and on achieving a balance of work and private life. Alongside the occupational health care services provided, our employees can make use of company sports groups and health promotion courses, or EnBW's holiday homes. To make it easier for our employees to combine work and private life, we offer flexible working time models, provide places in nursery schools and childcare facilities, in addition to opening a family office in Karlsruhe in 2008 and providing advice for employees with family members in need of care.
- In 2008, 334 young people started their vocational training in technical and office jobs in EnBW's core companies in Baden-Württemberg as well as in combined courses of study at universities of cooperative education and universities of applied sciences. A one or more year contract awaits those who complete their training successfully. No less than 20% of former trainees are offered permanent positions. A large number of students come to EnBW each year on internships or as temporary workers or to write their dissertations – some 800 at the core companies of EnBW in 2008. We provide assistance to young talents at the start of their careers with various development programmes such as the "Energy Career Programme".

Our commitment to our employees pays off: Once again last year we were one of Germany's best employers. In the "Top employers in Germany 2008" company ranking, EnBW achieved good or excellent marks in all categories. This continues to spur us on.

Committed to environment and society

As an energy company, EnBW is aware of its special responsibility for climate and environmental protection.

- In 2006, we were the first large energy company to begin having its own environmental management system accredited under the international standard ISO 14001. In the meantime, almost all EnBW companies meet uniform standards of environmental protection. Plans are for all group companies with environment-related facilities and activities to be ISO 14001 certified by the end of 2009.
- We champion a broad energy mix to make good use of a range of fuels. As much as 65% of our electricity is generated CO_2 free. This enables us to achieve specific CO_2 emissions of 254 g/kWh, which is far below the national average of 520 g/kWh. Despite the decision to phase out the use of nuclear power, we have set ourselves the target of undercutting the national average for CO_2 emissions on a permanent basis.
- The German climate congress, held for the third time in 2008, has enabled EnBW to take on a leading role in the discussion of energy policy in relation to climate change. Furthermore, EnBW participated in the formation of important climate protection initiatives (the "2° German CEOs for Climate Protection" initiative, the "Business for Climate Protection" initiative of the Federation of German Industries (BDI) and the "3C – Combat Climate Change" initiative) and is making an active contribution to each of them.

At EnBW, we work together on innovative ideas to ensure in the long term a reliable and efficient energy supply that is as climate-friendly as possible.

EnBW wants to be a recognised partner and a good citizen for society. We support sport, education, art, culture and voluntary work.

- EnBW promotes and supports mass and professional sport on an ongoing basis. We show this commitment by not only sponsoring the traditional VfB Stuttgart and Karlsruher SC football clubs, but also Baden-Württemberg's young football talent, the EnBW junior premier league. We also support national-league handball and basketball players with our young talent programmes. Our commitment to sport in Germany is rounded off by our co-hosting regional events such as the gymnastics gala and the EnBW World Artistic Gymnastics Championships together with the gymnastics associations we sponsor.

- As an energy company, we put particular emphasis on arousing children's interest in natural science and technology at an early age. This is the reason for us to sponsor extra-curricular places of learning such as science centres, develop our own energy-related exhibits and put on experimenting days.
- In addition to our own art exhibitions, we promote art and culture as the sponsor of important institutions such as the ZKM Centre for Art and Media Technology in Karlsruhe, Stuttgart art museum, Baden-Baden festival hall and the Stuttgart ballet.
- For the fifth time we awarded the special prize "EnBW Ehrenamt Impuls" to local volunteers as part of the "Echt gut! Ehrenamt in Baden-Württemberg" campaign to promote voluntary work in the region under the patronage of the state prime minister.

We intend to continue our active role in society as a whole and as a partner to associations, institutions and private initiatives in the future.

Ambitious goals

Our group development focuses on profitable and sustainable growth. Over the next few years, we intend to safeguard our existing business and exploit growth potential. As a vertically integrated company, we operate actively both on the grid side (transmission and distribution) and on the market side (generation, trading, sales) enabling us to reliably supply our customers with electricity, gas and heating as well as provide energy and environmental services.

- We want to be one of the leading energy companies in each customer segment in Germany. At the same time, it is our goal to achieve the highest level of customer satisfaction in the industry.
- We support Germany's climate protection targets. We intend to increase the share of renewable energies in our own generation portfolio to 20% by 2020.
- We plan to expand in other European countries in a targeted manner and tap the market in a second German state.
- We are continually improving our structures and processes in order to ensure that our activities maintain stable earnings power also in the future. Our goal is to be better than our competitors in this area, too.
- It is our intention to continually increase our adjusted EBIT and value added over the next years. We plan to invest some € 7.7 billion in our business segments by 2011 within the framework of our investment programme. We intend to finance a large portion of this amount from the company's cash flow. For our shareholders we aim to achieve a distribution rate of up to 50% of adjusted group net profit.

Consistent strategy

One of the challenges we face in the context of safeguarding our existing business is the renewal or replacement of our facilities in good time. We therefore intend to make major investments over the coming years in replacing power station capacities and renewing and modernising our grids.

- We advocate a balanced energy mix for the renewal of our power generating capacity. Modern coal power stations combining power and heat generation will play an important role in energy supplies in the future. One of the most modern hard coal power stations (RDK 8) in Europe is currently being built at Karlsruhe Rheinhafen port with an installed output of around 900 MW. Other facilities are currently in planning.
- The renovation of our extra-high-voltage network in Baden-Württemberg, specifically the extension of the 380 kV grid in conjunction with the dismantling of the 220 kV grid will secure the future of our transmission grid and make a further contribution to supply reliability in Baden-Württemberg. This also documents the great significance that we attach to the grid business as one of the core businesses of the EnBW group.

Growth is the focal point of the development of our group and reinforces our position on the energy market. This is the driver of our plans to invest in building up renewable energy generation capacities both in Germany and abroad and positioning ourselves in the gas midstream business as well as making strategic acquisitions.

- We are tapping into the great potential for wind power generation off the German coast of the North Sea and the Baltic Sea. In the past fiscal year we secured access to four offshore wind farms and plan to build and put into operation facilities with a total output of around 1,000 MW over the next few years. A hydro-electric power station is currently under construction at Rheinfelden with a planned output of around 100 MW. This new power station is currently Germany's largest construction project in the area of renewable energies. We are constantly improving or extending our other hydro-electric power stations. We continue to expand our activities in the fields of geothermal, photovoltaic and biomass power.
- EnBW is strengthening its activities in the gas midstream segment. Our long-term goal is to achieve independence in procurement and reliable access to the necessary transmission and storage infrastructure by means of our own import agreements. We plan to further diversify our procurement portfolio, reinforce our own market position and to increase the value added in the gas segment.
- We intend to make use of the opportunities for further acquisitions and investments offered by the process of consolidating Germany's municipal utilities. EnBW aims to attain economic control of its shareholdings in the medium term. Our acquisitions are chosen strictly according to economic criteria. Shareholdings must usefully complement EnBW's core business, make a positive contribution to earnings from the very beginning and achieve the profitability targets set by the group in the medium term.

Our customers experience us as a service-oriented and reliable company that provides them with more than "just" energy. Our individual supply solutions help our customers employ energy efficiently, thus creating a basis for long-term customer relationships. EnBW's intelligent electricity meter is a platform for further products. We tap into the various customer segments with a multi-brand strategy where each brand has a clear profile. Our industry customers are served by specialists who are closely acquainted with their customers' individual requirements. We have already received several awards for our retail customer service. We are one of the leaders in the field of contracting services when it comes to implementing individual local operator models together with municipalities, industrial companies and agricultural enterprises in Germany. With regard to supplying our customers with heat from renewable energy sources we have identified most potential for growth in exploiting geothermal energy.

The most important factor for shareholdings in continental Europe is the possibility of rapid market penetration. We are currently reviewing the prospects and opportunities provided by Turkey in this respect. We see great potential here for energy generation from water and wind power and anticipate a positive market environment in the long-term enabling us to attract customers quickly. Our growth is supported by our "!mpuls – gemeinsam besser" programme which establishes processes for increasing efficiency on a sustainable basis. This enables us to react quickly and flexibly to the rapid changes on the markets in our environment. "!mpuls" promotes a culture of constantly striving for improvement and ensures that our employees are constantly aware of this principle.

Sustainable increases in efficiency in the form of financial and knowledge-based synergies have been generated through the close cooperation with EDF from within the EDF group. The synergy projects initiated by the COMEX relate to EnBW's entire value added chain. This international competition enables EnBW to make a significant contribution to strengthening the competitiveness of the entire EDF group. EDF and EnBW held a joint conference in Stuttgart on 9 July on the topic of "Challenges of the energy supplies of tomorrow: supply reliability, viability and sustainability". At this event the prime minister of Baden-Württemberg and the members of EnBW's Board of Management were joined by a large number of experts as well as customers. Another example of this cooperation is "Via Energia", an initiative that was inaugurated at Iffezheim power station on the river Rhine on 22 September. Via Energia is a Franco-German initiative by EnBW, EDF and Electricité de Strasbourg to provide information on CO_2-free power generation on the Upper Rhine. Today, Via Energia links 24 sites on the left and right banks of the Rhine and is representative of the wide range of energy generation methods put into practice here.

Our investment programme provides for capital expenditure totalling around € 5.5 billion by 2011; € 4.1 billion will be spent on the construction of new facilities. Financial investments of around € 2.2 billion are budgeted. We are determined to implement our ambitious strategic objectives.

RDK 8 – EnBW's new hard coal unit

The construction work for RDK 8 made great progress in 2008. The unit is designed for an electrical output of 912 MW. As much as 220 MW of thermal output can be extracted as district heating for feeding into the city of Karlsruhe's district heat grid. EnBW's decision to build this power station in Karlsruhe is a demonstration of its commitment to Baden-Württemberg and Germany.

January – March 2008

Construction work starts ahead of schedule

On 28 February the Karlsruhe authorities grant EnBW Kraftwerke AG permission to start construction work ahead of schedule. At the beginning of March the first diggers arrive to start work on the foundations for the chimney, boiler house and turbine hall.

New jobs

EnBW intends to invest a total of around € 1 billion in the new power station. The project will involve around 1,400 workers until completion towards the end of 2011. After commissioning, around 70 new jobs will be created on site and around 200 at service providers and suppliers in the region.

April – June 2008

Low level of harmful emissions

On 8 May the Karlsruhe authorities grant EnBW Kraftwerke AG the approval required under the German Federal Immission Control Act (BImSchG). The power station's emissions will be 50% below the levels of harmful emissions permitted by law.

Less CO_2

EnBW is setting standards with its new hard coal power station. The employment of state-of-the-art technology will boost operating efficiency to over 46%. Specific CO_2 emissions are substantially reduced by 33% in comparison to the worldwide average. The combination of heat and power plants will also ensure improved energy efficiency.

July – September 2008

Ceremony to lay foundation stone

On 19 September EnBW lays the foundation for the new Karlsruhe Rheinhafen hard coal power station in a formal ceremony with Michael Glos, Federal Minister of Economics, and Günther Oettinger, Prime Minister of Baden-Württemberg.

Chimney

On 26 September the chimney shaft of RDK 8 reaches its final height of 223 metres after a construction period of a mere 52 days.

October – December 2008

Water law permit

On 29 October EnBW receives the water law permit to withdraw cooling water from the river Rhine for once-through and open-circuit cooling and to discharge cooling water and cleansed production wastewater into the Rhine.

Stair towers

The slip form work for the stair towers of the boiler house is completed on 3 December after 44 days of work. Each tower is roughly 120 metres high.

Outlook

With a gross output of 912 MW and up to as much as 220 MW district heating extraction, the new coal power station will make an important contribution to a reliable and sustainable supply of energy once it is commissioned towards the end of 2011.

EnBW on the capital market

EnBW succeeded in further improving its operating performance in 2008. On this basis, the company will submit a proposal to the annual general meeting to distribute a dividend of € 2.01. This represents an increase of 33% compared to the prior year. The credit crisis had a perceptible impact on the price of the EnBW share. At the end of the year the price was quoted at around € 37.70. EnBW issued several bonds on the debt market in 2008. The shareholder structure remained stable.

Flexible in covering financing needs

EnBW shares have been publicly traded since October 1997. They are listed on the General Standard market of the Frankfurt stock exchange and on the regulated market of the Stuttgart stock exchange. EnBW's shareholder structure has not undergone any major changes since 2005. The two major shareholders, OEW and EDFI, each hold 45.01% of the voting rights; a total of just over 5% is held by other shareholders in Baden-Württemberg – municipal associations and municipalities in the supply area. As EnBW itself has a shareholding of 2.3%, the remaining free float totals around 1.86%. At the end of the year 2008 market capitalisation came to approximately € 9.2 billion.

Shareholder structure as of 31 December 2008[1]

EDF International SA (EDFI)	45.01%
Zweckverband Oberschwäbische Elektrizitätswerke (OEW)	45.01%
EnBW Energie Baden-Württemberg AG	2.30%
Free float	1.86%
Badische Energieaktionärs-Vereinigung	2.58%
Gemeindeelektrizitätsverband Schwarzwald-Donau	1.28%
Landeselektrizitätsverband Württemberg	0.54%
Neckarelektrizitäts-Verband	0.66%
Other municipal shareholders	0.76%

[1] Figures rounded to two decimal places.

Alongside financing from the company's own cash flow from operating activities, which totalled € 1,523.9 million as of 31 December 2008, the company uses various short to long-term debt financing instruments in addition to the money, capital and bank markets in order to cover its financing needs. Our aim is to make EnBW's capital structure as efficient as possible and optimise the cost of capital.

EnBW regularly turns to the capital market as an issuer, supported by its good credit standing and the corresponding ratings by Standard & Poor's (currently: A-) and Moody's (currently: A2).

EnBW's debt finance currently breaks down into the following elements; the euro is the company's preferred currency for its refinancing needs.

- Short-term: commercial paper programme with a total volume of € 2.0 billion
- Short to medium-term: syndicated line of credit based on loan commitments for € 2.5 billion from more than 20 banks
- Medium to long-term: debt issuance programme for the issuing of bonds up to a volume of € 5.0 billion
- Special products

The debt capital market plays an important role in EnBW's financing, which is correspondingly reflected in its investor relations work. For example, EnBW has issued several euro bonds on the international capital markets with a current volume totalling € 3,650 million. In addition, the EnBW group has issued further foreign currency bonds with a total volume of just under € 500 million.

FURTHER INFORMATION
www.enbw.com
› Investors

FURTHER INFORMATION
Management report/Financial position
› p. 60ff.

Creating values transparently communicated

Investors' faith in EnBW's value added potential safeguards our access to the capital markets. Since 2005, EnBW has published its value-based performance indicators as part of its annual report. The value added is disclosed for both the group and the segments in a transparent way.

FURTHER INFORMATION
Management report/Value added 2008
› p. 66ff.

Strategic and operative decisions are made throughout the group on the basis of their value added. EnBW communicates its strategic measures in detail and without delay. Operational developments are detailed in the regular publications of the quarterly and annual financial reports.

The EnBW share in 2008

The stock exchange year 2008[1]

After starting the new stock exchange year at around 7,950 points, the DAX share index already saw a significant drop of more than 1,500 points in January 2008. This was caused by fears of recession in the world's largest economies. With a quick succession of interest rate reductions in the spring totalling 225 base points, the US Federal Reserve succeeded in restoring market confidence, allowing the DAX to generally make good its losses with quotations of around 7,200 points by May.

As the general opinion held the credit crisis to have been initially overcome, primarily thanks to large-scale assistance by the US for its financial industry, the bankruptcy of the US bank Lehman Brothers mid-September hit most market participants unawares.

This shook all confidence in the stability of the worldwide financial system. Share prices nosedived around the world. Scenes of panic were seen on the trading floors when the bank rescue plan drafted by the US government failed in Congress, it had become apparent that the US gross domestic product was, contrary to expectations, in serious decline and more and more banks were suffering liquidity bottlenecks. The DAX consequently fell to 4,127 points and is thus almost 50% below the level seen at the beginning of the year.

[1] All price information relates to XETRA closing prices.

Worldwide, more than US$ 10 trillion in share market value evaporated in the month of October alone. The realisation that private consumers will in future no longer be able to shoulder worldwide economic growth with credit-based purchasing and the first signs of a corporate credit crunch caused a resurgence of fears of a global recession.

A certain amount of investor confidence returned following the prohibition of short selling of shares, government guarantees for banks, equity subsidies and government spending programmes and the DAX closed the year 2008 at 4,810 points, roughly 16% above its annual low. Following this development, commodity prices similarly saw a downward trend. While prices for a barrel of crude oil on the spot market were in excess of US$ 145 in July, prices fell towards the end of the year to under US$ 45 on occasions. This price trend also applies to almost all other important commodities such as industrial metals as well as to coal, gas and electricity. For example, the price of the electricity future for base load for the year 2009 fell from € 90 per megawatt-hour to € 59.

With prices falling by more than 60%, bank shares are top of the list of DAX flops. Similarly, the shares of car manufacturers/suppliers softened in the following economic crisis. The prices of European energy shares likewise fell significantly.

The more comprehensive General Standard index of the 200 most traded shares developed in a similar way to the DAX. The index declined from its high of 2,367 points at the beginning of the year to an annual low in December of 1,867 points. At around 23%, the fall was not quite as dramatic as with the DAX, however.

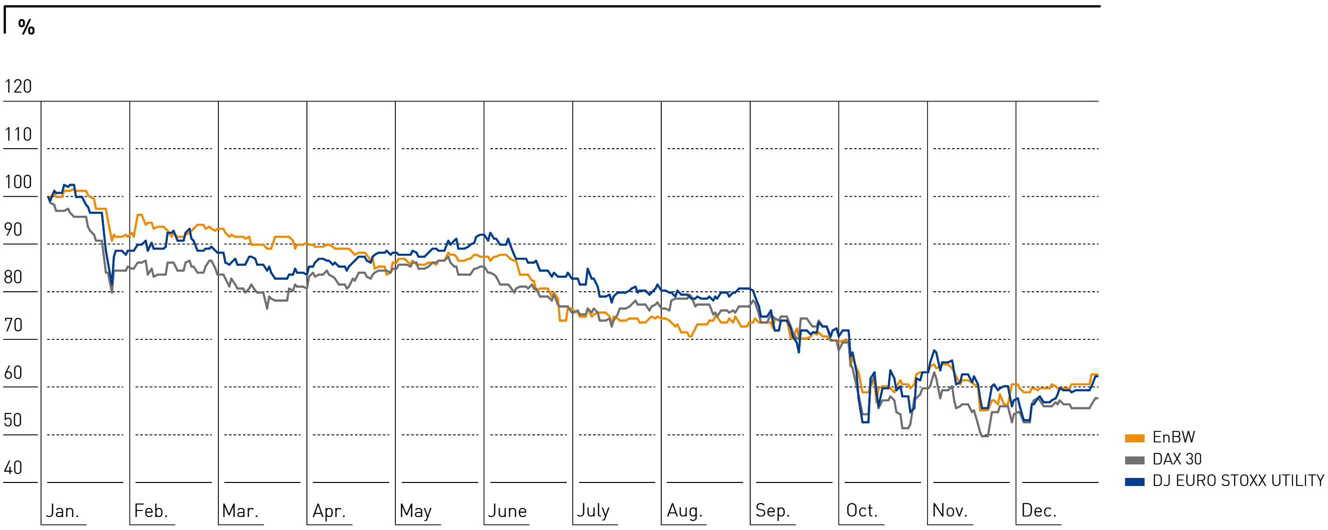
At a European level, the DJ Euro STOXX utility index fared only slightly better than the overall index with a drop of 38% compared to a minus of 46%.

Development of the EnBW share

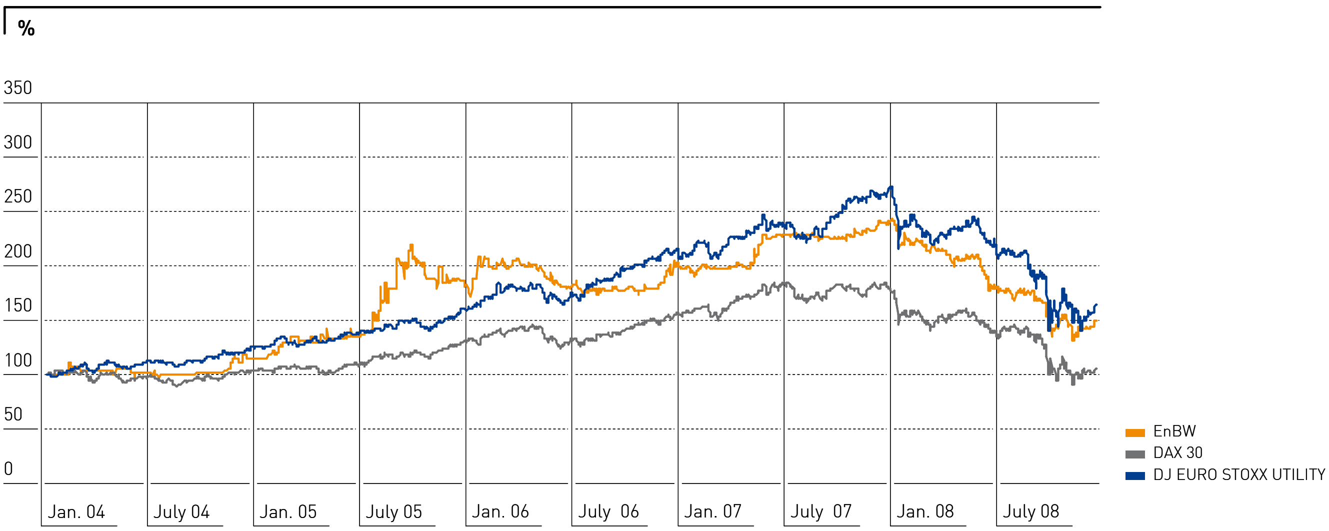
The EnBW share ended the fiscal year 2007 with a closing price of € 60.16, which was only slightly below the annual high of € 60.84.

After reaching its annual high of € 61.00 right at the beginning of 2008, the EnBW share initially fell to € 50.34 by mid-June. Over the following months, the effects of the credit crisis left their mark on the further development of the EnBW share, resulting in an annual low for the share of € 33.02 in November. Towards the end of the year, the share price recovered, mirroring the performance of the DAX, and closed at € 37.70.

Performance of the EnBW share in 2008



Performance of the EnBW share in the past five years



Irrespective of the price of its shares, EnBW continued to improve its operating performance and will submit a proposal to EnBW's 2008 annual general meeting to distribute a dividend of € 2.01. This is an increase of 33% on the prior year (€ 1.51). As of 31 December 2008, a total of 244,256,523 shares were entitled to receive dividends, which means that the amount distributed for fiscal 2008 will total € 491.0 million if the 2009 annual general meeting adopts the corresponding resolution. In relation to the year-end closing price (€ 37.70), the dividend yield amounts to 5.3% and the distribution rate, related to the adjusted group net profit, comes to 45% (prior year: 45%).

Stock exchange information	
ISIN/security ident. no.	DE0005220008/522000
Stock exchange abbreviation	Bloomberg EBK GY/reutersEBK/EBKG.DE
Stock markets	Regulated market: Frankfurt and Stuttgart; over-the-counter trading: Berlin, Munich
Transparency level	General Standard
Indices	General All Share, DAXsector All Utilities, CDAX
Number of shares	250,006,200
Class of share	Ordinary no-par value bearer shares

EnBW share in figures[1]		2008	2007	2006	2005	2004
Annual high	€	61.00	60.84	52.66	55.88	30.00
Annual low	€	33.02	48.01	43.80	29.11	24.20
Closing price	€	37.70	60.16	50.55	45.80	29.10
Number of shares outstanding as of 31 December[2]	million shares	244.257	244.257	244.257	243.957	231.974
Market capitalisation as of 31 December[6]	€ billions	9.2	14.7	12.3	11.2	6.8
Stock exchange trade (total)	Number of shares	835,367	1,112,602	566,187	902,000	260,700
Stock exchange trade (daily average)	Number of shares	3,289	4,769	2,220	3,537	1,109
Earnings per share from group net profit[4]	€	3.57	5.58	4.10	2.21	1.40
Operating cash flow per share	€	6.24	6.38	6.01	5.52	6.80
Distribution	€ millions	491.0[3,5]	368.8	278.5	214.9	170.8
Dividends per share	€	2.01[3]	1.51	1.14	0.88	0.70
Number of shares outstanding (weighted average)	million shares	244.257	244.257	244.232	240.961	227.281

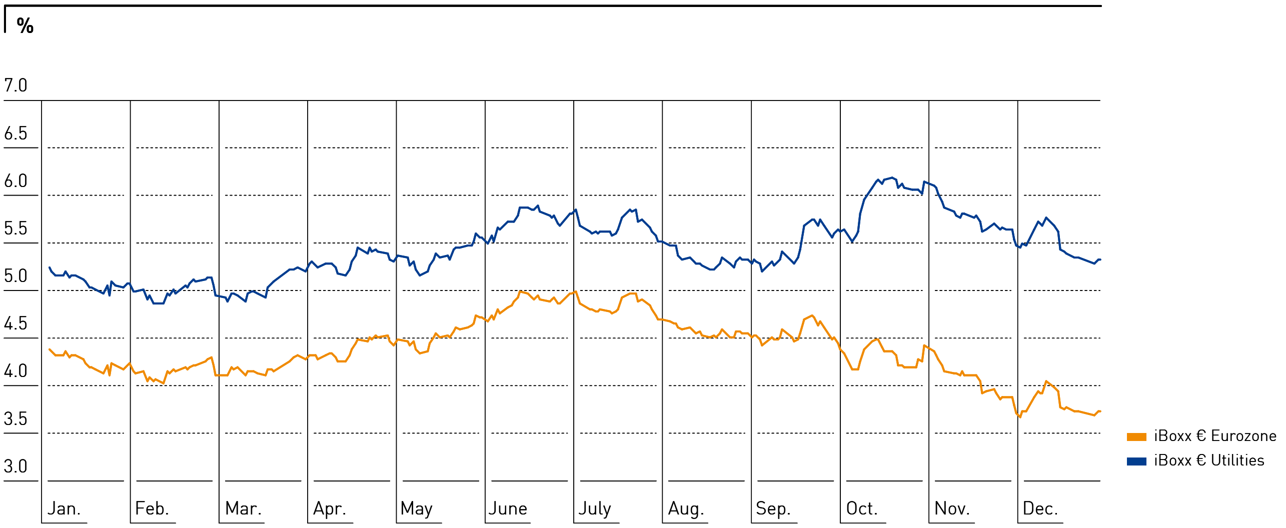
1 The price information for the period from 2004 to 2006 relates to floor trading on the Frankfurt stock exchange. The price information from 2007 relates to the XETRA prices.
2 Total number of shares: 250.006 million.
3 Dividend proposal for the fiscal year 2008, subject to the approval of the annual general meeting on 23 April 2009.
4 In relation to the profit shares attributable to the equity holders of EnBW AG.
5 Distribution in terms of the shares entitled to dividends as of 31 December 2008..
6 Number of shares outstanding at the end of the fiscal year multiplied by the closing price.

Impact of the financial market crisis

Yield on the bond market

The bond markets were stable at the beginning of 2008. In the second quarter the market for European government bonds saw yields rise by around 5%. The growing impact of the financial market crisis, first and foremost the bankruptcy of the investment bank Lehman Brothers mid-September 2008, led to an increase in demand for low-risk investments, which, in turn, brought about a drop in the yield of European government bonds until the end of the year. At the same time, the risk premium on the secondary market for energy supply companies increased, albeit to a much lesser extent than in other industries.

Yield on the bond market



Development of the credit spread of EnBW bonds

The difficult market situation did not pass EnBW by. The credit spread on the EnBW bonds has widened significantly. Nevertheless, we issued a Swiss franc bond in January 2008 with a volume of CHF 300 million and two bonds with a total volume of € 1.5 billion in November 2008. This was augmented by a private placement of a value of around € 170 million in November 2008. This enabled us to enhance our liquidity position and further extend our financial flexibility with regard to the upcoming projects in 2009.

Service-oriented investor relations

The objective of our capital market communications is to facilitate an ongoing dialogue with investors, analysts and banks, to meet information requirements and to communicate EnBW's value added potential as transparently as possible. Due to the small free float, our investor relations activities concentrate most of all on the debt capital market (fixed income), i.e. primarily on bond investors and credit analysts on the buy and sell side. EnBW's good standing with fixed income investors, above all, ensures the necessary access to the capital market.

Conference calls directly involving at least one member of the Board of Management are held whenever financial reports are published; these conference calls are also broadcast on the internet. In fiscal 2008, EnBW visited London, Edinburgh, Frankfurt, Paris, Stuttgart, The Hague, Amsterdam and Zurich as part of its seven-day road show, which is a recurring event every year, independent of any transactions. A total of 20 personal talks and seven presentations to groups were held. Further individual talks and presentations to groups were held as part of investor conferences in Germany. In this context, EnBW's management actively provided information on the company's development, its growth strategy and the company's prospects.

Since 2008, our homepage has had a download centre for our financial reports, investor presentations and other relevant documents. Furthermore, the annual report is also available online.

In fiscal 2009, we will continue to provide comprehensive and detailed information on the ongoing implementation of EnBW's investment programme with road shows, investor conferences and discussions with investors.

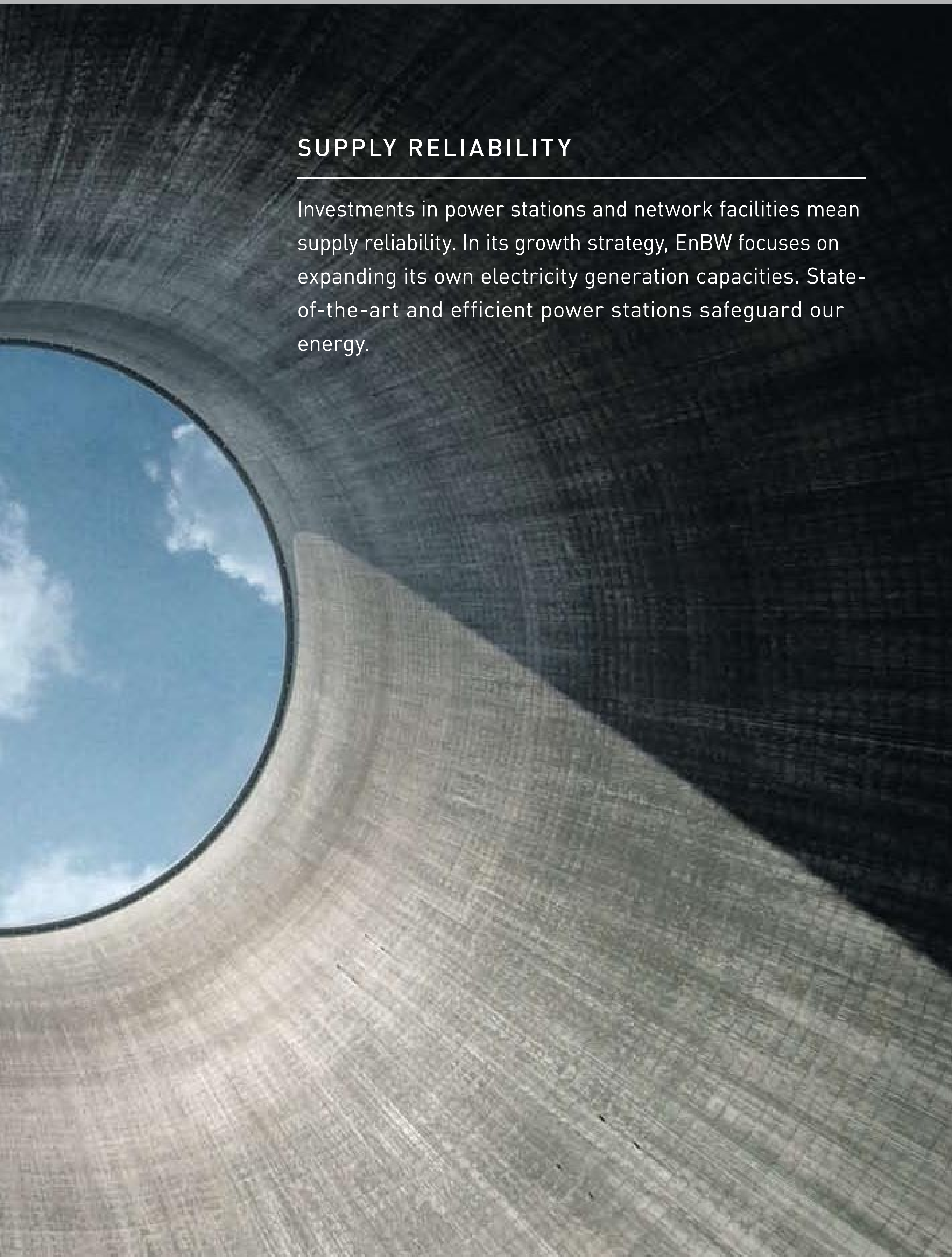
FURTHER INFORMATION
www.enbw.com
› Investors

FURTHER INFORMATION
Financial calendar on the inside cover

COMBINED MANAGEMENT REPORT OF THE ENBW GROUP AND ENBW AG


66.8
million MWh from our own generation facilities

NUCLEAR POWER
With an output totalling 2,384 MW, Philippsburg nuclear power plant is one of the largest power-generation centres in Germany. Around 800 EnBW employees work here, making Philippsburg nuclear power plant one of the most important employers in the region. Together, our facilities in Philippsburg and Neckarwestheim cover around 50% of total electricity demand in Baden-Württemberg. CO_2-free.



SUPPLY RELIABILITY

Investments in power stations and network facilities mean supply reliability. In its growth strategy, EnBW focuses on expanding its own electricity generation capacities. State-of-the-art and efficient power stations safeguard our energy.

Summary

NOTE
The information given in the margin is not part of the management report.

The EnBW group continued to improve its economic position in fiscal 2008. We have reinforced our market positions in our business segments. This provides us with a firm foundation enabling us to continue our growth-driven corporate strategy. The impairment losses on the electricity and gas grids and our financial assets had an adverse effect on group profit.

Group objectives met

Despite an increasingly difficult economic environment, EnBW has always met its targets. Adjusted EBIT amounted to € 1,793.9 million in 2008, a 14.8% increase on the prior-year level. Group net profit in terms of the profit shares attributable to equity holders of EnBW AG reached € 871.8 million. The decline in comparison to 2007 is due to a special effect recognised in the prior year in connection with the 2008 business tax reform and to the impairment losses on the electricity and gas grids and our financial investments in the fiscal year. The company's value added increased by 16.4% to € 964.0 million. The main driver behind how earnings developed in fiscal 2008 was the electricity segment. This segment noticeably profited from improvements in the electricity generation margin. With regard to the changes to the regulatory framework, the further decrease in network user charges imposed by the Federal Network Agency placed a specific burden on the results. As of the end of the year, the EnBW group employed 20,501 people (prior year: 20,265).

Selling activities intensified

At 130.5 billion kWh, the group recorded a drop in electricity sales of 6.5% in 2008 in comparison to the prior year. This decrease primarily stems from electricity trading. We increased sales in the retail customer business by intensifying our sales activities. Gas sales reached 69.8 billion kWh, which corresponds to a drop of 7.2% in comparison to the prior year. While gas sales in the business-to-consumer (B2C) segment grew, gas sales in the business-to-business (B2B) segment fell due to customer losses as a consequence of continuing liberalisation. After deducting electricity and natural gas tax, external revenue in fiscal 2008 increased by 10.8% to € 16,305.4 million. The electricity and gas segments enjoyed positive sales development.

Segments reinforced, renewable energies expanded

In the electricity segment revenue rose by 10.4% to the current € 12,736.4 million. The decline in unit sales was more than offset, primarily by higher prices in the trading segment. The group has secured the rights to four offshore wind farm projects as part of its programme to expand its generation capacities in the area of renewable energies. The related planning involves facilities with a total output in excess of 1,000 MW. EnBW is currently building a new hard coal power station (RDK 8) at Karlsruhe Rheinhafen port with an installed output of around 900 MW.

Despite falling sales volumes, revenue in the gas segment increased by 16.2% to € 2,881.2 million. This resulted from the fact that the increase in gas procurement prices caused by the development of the oil price was passed on to our customers. The company continued to pursue its policy of expanding its gas midstream activities.

Adjusted to eliminate the changes to the consolidated group, revenue in the energy and environmental services segment rose by 2.2% to € 687.8 million, primarily due to positive developments in the contracting business.

Proposed dividend of € 2.01 per share

The adjusted group net profit for fiscal 2008 in relation to the profit shares attributable to the equity holders of EnBW AG totalled € 1,091.3 million; this is an increase of 32.9% on the prior year. The increase in the adjusted group net profit essentially results from the positive development of the electricity segment and the improved adjusted financial result. As in the prior year, the dividend was computed on the basis of a distributed rate of 45%. The amount distributed thus rose from € 368.8 million to € 491.0 million.

EnBW's net profit for the year totals € 1,153.4 million, allowing EnBW AG to transfer € 576.4 million to other revenue reserves. In consultation with the Supervisory Board, the Board of Management will propose to the annual general meeting on 23 April 2009 that a dividend of € 2.01 per share be distributed from the retained earnings of EnBW AG. This constitutes a dividend increase of 33% on the prior year.

Sound financial position and net assets

EnBW's capital expenditures on intangible assets and property, plant and equipment amounted to € 1,246.0 million in 2008. This is an increase of € 429.9 million or 52.7% in comparison to the prior year. In fiscal 2008, cash flow from operating activities dropped by 2.2% to € 1,523.9 million primarily due to higher security deposits for forward contracts for electricity, coal and emission allowances. The cash flow from investing activities climbed by € 25.8 million to € -355.8 million despite the increase in capital expenditure on intangible assets and property, plant and equipment. This was mainly the result of the acquisition of group entities in fiscal 2007 and greater amounts of cash received from the sale of securities in fiscal 2008. While cash flow from financing activities amounted to € -1,786.6 million in fiscal 2007 mainly due to the redemption of financial liabilities, fiscal 2008 saw cash inflows of € 588.0 million. This change primarily results from borrowings in fiscal 2008. These borrowings are earmarked, among other things, for financing the acquisition of shares in EWE AG, which is currently subject to the approval of the Federal Anti-Trust Office.

Compared with 31 December 2007, the total net assets of the group saw a significant rise of 15.8% to € 32,925.1 million. The equity ratio dropped by 4.1 percentage points to 17.0%. The decrease in the equity ratio is due, on the one hand, to a reduction in equity caused by a decline in the unrealised gains in our securities and, on the other, to an increase in total assets. The net financial liabilities were reduced in fiscal 2008 by € 53.8 million to € 2,918.5 million. In contrast, net debt increased by € 889.0 million to € 6,833.5 million in fiscal 2008. The increase in net debt is primarily attributable to a drop in the valuation reserves of our securities resulting from falls in the capital market prices, from increases in pension and nuclear power provisions and from an increase in liabilities resulting from put options.

On track for sustainable growth

Despite the uncertain political environment and the troubled economic outlook, we anticipate that the company's adjusted EBIT for fiscal 2009 will remain at the level seen in fiscal 2008. Our growth strategy is aimed at continually increasing the results expected in the future. We plan to invest some € 7.7 billion in our business segments by 2011 within the framework of our investment programme. We are financing a large portion of this amount from the company's cash flow from operating activities. Net financial liabilities are expected to increase by around € 2 billion. This ensures that EnBW maintains its sound financial footing – alongside an A category rating.

Group structure and business activity

EnBW is a vertically integrated energy company. In the electricity segment we already cover the entire value added chain; in the gas segment we are expanding our activities. The third segment comprises energy and environmental services. We meet our customers' needs with reliable supplies. We succeeded in strengthening our market position in fiscal 2008.

Structure

EnBW group

FURTHER INFORMATION
Financial statements/ Segment reporting › p. 180

EnBW is the third-largest energy company in Germany, serving around six million customers. EnBW's core activities focus on three segments: electricity, gas, and energy and environmental services. More than 89% of the group's sales are generated within Germany. Our foreign operations include shareholdings in Swiss, Czech, Hungarian, Austrian and Polish companies. Our cooperation with Electricité de France (EDF) permits us to realise synergies and develop joint projects for growth.

In the **electricity segment**, EnBW operates at all stages along the value added chain – generation, trading, transmission, distribution and sales. EnBW's portfolio of power stations comprises nuclear power plants, coal, oil, gas and pumped storage power stations and facilities exploiting renewable energies. These include run-of-the-river power stations, storage power stations using the natural flow of water, photovoltaic plants, wind turbines and biomass plants. In 2008, our power station capacities totalled 15,000 MW (2007: 14,963 MW). The EnBW group's generating portfolio breaks down as follows:

Generation mix in the EnBW group[1] Electrical output in MW	2008	2007
Nuclear power plants (incl. EDF contracts)	4,846	4,842
Conventional power stations	6,585	6,620
Run-of-the-river and storage power stations	3,472	3,415
Other renewable energies	97	86
Total	**15,000**	**14,963**

[1] Own generation includes long-term procurement agreements and generation from partly owned power stations.

The share of electricity from our own generation capacity in total supplies came to 51% in 2008 in comparison to 53% in the prior year. The remaining 49% was purchased via the electricity trading markets.

Provision of electricity by the EnBW group[1] by primary source of energy (%)	2008	2007
Fossil and other energies	14.2	16.1
Nuclear power	27.7	27.3
Renewable energies[2]	20.2	16.7
Primary energy of unknown source	37.9	39.9

[1] Own generation includes long-term procurement agreements and generation from partly owned power stations.
[2] By analogy to the disclosure pursuant to Sec. 42 German Energy Industry Act (EnWG).

Trading is a decisive element along the entire energy value added chain. Within the risk management system, trading with energy (electricity), fuels (gas, coal, oil), emission allowances and the related financial products (derivatives) and power station deployment planning and dispatching are integrated into a single process.

The transmission and distribution grids operated by EnBW have a total length of 160,000 km. EnBW is one of four transmission system operators in Germany. The operators are responsible for the safe operation and maintenance of the grids. They ensure that the balance between generation and consumption is maintained. The network users pay the operators a network user charge set by the Federal Network Agency.

Network grid lengths of the EnBW group in km	2008	2007
Transmission grid[1]		
Extra-high voltage 380 kV	1,994	1,992
Extra-high voltage 220 kV	2,055	1,787
Distribution grid[2]		
High voltage 110 kV	9,801	9,796
Medium voltage 30/20/10 kV	49,324	48,571
Low voltage 0.4 kV	104,406	103,004

[1] By analogy to the disclosure pursuant to Sec. 42 German Energy Industry Act (EnWG).
[2] Companies included: EnBW Regional AG, Energiedienst Holding AG, EnBW Ostwürttemberg DonauRies AG, ZEAG Energie AG, Stadtwerke Düsseldorf AG, ENSO Strom Netz GmbH and Prazská energetika a.s.

The extra-high-voltage grid (380 or 220 kV) provides for reliable transmission from the power station (transmission grid). Municipal utilities and industrial plants are supplied using 110 kV power lines, while 30, 20 and 10 kV lines in the regional distribution grid are intended for medium-sized customers. Domestic households, agriculture and commercial businesses use the 0.4 kV grid and the related substations.

EnBW pursues a synergetic multi-brand strategy. Each of the group's brands has a clearly defined role and addresses a specific target group. The brand strategies are closely aligned. Customer-orientation has the highest priority for EnBW. For industrial customers, we offer the closest-knit nationwide branch network in the industry. We offer retail customers a wide range of services.

The **gas segment** activities comprise the midstream area including import agreements and infrastructure, storage, trading/portfolio management as well as the downstream area including transmission/distribution and sales. In Baden-Württemberg, EnBW operates at midstream and downstream levels. The supply territory of the retail gas distribution companies covers large areas of Baden-Württemberg (including the greater Stuttgart area, the Black Forest, the Swabian Alb, Lake Constance region, North Baden and East Württemberg). EnBW also operates at the downstream level in Saxony and the Düsseldorf region.

EnBW continues to pursue its expansion in the gas midstream area, which started in the prior year. Our long-term goal is to achieve independence in procurement with our own import agreements and reliable access to the necessary transmission and storage infrastructure by reviewing and implementing specific projects. The gas storage project in Etzel continues to make progress. EnBW secured long-term rights to use salt caverns in the Etzel region in 2007. In order to exploit synergies, EnBW has formed a 50:50 joint venture together with EDF, which similarly controls storage caverns in the Etzel region. The joint venture is tasked with building and operating (from 2011) the above-ground facilities. The storage facilities will be connected to the high-pressure grid via the 56 km pipeline belonging to Bunde-Etzel-Pipeline GmbH & Co. KG, in which EnBW and EDF both have shareholdings. Work on the LionGas LNG terminal project in Rotterdam likewise continues. In addition, further locations for LNG terminals in other European countries are under review.

The **energy and environmental services segment** focuses on thermal and non-thermal disposal, water supply as well as energy-related and other services.

EnBW's contracting services in the field of energy and media supply cover all stages of the value added chain: from the initial needs analysis via planning, financing and implementation right through to the operation, servicing and maintenance of the plants at the customer. EnBW now has total thermal disposal capacities of its own of around 870,000 t per annum at the residual waste CHP station in Stuttgart-Münster and the waste incineration plant of Stadtwerke Düsseldorf AG. Supplementing this, there are contracts in place with the operators of other waste incineration plants mainly for the disposal of domestic waste. In Baden-Württemberg, EnBW covers the entire range of water supply services from water procurement through treatment and storage to distribution.

FURTHER INFORMATION
Our locations on the inside cover

The EnBW group is headquartered in Karlsruhe. The central administrative buildings are located in Karlsruhe and Stuttgart. The group's power stations, distribution plants, regional and operating centres as well as sales offices and processing centres are spread over the whole of Baden-Württemberg. We also have some other sales offices throughout Germany. EnBW not only holds equity investments in Germany but also in Switzerland, Austria, Hungary, the Czech Republic and Poland. The main equity investments of EnBW AG and their locations are presented in the financial statements.

EnBW AG

As operational holding company, EnBW Energie Baden-Württemberg AG (EnBW AG) exercises the central management functions in the EnBW group. These include both the strategic and operational management of the main stages of the value added chain. Profit and loss transfer agreements are in place with major subsidiaries of EnBW AG.

As the business development, the economic situation and the opportunities and risks relating to the future development of EnBW AG do not diverge from the business development, economic situation and the opportunities and risks relating to the future development of the EnBW group, we have combined the management report of the EnBW group with that of EnBW AG.

FURTHER INFORMATION
www.enbw.com
› Investors

FURTHER INFORMATION
EnBW on the capital market
› p. 20

EnBW AG's shareholder structure remained largely unchanged in fiscal 2008. Electricité de France (EDF) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW) each hold 45.01% of the EnBW shares, making them the two major shareholders. These shareholdings have remained the same since the last adjustment on 8 April 2005.

Management and control

Board of Management

FURTHER INFORMATION
Members of the Board of Management
› p. 8f

EnBW AG's Board of Management jointly directs the group with the objective of sustainable growth in the value of the company. Besides the responsibilities of the CEO, the tasks of the Board of Management are divided up into the portfolios operations, personnel, law and IT, finance and technology.

After Dr. h. c. Detlef Schmidt, formerly responsible for marketing and sales, retired as of 30 June 2008, EnBW's Board of Management was reduced from six to five portfolios. CFO Dr. Christian Holzherr left the company of his own volition as of 30 April 2008. The CEO temporarily took on responsibility for the finance portfolio in addition to his other duties. Dr. Rudolf Schulten has been responsible for the finance portfolio since 1 January 2009. Effective as of 1 February 2009, Christian Buchel assumed the operations portfolio from Pierre Lederer, who left the company as of 31 January 2009 of his own volition to take up new challenges at EDF.

The CEO is primarily responsible for strategic, investor relations, social, political and group-wide issues. Marketing and sales, corporate communications, public relations, mergers and acquisitions, internal audit and management of EnBW's foreign investments in central and eastern Europe are also allocated to his portfolio. Marketing and sales covers developing, implementing and monitoring group-wide marketing concepts across all segments, products, brands, sales channels, subsidiaries and equity investments, as well as selling energy, energy services and other products and services. The area of marketing and sales has also been assigned to the operations portfolio in order to optimise the value added chain (generation, trade, sales). The CEO's portfolio additionally extends to developing the midstream gas business.

The operations portfolio is responsible for the management and optimisation of the operating activities and equity investments along the added value chains in the electricity and gas segments as well as for management of regulatory aspects concerning the energy industry. In addition, it collaborates with the technology portfolio to develop new power stations. Contracting and the associated energy-related service activities have likewise been assigned to the operations portfolio.

The personnel, law and IT portfolio is responsible for the corresponding central functions. This portfolio has also assumed responsibility for risk management, industrial health and safety, property and knowledge management. Legal questions concerning the new regulatory framework, in particular questions relating to the coordination of regulatory management and compliance office are likewise assigned to this portfolio. The Chief Personnel Officer is also responsible for labour relations.

Group financing activities – group controlling, group accounting and taxes – as well as the areas of group finances and investor relations are managed and coordinated by the finance portfolio.

The technology portfolio is responsible for the technology-related segments and tasks within the group. This primarily comprises power generation (nuclear, fossil) and renewable energies as well as disposal. This portfolio also collaborates with operations to implement new power station construction projects. The CTO assumes responsibility for managing the group companies in the technology portfolio. Furthermore, the tasks of research and innovation, innovation management, central crisis management, materials management, grid-related technology as well as environmental protection have been assigned to this portfolio.

Supervisory Board

EnBW AG's Supervisory Board has 20 members and is tasked with monitoring and advising the Board of Management in their managerial activities. At regular intervals, it analyses the business development and planning as well as the corporate strategy together with the Board of Management. The Supervisory Board at EnBW AG has an equal number of members representing shareholders and employees in accordance with the German Co-determination Act (MitbestG). While the annual general meeting determines the shareholder representatives, the employee representatives are elected by the employees of the EnBW companies. The trade union ver.di nominates three employee representatives. The Supervisory Board is always involved in all decisions of fundamental importance for the company. Transactions and measures subject to the approval of the Supervisory Board are listed in its rules of procedure. The Supervisory Board is above all responsible for appointing and dismissing members of the Board of Management and ratifying the financial statements. To be able to assume its function in the best possible way, the Supervisory Board has a committee for management board matters, a finance and investment committee, an audit committee, a nomination committee and a mediation committee in accordance with Sec. 27 (3) MitbestG. The ad-hoc committee set up to review the board liability claims against former members of the Board of Management has completed its work and was dissolved as of the end of fiscal 2008. The section "Corporate governance report" details the composition of the Supervisory Board and its committees.

FURTHER INFORMATION
Corporate Governance
› p. 194ff.

EnBW's main companies at a glance

EnBW Kraftwerke AG is responsible for operating most of EnBW's power stations and thus guarantees the group's generation capacities.

EnBW Kernkraft GmbH operates the nuclear power plants in Neckarwestheim, Philippsburg and Obrigheim.

EnBW Renewables GmbH was formed effective 1 October 2008 with the objective of bundling and expanding the group's activities in the area of renewable energies.

As a trading company, **EnBW Trading GmbH** (ETG) is responsible for the sale of the electricity generated by EnBW and procuring electricity on the wholesale market as well as purchasing the primary energy sources gas, coal and oil. It is also responsible for providing the group with the required number of CO_2 allowances. In addition to risk management duties along the value added chain, ETG is responsible for power station deployment and dispatching. The company trades on its own account in addition to trading for business operations.

EnBW Transportnetze AG (TNG) operates the transmission grid in Baden-Württemberg (380 kV and 220 kV) and ensures transparent and non-discriminatory market access for all market participants.

EnBW Regional AG (REG) operates the high, medium and low-voltage grids (110 kV, 20 kV, 0.4 kV). It also operates EnBW's gas pipeline grid and is responsible for drinking water supplies in Stuttgart. REG is tasked with setting standards for network access and use and calculating network user charges. In Baden-Württemberg, REG manages relations with municipalities and public utilities and promotes business relations to municipal utilities. It additionally provides grid-related and municipal services for electricity, gas, water, heat and telecommunications.

EnBW Vertriebs- und Servicegesellschaft mbH sells energy (electricity, gas and district heating), water as well as energy-related and other services for industrial, commercial and retail customers, public utilities and municipalities. It further functions as a service provider for EnBW Gas GmbH and makes a significant contribution to the sales activities aimed at retail and industrial customers as well as redistributors.

Yello Strom GmbH is the marketing and sales company for national sales of electricity and other products (telephony products and a discount card for commercial customers) for retail and business customers. In December, Yello was the first national supplier to offer an intelligent electricity meter: the Yello Sparzähler^{online}. Yello also markets electricity in Sweden. There is a pilot project to sell gas to retail customers in Essen and Nuremberg.

The newly formed **EnBW Gas Midstream GmbH** is opening up medium to long-term access to gas for EnBW primarily by means of its own import agreements and secured infrastructure along the gas value added chain.

EnBW Gas GmbH operates in the retail gas distribution segment and supplies retail customers in Baden-Württemberg. The company has its own natural gas tanks. The wholly owned subsidiary **EnBW Gasnetz GmbH** operates the transmission and distribution network and performs all the tasks of the gas distribution network operators required by the German Energy Industry Act (EnWG).

GasVersorgung Süddeutschland GmbH (GVS) supplies natural gas to municipal utilities, regional gas suppliers, industrial customers and power stations both in Germany and abroad. It core responsibilities are the purchasing, sale, storage and transmission of natural gas. Since mid-2007, **GVS Netz GmbH** has performed the function of network operator and offers its customers a full range of gas transmission services in its own market territory. The shareholders of GVS are EnBW and the Italian energy group Eni.

EnBW Energy Solutions GmbH provides energy-related industrial services on the basis of contracting models. These include the planning, financing and operation of energy generation facilities and media infrastructure as well as supplying customers with usable energy such as steam, cooling, compressed air and the electricity it generates itself.

EnBW Systeme Infrastruktur Support GmbH provides extensive consulting and other services within the EnBW group.

The EnBW group's[1] segments at a glance

ELECTRICITY	GAS	ENERGY AND ENVIRONMENTAL SERVICES
Generation EnBW Kraftwerke AG EnBW Kernkraft GmbH EnBW Renewables GmbH	MIDSTREAM **Import agreements and infrastructure** EnBW Gas Midstream GmbH	**Companies with central functions** EnBW Energy Solutions GmbH EnBW Systeme Infrastruktur Support GmbH
Trading/procurement EnBW Trading GmbH	**Storage** EnBW Gas Midstream GmbH GasVersorgung Süddeutschland GmbH EnBW Gas GmbH	
Transmission and distribution[2] EnBW Transportnetze AG EnBW Regional AG	**Trade/portfolio management** EnBW Gas Midstream GmbH EnBW Trading GmbH GasVersorgung Süddeutschland GmbH EnBW Gas GmbH	
Sales EnBW Vertriebs- und Servicegesellschaft mbH Yello Strom GmbH	DOWNSTREAM **Transmission and distribution**[2] GVS Netz GmbH EnBW Gasnetz GmbH	
	Sales GasVersorgung Süddeutschland GmbH EnBW Gas GmbH EnBW Vertriebs- und Servicegesellschaft mbH Yello Strom GmbH[3]	

[1] The diagram shows EnBW's core companies.
[2] The companies operating the grids are independent network operators in accordance with the unbundling provisions of the German Energy Industry Act.
[3] Gas sales to households project.

Products, market and competition

As part of the group's multi-brand strategy, EnBW supplies electricity, gas, energy and environmental services, district and local heat as well as water to retail, commercial and industrial customers, as well as municipalities and public utilities in its home market of Baden-Württemberg, under the EnBW brand. Our industrial customers outside Baden-Württemberg are served by our employees from the national EnBW branches and our key account managers. The NaturEnergie brand targets ecologically minded customers. The Yello brand targets private and commercial customers at a national level. We supply energy to medium-sized companies and chains under the Watt brand.

Electricity

Competition has led to greater willingness on the part of retail and business customers (business-to-consumer – B2C – segment) to switch providers. According to findings of the industry association Bundesverband der Energie- und Wasserwirtschaft e.V. (BDEW), two thirds of all households have, in the meantime, opted for a different rate from their existing electricity provider or switched to a different supplier. This is an increase of ten percentage points in comparison to 2007. A large number of competitors and service providers are reacting to this trend by intensifying their promotional and sales campaigns. Excellent service standards and attractive customer loyalty programmes have enabled EnBW to successfully position itself on the market. This means that we have maintained our strong market position in Baden-Württemberg. A significant contribution was made by our activities during the test phase of EnBW's intelligent electricity meter ("EnBW Intelligenter Stromzähler®") and its later market launch. The media and the general public responded extremely positively to EnBW's pioneering role and its support for customers in their private energy management.

The Yello brand, which EnBW has been using since 1999 to market low-price electricity throughout Germany under a multi channel strategy, has established itself as one of the top ten electricity suppliers in Germany based on the number of customers. In December 2008 Yello became the first national supplier to offer an intelligent electricity meter: the Yello Sparzähler online. Yello-Strom has an average aided brand awareness of 97%. Yello has also been active on the Swedish market since September 2007.

Fierce competition continues in the business-to-business segment. EnBW succeeded in defending its position in Baden-Württemberg and throughout Germany thanks to the high quality of its advice and support as well as, in many cases, long-established customer relationships. In this context, EnBW's outstanding competence in energy efficiency issues has increasingly proven to be a competitive advantage.

Gas

Increasing competition, regulatory requirements and developing natural gas products in the context of the energy and climate package passed by the federal cabinet were the main challenges for EnBW's gas companies in 2008.

There is fierce competition in our home market, Baden-Württemberg, where GVS operates successfully, exploiting any opportunities arising. More than two thirds of towns and municipalities in Baden-Württemberg are supplied with natural gas via 1,900 km of high-pressure pipelines. Outside Baden-Württemberg, GVS is expanding its position throughout Germany and won redistributors and industrial plants as customers for the gas business year 2008/2009. In addition to its traditional strengths as a reliable, high-performance natural gas supplier, GVS has also set its sights on modern services relating to technology, logistics and sales. At the beginning of 2008, GVS modernised its appearance with a new logo and a modified corporate design.

EnBW Gas GmbH focuses on sales to retail and industrial customers as well as redistributors in the Stuttgart region. Despite increasing competition for industrial and household customers, EnBW Gas GmbH has succeeded in defending its market position in Baden-Württemberg by expanding its customer service and customer loyalty programmes. In order to be able to continue expanding successfully and in the face of new legal requirements, EnBW Gas GmbH developed further market-orientated innovative products in the course of 2008 – for example, products with a renewable share of bio-natural gas produced in our own facilities, or a programme to promote condensing natural gas technology in combination with solar energy. Areas of growth have been identified and new technologies examined. For example, a pilot project is currently underway to investigate the employment of gas heat pumps. Targeted advertising campaigns and communication initiatives directed at specific groups have enabled EnBW to continue systematically establishing itself as a natural gas brand.

ENSO Erdgas GmbH was merged into ENSO Energie Sachsen Ost AG (ENSO AG) effective as of 15 May 2008. After this successful merger, the ENSO brand supplies eastern Saxony with electricity, natural gas, water and heating from a single source. Synergies are used to achieve further cost-cutting potential that can be exploited in gas-to-gas competition. ENSO has around 100,000 natural gas customers. A pilot project is underway to investigate whether natural gas-driven heat pumps are particularly suitable to provide efficient heating supplies to buildings being refurbished.

Stadtwerke Düsseldorf AG supplies some 118,000 retail customers and 600 large-scale customers with natural gas. The business activity of Stadtwerke Düsseldorf AG remained stable in comparison to the prior year despite increasing competition in the Düsseldorf supply territory – especially in the B2C segment. Customer migration was compensated by a successful start to sales in the region. So far, supplies have started to a total of around 2,500 new retail customers attracted by the new Düsselgas range of products through various channels of distribution such as internet and direct selling. In the B2B segment, an active customer loyalty strategy prevented customer losses in the Düsseldorf supply territory in 2008. Sales in this customer segment have also successfully started in this region. Supplies of natural gas to some ten customers began in the 2008/2009 gas business year.

As part of a pilot project, Yello Strom GmbH offers retail customers in Essen and Nuremberg a combined product, natural gas linked to the Sparzähler^{online} (online electricity meter), the only service of this kind so far.

Energy and environmental services

In the industry sector, EnBW Energy Solutions GmbH (ESG) is one of Germany's leading contracting companies. ESG focuses on steam and combined heat and power (CHP) projects such as the efficient generation of electricity and steam in industrial power stations. This company also implements individual local operator models. ESG's contracting models employ a wide range of various technologies, fuels and plant sizes. For example, ESG operates biomass plants using wood and rapeseed oil in addition to a number of gas-fired plants. ESG's portfolio includes heating supplies to building complexes via local heating networks. In this context, the focus is on customer requirements and efficiently securing long-term supplies, given equal consideration to technical and economic concerns. Government policy supports contracting as a model to put the prescribed climate protection targets into practice. A decisive contribution to targeted CO_2 savings can be achieved through the contractor making major commitments to new technologies at the customer's premises and through a high level of specialist know-how.

Within the disposal area, we concentrate our efforts on the disposal of waste in thermal waste treatment plants with a high rate of fixed assets to total assets and the related materials flow management (waste to energy). These treatment plants are used, on the one hand, for the disposal of waste, mainly from municipal customers, and on the other, to generate electricity and heat. There are long-term agreements with districts and towns in Baden-Württemberg and North Rhine-Westphalia for thermal waste disposal. In this way, EnBW ensures reliable disposal services for its municipal partners.

AWISTA Gesellschaft für Abfallwirtschaft und Stadtreinigung mbH (AWISTA), a 51% subsidiary of Stadtwerke Düsseldorf AG, bundles the waste management services for the state capital Düsseldorf and the surrounding area. In cooperation with its affiliate REMONDIS Rhein-Wupper GmbH & Co. KG, a 49% shareholding of Stadtwerke Düsseldorf AG operating in the commercial customer segment, AWISTA is a full waste disposal service provider and enjoys market leadership in the Düsseldorf region.

With a market share of around 11% EnBW is the largest water supplier in Baden-Württemberg in terms of sales volume, including pro-rata public utility holdings. With a volume of approximately 38.45 million cubic metres sold, revenue from water supply came to € 81.6 million in 2008. Once again in 2008, EnBW made investments in reliable drinking water supplies to the state capital Stuttgart. As an example, the overhead storage basin at Jahnstrasse went into operation in the summer following four years of renovation and construction work. The two water mains, Birkenwäldle and Berg waterworks/Kanonenweg overhead storage basin, were completed in 2008. The Mühlbachhof central storage basin project in north Stuttgart is scheduled to be completed in 2010. EnBW's service provider in the field of water supply is EnBW Regional AG. It expanded its end customer and municipal activities once again in 2008, concluding several operating contracts. The waste water projects in Bad Liebenzell and Unterreichenbach should be given special mention in this context. These projects are being implemented by RBS wave GmbH, a subsidiary of EnBW Regional AG. As one of the largest providers of engineering services in Baden-Württemberg, also covering the entire range of water supply services, RBS wave GmbH has seen continued excellent order intake.

Corporate strategy and value-based management

EnBW is a leading vertically integrated energy supply company at the heart of Europe. It pursues the objective of sustainable growth, thus increasing its company value in the long term. We are convinced that lasting economic goals can only be reached by taking into account the needs of customers, employees, the environment and society at large.

Goals

We want to be one of the leading energy companies in each customer segment in Germany, also in terms of customer satisfaction. We plan to expand in other European countries in a targeted manner and tap a further national market.

EnBW supports Germany's climate protection targets. We intend to increase the share of renewable energies in our own generation to 20% by 2020.

Strategy

The development of our group centres on securing our existing business and consistently exploiting growth potential. We intend to make extensive investments over the coming years. Our investment programme has a budget of € 7.7 billion and is initially scheduled to run until 2011. Of this total, € 5.5 billion is earmarked for capital expenditure and € 4.1 billion thereof for the construction of new facilities. The sum of € 2.2 billion has been budgeted for financial investments.

We advocate a balanced energy mix for the renewal of our power generating capacity. We require additional coal-fired power stations combining power and heat generation to safeguard the base load. We are currently building one of the most modern hard coal power stations in Europe at Karlsruhe Rheinhafen port with an installed output of around 900 MW. Further facilities have already reached the planning stage.

One of EnBW's traditional strengths is its extensive use of hydropower. Our new hydro-electric power station at Rheinfelden with an output of 100 MW is currently the largest construction project in the field of renewable energies in Germany. We have secured access to four offshore wind farms off the German coast of the North Sea and Baltic Sea and plan to build facilities with a total output of over 1,000 MW. We continue to expand our activities in the fields of hydropower, wind geothermal, photovoltaic and biomass power. This puts us on course to increase the share of renewable energies in our own generation to 20% by 2020.

EnBW is strengthening its activities in the gas midstream segment. Our long-term goal is to achieve independence in procurement and reliable access to the necessary transmission and storage infrastructure by means of our own import agreements. We plan to further diversify our procurement portfolio, reinforce our own market position and increase the value added in the gas segment.

We intend to make use of the opportunities for further acquisitions and investments offered by the process of consolidating Germany's municipal utilities, but strictly observing our economic criteria, nevertheless. Investments must sensibly complement EnBW's core business, make a positive contribution to results from the very beginning and achieve the group's profitability targets in the medium term.

A stable economic and political environment is the decisive factor for strategic investments abroad. We are currently examining the prospects and opportunities in Turkey where we anticipate great potential for energy generation from renewable energies, one of EnBW's traditional competence areas. The prerequisites for wind power generation are particularly good. We predict favourable conditions on the Turkish market in the long term.

Parallel to our growth strategy, we are aiming to increase the efficiency of our company. "!mpuls – gemeinsam besser", our programme to improve operational excellence, demands and promotes a culture of constantly striving for improvement and ensures that our employees' way of thinking revolves around this principle.

Value-based management system

As part of its value-based management system, EnBW uses value added in order to increase the value of the company in the long term. This performance indicator is used as a benchmark to measure the economic success of strategic decisions and operational measures.

Value added	=	ROCE – WACC	x	Capital employed

$$\text{and ROCE} = \frac{\text{Adjusted EBIT including net investment income}}{\text{Capital employed}}$$

FURTHER INFORMATION
Value added 2008
› p. 66ff.

Value added is computed from the difference between the actual return on capital employed (ROCE) and the costs of capital – calculated from the weighted ratio of the costs of equity and debt – in relation to the capital employed. In doing so, a ratio is established between the adjusted EBIT including net investment income, as an earnings ratio, and the capital employed. Adjusted EBIT measures EnBW's operating and sustainable performance. If the core business includes equity investments, these are included in the adjusted EBIT as an integral part of our business model. Just as in the case of EBIT, the net investment income is converted to a pre-tax figure. Non-operating effects are eliminated. Capital employed includes all assets from the operating business less non-interest-bearing capital. In order to present the cut-off-date-related parameter capital employed congruently to the period-related adjusted EBIT including net investment income, the average of opening and closing figures is calculated, as well as the closing rates of the three quarters in between.

Economic and political environment

Energy supply companies such as EnBW play an important role in the economy as a whole and meet essential basic needs both of the general public and business. The development of the economy and energy policy has a great impact on business development. As part of its integrated risk management system, EnBW actively and proactively manages price and quantity risks relating to electricity and fuel.

Economic background

Overall economic developments

World economic growth slowed considerably in 2008. The consequences of the financial crisis on the real economy are becoming increasingly apparent in the global economic downswing. In the euro zone, the real gross domestic product grew by a mere 1.0%, whereas it had still seen growth of 2.6% in 2007. Compared with the prior year, the inflation rate rose palpably from 2.1% to 3.2%.

Germany was also caught up in the worldwide economic downswing. In 2008, the German economy grew by only 1.6%, while growth had come to 2.5% in the prior year. At 2.6%, the inflation rate for consumer prices is higher than in previous years and has led to a negative development in the real income of private households. Consumer spending consequently saw a slight drop of 0.1%. The slower economic growth in comparison to the prior year can be attributed to a decline in the export growth that had been a major factor in the economic upswing over the last few years. The decline in exports reflects both the decrease in the competitiveness of the German economy as a consequence of currency appreciation and the weakening of the economies of Germany's most important trading partners in the euro zone as a consequence of the financial and real estate crisis (source: Deutsches Institut für Wirtschaftsforschung (German Institute of Economic Research)), weekly report dated 7 January 2009).

Electricity market

Consumption

Compared to the same prior-year period, the first ten months of 2008 saw a slight increase in electricity consumption in Germany. Adjusted for seasonal effects, consumption (general supplies including grid losses) increased by around 0.5% to 432 TWh (preliminary data; source: Bundesverband der Energie- und Wasserwirtschaft e. V. (German Energy and Water Association) – BDEW). Industrial production, which was still growing at the beginning of the year and the temperature-related increase in consumption in comparison to the rather mild prior year, were factors boosting load. Until October, these two factors outweighed the effects of increasing energy efficiency and the economic downturn in the second half of the year.

Generation

At around 376 TWh in the first ten months of 2008, net power generation in Germany, excluding industry, railways and retail customers, was around 0.4% higher than in the same period of the prior year when adjusted for seasonal effects (preliminary data, source: BDEW). As was already the case in 2007, nuclear power and brown coal were the main sources of primary energy for power generation in 2008. The feeding in of renewable energies under the German Renewable Energies Act (EEG) increased in 2008 by 10.5% in comparison to 2007 (preliminary data/forecast; source: BDEW).

The German Energy Agency (dena) has started a discussion relating to an "electricity gap" in Germany. In total, Germany will have to find a replacement for around 40,000 MW by 2020 due to the phase-out of nuclear power. Taking into account projects already announced, dena forecasts that the prevailing conditions will lead to a gap of between 12,000 and 16,000 MW and, in the wake of this, rising electricity prices. According to dena, revoking the reduction in the working lives of nuclear power plants would mitigate this situation.

Export

In 2008, Germany exported more electricity to neighbouring countries than it imported from there. At around 17 TWh, the export surplus in the first ten months of the year was around 6 TWh higher than in the comparative period of the prior year (preliminary data, source: BDEW). Exports tended to be made in low-load periods, primarily when a high level of renewable energies was being fed in. In contrast, there was an increase in imports when generation capacity was tight in Germany, i.e. in periods when demand was great and there was only a low level of generation from renewable energies.

Prices for retail and industrial customers

The rise in procurement costs of fuel and CO_2 for energy suppliers and increasing cost allocations in connection with the German Renewable Energies Act (EEG) led to an increase in electricity prices for retail and industrial customers in 2008: According to calculations by the BDEW, an average three-person household paid around € 63 a month for electricity in autumn 2008, up around 4.9% on the prior year. At around 40%, the portion of costs in the retail customer segment that are caused by the government remains at a high level. According to calculations by the BDEW, government-imposed burdens on all electricity customers totalled more than € 14 billion in 2008; this is an increase of around 4% in comparison to the prior year. According to the BDEW, the burden resulting from the EEG alone increased from around € 4.3 billion in 2007 to € 4.95 billion in 2008.

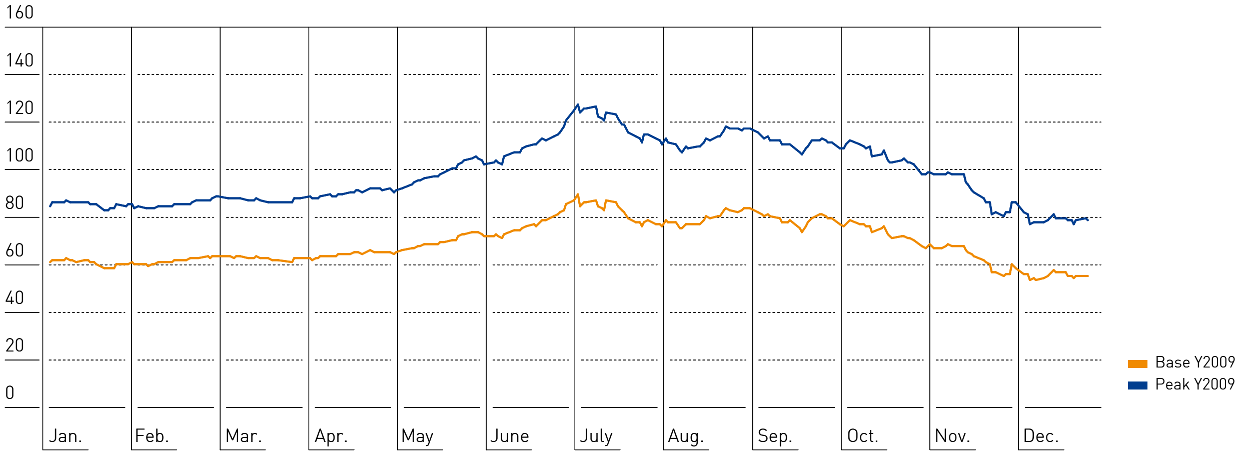
Electricity prices for industrial customers were highly volatile in 2008. These prices are, as a rule, more closely linked to the current wholesale price level and consequently react more sensitively to changes in wholesale prices.

Wholesale electricity market

The spot market price for electricity in Germany was largely influenced by the movements in the prices for fuels and CO_2 allowances in 2008. Mid-year, the fuel prices for coal and natural gas were higher than in the prior year. In addition, the price of CO_2 for the second trading period was relevant for 2008, a price that was significantly above the price for the first trading period applicable for 2007. All these factors led to a considerable increase in the marginal costs of electricity generation, even mid-year. The spot market price for electricity (base load product) averaged € 65.76/MWh over the year. This constitutes an increase of 73% on the prior year. The annual average price for peak deliveries increased by approx. 57% to € 88.07/MWh. Price development was strongly affected by the extreme hike in fuel prices until the summer and the subsequent price collapse.

Development of electricity prices on the forward market (EEX)

Daily quotes in €/MWh Source: EEX



The forward price for the delivery of electricity in subsequent years increased significantly in the first half of 2008; this was a reaction to the steep rise in the forward market price of fuels and CO_2. In the second half of the year, it traced the collapse in fuel and CO_2 prices.

As part of its integrated risk management system, EnBW actively and proactively manages price and quantity risks relating to electricity and fuel in order to minimise the effects of market volatility on earnings.

Purchasing of primary energy sources

In its power stations EnBW employs considerable quantities of coal and oil products as well as natural gas, the price of which is indexed to the price of oil. Procurement costs are a cost component relevant to EnBW that is taken into consideration within the scope of EnBW Trading GmbH's risk management process. In addition to their impact on procurement costs, the price of the fuels employed in the power stations (coal, oil, gas) has a direct influence on the development of electricity prices.

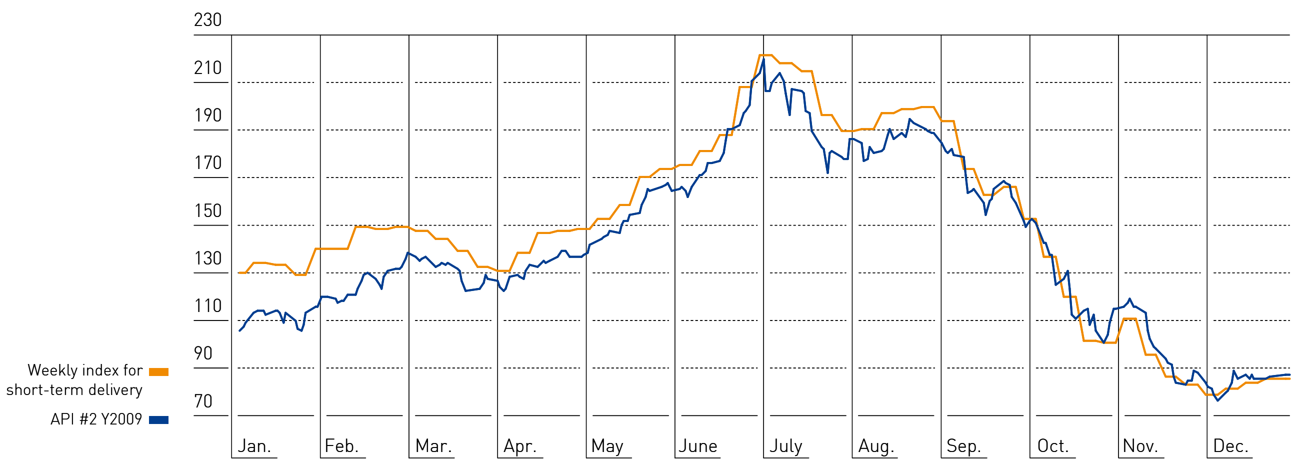
Coal market

Prices on the world market for hard coal were characterised by a steep price rise over the course of the first half of the year and a clear drop in prices over the second half. As the US dollar depreciated against the euro in the first half of the year and appreciated again in the second half, the movements were not as extreme when priced in euros. One of the main reasons for the increase in the import prices for hard coal in Europe in the first half of the year was a global shortage of free export capacities. This was the result of growing demand for coal imports – especially in Asia – and export restrictions in various countries, such as South Africa and Australia. Following the increase in European coal prices to record levels at the beginning of July, there was a price adjustment among other things due to declining demand in light of the intensifying credit crisis and slowing global economic growth. Relatively large stockpiles at a number of coal transshipment terminals worldwide, a decline in oil prices and falling cargo rates over the period from August to October led to a sharp drop in prices in the second half of the year.

Development of coal prices (ARA ports)

Weekly index and daily quotes in US$/t

Source: Various brokers



API – All Publication Index
ARA – Amsterdam, Rotterdam, Antwerpen

Oil market

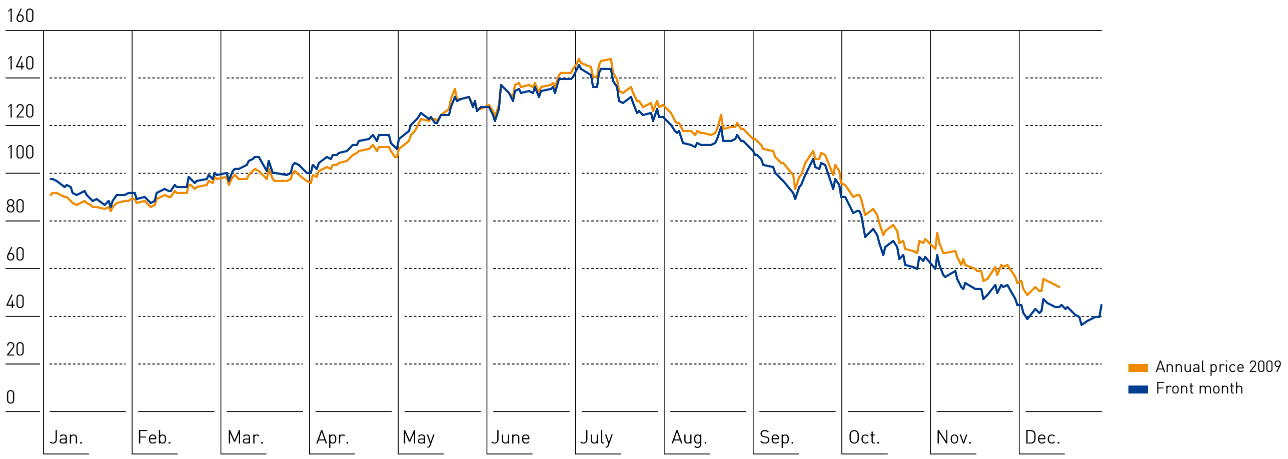
The development of prices over the year 2008 can be broken down into two periods: the first half of the year was characterised by a virtually continuous increase in oil prices. Non-OPEC oil production failed to reach forecast levels. In addition, there were production stoppages in Nigeria and in the North Sea. At the same time, demand for oil increased significantly, particularly in Asia and the Middle East. An increase in imports by China in the run-up to the Olympic Games also played a role. This all led to fears of bottlenecks in crude oil procurement. There was a further worldwide shortage of middle distillates (diesel, heating oil, aviation gasoline/aircraft fuel) due to refinery stoppages at a time when demand was also rising steeply. The shortage of middle distillates led to an additional price surcharge for high-quality types of oil, such as Brent, from which the largest portion of middle distillates can be produced. Prices reached their peak on 3 July. At this point, one barrel (159 l) of North Sea Brent cost more than US$ 146 – that is US$ 48, or 49%, more than at the beginning of the year and more than twice as much as one year previously.

After a short period of extreme volatility in the region of the record level, the second half of the year saw a fundamental reassessment of the oil market by the market participants. The significant decrease in demand for oil in the USA and other OECD countries as a consequence of the financial crisis and higher prices, as well as additional oil that was now physically reaching the markets following the expansion of production by OPEC and the opening up of new oil fields outside OPEC, led to surplus supplies of oil. This, in conjunction with a global recession forecast for 2009, brought about a major price adjustment. The decline in prices continued despite several cuts in production by OPEC. On 24 December the price of Brent fell to US$ 37/bbl.

As the US dollar depreciated against the euro in the first half of the year and appreciated again in the second, the movements were not as extreme when priced in euros.

Development of prices for crude oil (Brent)

Daily quotes in US$/bbl Source: ICE



On average, the oil prices of the year 2008 were substantially higher than in the prior year. While the price for a barrel of North Sea Brent oil averaged just over US$ 72 in 2007, the average price in 2008 was around US$ 99. Until mid-October 2008, oil prices remained at a significantly higher level than in 2007.

Gas market

Consumption

In a year-on-year comparison, natural gas consumption in Germany increased in 2008 by just under 3% to 109.5 million metric tons of hard coal equivalents. The colder weather conditions in comparison to the prior year prevailing in the first half year boosted retail customer demand. Industrial natural gas consumption stagnated as the economy slowed. In contrast, the quantity of natural gas used for electricity generation increased by around 8% (source: Arbeitsgemeinschaft Energiebilanzen e. V. (working group on energy balances)).

Competition for redistributors and end customers continued to grow; several gas supply companies succeeded in expanding their distribution areas. New providers were also willing to meet the challenge of gas-to-gas competition, eager to profit from the opportunities arising. According to a survey commissioned by the BDEW published at the end of October, around one fifth of all households have already made use of the opportunities provided by competition in the gas segment and have opted for a different rate from their existing provider or have switched provider. More than 6% of all household customers with their own contractual relationship opt for a new gas provider, compared to just 1% at the end of 2007.

Procurement

The quantities sold to end customers in Germany are mainly procured through long-term procurement agreements – directly and indirectly – from supra-regional long-distance gas companies. Most of this gas originates from sources in Russia (37%), Norway (26%), the Netherlands (18%) and to a certain extent from domestic production (source: BDEW). Supplies are made primarily via pipelines. Germany and Europe are increasingly dependent on imports. In addition to the producing countries listed above, imports of liquefied natural gas (LNG) by sea opened up access to new producers in the Near and Middle East, Africa and Asia. This facilitates diversification of the procurement portfolio.

Price developments

As the price of gas is indexed to the price of oil, the prices of long-term gas import contracts track the development of oil prices, albeit with a certain time lapse. The quotations of the Germany index for heavy heating oil and light heating oil at trading places along the Rhine that are definitive for the pricing of German gas import contracts are indexed to crude oil prices. This meant that these prices rose in the first half of the year before following the drop in the price of crude oil. The border price index of the Federal Office of

Economics and Export Control (BAFA) for natural gas went up constantly over the course of 2008. It averaged around € 26.02/MWh in the months January to October 2008, and was thus 30% above the average import price in 2007 of € 19.98/MWh.

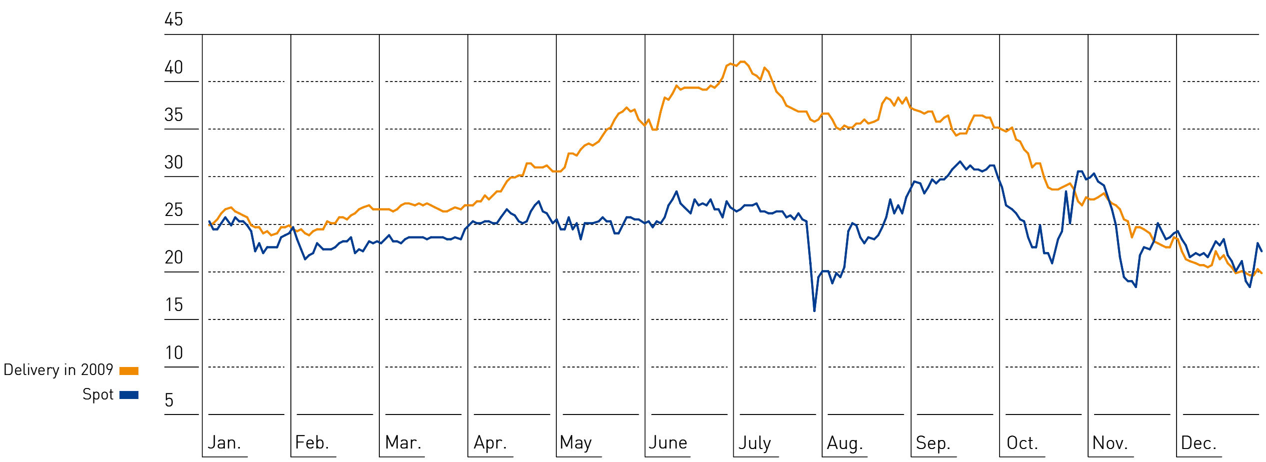
Even if they are not directly indexed, the wholesale markets in north-western Europe are also guided by the development of oil prices, as the two products are deemed substitutable. The Dutch wholesale market acts as an indicator for the German market. The average price of gas on the Dutch wholesale market for deliveries in 2009 stood at € 25.89 MWh in the first quarter of 2008, rose to € 34.05/MWh in the second quarter and to € 37.22/MWh in the third quarter. The beginning of July saw a reversal of this trend and gas prices fell to such an extent that the average price in the fourth quarter was once again slightly below the level of the first quarter at € 25.71/MWh.

The spot market prices on the Dutch wholesale market stood higher in the first quarter of 2008, averaging € 23.56/MWh, due to the weather conditions, among other factors. In contrast to the prior year, the winter of 2007/2008 was only slightly milder than the long-term average. At an average of € 25.85/MWh in the second quarter and of € 26.50/MWh in the third quarter, prices were at an exceptionally high level for the summer months. In this respect, the spot prices were supported by the filling of gas storage facilities which took place earlier than usual due to the increasing market prices. In the third quarter, the stoppage of production at a major Norwegian gas field forced prices upwards. In the fourth quarter, the spot prices followed the general trend and fell to an average level of € 23.95/MWh.

Development of prices for natural gas (Dutch wholesale market)

Daily quotes in €/MWh

Source: Various brokers



CO_2 market

EnBW's portfolio of power stations includes fossil-fuel-fired, CO_2-emitting power stations. This means that EnBW needs allowances permitting the emission of CO_2. It essentially covers its needs with its allocation under the National Allocation Plan. Any additional allowances required are purchased on the CO_2 market. Just like fuel prices, the price of CO_2 allowances is a significant factor influencing the price of electricity.

Prices on the CO_2 market were extremely volatile in 2008. The price for emission allowances (EU Allowances – EUA) for delivery in 2008 moved within a range between € 13.62/t CO_2 and €29.33/t CO_2. The price of certified emission reductions (CER) from projects in Kyoto signatory states traded on the secondary market for delivery in 2008 ranged from € 12.76/t CO_2 to € 22.83/t CO_2.

The price movements of the EUA08 certificate in the first half of 2008 were primarily due to the fuel switch costs in connection with the replacement of coal power stations with gas power stations. The publication of the verified emissions for the year 2007 at the beginning of the second quarter forced prices upwards. These were significantly higher than anticipated. In comparison to the first and above all to the second quarter, the third quarter saw a high fluctuation in the prices of EUA08. The price of EUA08 initially fell due to the decreasing fuel switch costs, among other factors. The price fell sharply again in the fourth quarter. The reasons for this were the rapid deterioration in the economic situation in the European Union and the severe downward adjustments of growth forecasts for its member states.

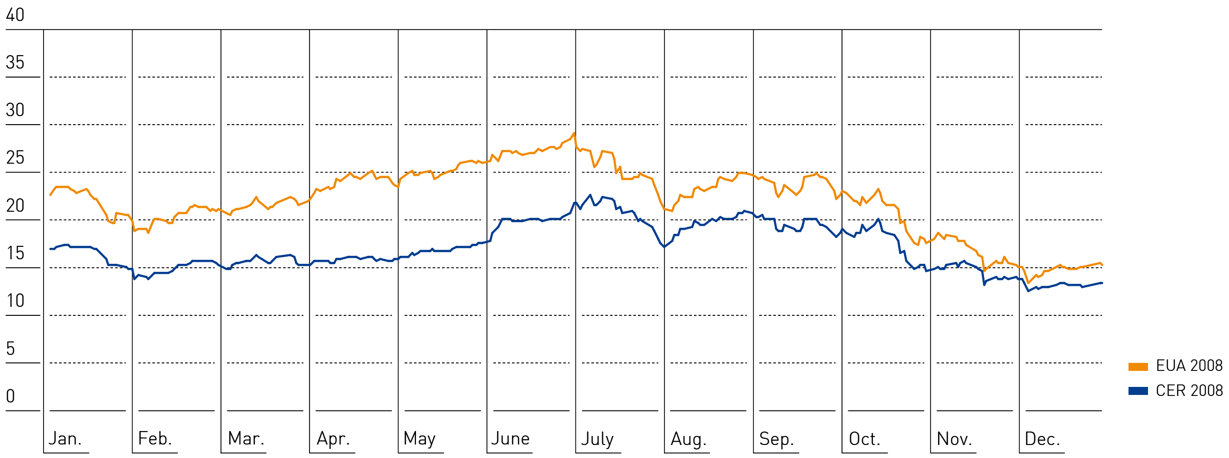
One further major factor was the price development for CER. Pursuant to the Kyoto Protocol, these are generated from Clean Development Mechanism (CDM) projects and result from measures to reduce emissions implemented by an investor from an industrialised country in a developing country. The underlying principle of the CDM is that reductions in emissions can be more cost-effective in their implementation in developing countries than in industrialised countries. Investors from industrialised countries are consequently able to use CDM projects to generate CER that can be offset against their payment dues in their home country, within certain limits.

The price of CER08 is subject to similar factors as the price of EUA08. Consequently, the price of CER08 essentially tracked the development of the price of EUA08. In the first quarter, however, uncertainty relating to the linking of the European Community Independent Transaction Log to the International Transaction Log forced the price of CER08 downwards. Such linking is necessary to make it possible to transfer the CER generated under CDM projects into the European trading system. As a consequence, the EUA-CER spread increased, at times reaching values in excess of € 9/t CO_2. In the second half of the year, the price of CER08 did not fall as steeply as the price of EUA08. This can be traced back to expectations that the supply of CER would be smaller than expected and the fact that the European log was linked to the international log in October. As a consequence, the EUA-CER spread decreased, reaching a historical low of under € 1/t CO_2.

Development of prices for emission allowances (EUA and CER)

Daily quotes in €/t

Source: Various brokers



EUA – EU Allowance
CER – Certified Emission Reductions

Political and regulatory environment

As a consequence of political decisions and economic necessity, the last few decades have seen increasing market and competitive orientation both at European and national level. In addition, the battle against climate change has developed great momentum. There is consequently a great flurry of legislative action in the field of energy. Energy policy has a considerable impact on the business development and business structures of the companies operating in this field. EnBW also has to tackle these difficult – constantly changing – conditions and to search for practicable and acceptable solutions.

European energy policy

The activities by the European Union in the field of energy policy focused, on the one hand, on completing the third energy liberalisation package and, on the other, attaining consensus as quickly as possible on the energy and climate package. The topic of energy security similarly entered the limelight following presentation of the Second Strategic Energy Review (SER II).

The European Commission presented a copious package of laws in autumn 2007, the third energy liberalisation package. This package contains the revision of the internal market in electricity and gas directives relating to the regulations on cross-border electricity and gas trading and a regulation on the formation of an agency for cooperation between energy regulators.

Political discussions centre on the Commission's proposals relating to legal ownership unbundling of the transmission grids from the other operational areas of the vertically integrated energy supply companies or alternatively to the creation of an independent system operator (ISO). Following heated discussions, a political agreement was achieved in the Council on 10 October on the basis of a compromise reached between the energy ministers in June known as the "third way". This compromise permits vertically integrated energy supply companies to keep their transmission networks in the long term. This model is nevertheless also aimed at making transmission network operators more independent. The member states agreed on requiring a level playing field and a clause relating to non-EU countries, under which member states may prevent energy infrastructure from being taken over by entities from non-EU countries that are not subject to EU unbundling rules. The Common Position from the Council's first reading has been available since December 2008. The European Parliament now has no more than four months to present its statement. It is currently uncertain whether the third energy liberalisation package can still be passed in this legislative period as it requires an agreement between the European Parliament, the European Commission and the member states in a trialogue procedure.

The Commission presented its legislative proposals for the energy and climate package (Green Package) on 23 January 2008. The target is to reduce CO_2 emissions within the EU by 20% by 2020. If an international climate treaty comes into being for the time after 2012, a reduction of as much as 30% would be conceivable. In addition to the revision of the emissions trading directive, a directive for the geological storage of CO_2 that is separated off in the power stations using carbon dioxide capture and storage (CCS) technology and a directive to promote renewable energies will make a contribution to achieving this target.

The issue of allocation of the emission allowances was at the centre of the discussions surrounding the emissions trading directive. It has now been decided that all allowances will be auctioned for the larger part of the European electricity industry. There are only exceptions for some new member states in central and eastern Europe. Germany is not one of them. All member states were nevertheless granted the possibility of subsidising the construction of highly efficient, state-of-the-art power stations with up to 15% of the investment costs. There was dispute regarding the issuing of allowances to energy-intensive industry and manufacturing businesses. The risk of carbon leakage, i.e. the migration of certain industries out of the EU as a result of a higher burden on production costs due to the possibility of having to purchase allowances, has now been averted by means of a free allocation for energy-intensive industry. The best technology available is to be used as a benchmark.

In the directive to promote renewable energies, the EU has set binding development goals for the first time. The share of renewable energies in primary consumption should come to no more than 20% by the year 2020. The total volume is allocated to the individual member states firstly using a flat rate system, i.e. each state has to produce at least 5.5% more. There is an additional share calculated based on economic strength. This provides Germany with a target of 18% in 2020. The first audit of these targets is scheduled for 2014. However, as national incentive systems or the development goals may not be changed, they constitute a stable legal framework. Yet the Commission's proposal to introduce Europe-wide trading with certificates of origin did not find wide acceptance. Certificate trading to identify the energy mix is still possible but does not have any impact on whether a target is met.

The Commission's draft directive on the storage of CO_2 captured out from the combustion of fossil fuels creates a legal framework for CCS technology. Thereafter, the plan is for strict rules to apply to the issuing of permits to explore for and operate storage facilities. The authorities of the member states are responsible for this. The solution preferred by the Commission and Council was chosen for the capture-ready clause which stipulates which technical prerequisites have to be fulfilled with regard to new facilities as of 2015, i.e. keeping more space available for the technical equipment for carbon capture. The Parliament had proposed introducing a benchmark limiting CO_2 emissions to 500g/kWh for all power stations with an output exceeding 300 MW. A solution was also found for the disputed issue of the financing of twelve demonstration facilities: 300 million emission allowances will be made available from the new entrant reserve of the emissions trading system.

Energy policy in Germany

Over the reporting period, energy policy discussions in Germany primarily revolved around the federal government's integrated energy and climate programme, emissions trading, a German national grid holding company and coal versus nuclear power.

Implementation of the integrated energy and climate programme was the major event in 2008 relating to climate protection. This programme is intended to double Germany's climate protection efforts. Germany has already reduced greenhouse gas emissions by 18% in comparison to 1990; the integrated energy and climate programme is projected to save a total of 36% of emissions.

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

Amendment of the German Renewable Energies Act (EEG)

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

Meter reading ordinance

Plans are for electricity and gas customers to be able to choose between different providers in the future. The Act on the Liberalisation of Meter Reading passed on 9 September 2008 opens the market for gas and electricity meter reading to competition. The corresponding Metering Access Ordinance (MessZV) came into force on 23 October 2008. The act and the related ordinance were relevant to the market launch of EnBW's Intelligenter Stromzähler® (intelligent electricity meter) at the sales company and the Yello Sparzähler^{online} (online electricity meter) at Yello.

Emissions trading

From 2013 onwards, emission allowances will no longer be issued free of charge to power station operators in Germany. Energy-intensive entities will be excepted from this. This is intended to prevent companies relinquishing their industrial locations in Germany and Europe and relocating to other countries (carbon leakage).

Nuclear power

Discussions about nuclear energy are intensifying at a political level. As things stand today, unit 1 of our Neckarwestheim nuclear power plant (GKN I) is scheduled to be shut down early in 2010.

Coal power stations

Political and social groupings are similarly demanding the phasing out of coal, which is adversely impacting plans to build new power stations. The power station projects by other energy supply companies in Bremen, Krefeld, Cologne, Quierscheidt and Ensdorf have already been cancelled. Moorburg power station may only be built subject to strict requirements. In addition, public resistance to the construction of new power stations is on the increase. RDK 8, EnBW's new hard coal power station, is not affected by this and will be built as planned. The new power station is scheduled to be commissioned at the end of 2011.

Act to Accelerate the Extension of Extra-High-Voltage Lines

The German Act to Accelerate the Extension of Extra-High-Voltage Lines is planned to be used as a basis for prioritising lines under statutory requirements planning. The intention is to streamline planning and approval procedures for projects included. EnBW is likewise pinning its hopes on the success of this initiative, as complex approval proceedings repeatedly cause delays in line construction in its network region.

Decisions by the Federal Court of Justice on adjustments to the gas prices

Once again in 2008, the Federal Court of Justice (BGH) dealt with the permissibility of price adjustments of the gas supply companies as a consequence of changes in procurement prices. On 29 April 2008, it rejected the appeal on points of law by EnBW's subsidiary ENSO Energie Sachsen Ost AG against the ruling by Dresden higher regional court and decided in favour of a clause stipulating that the price increases implemented in the special gas rate were ineffective. The legal situation with regard to price adjustment clauses (Sec. 307 German Civil Code (BGB)) has not been finally clarified. In its decision of 19 November 2008, the Federal Court of Justice expressly rejected an extensive court review of gas prices in the basic supply area. The Federal Court of Justice confirmed that only the respective price increase and not the total price ("base price" when concluding the contract) was the factor subject to a review for reasonableness pursuant to Sec. 315 BGB. At the same time, the proof of reasonableness to be provided by the supplier was considerably reduced and account was taken of the supplier's interest in maintaining confidentiality of its price calculations. From the perspective of the energy industry, companies should be in a position to pass on to consumers the procurement costs of energy which have significantly increased. The very existence of companies could otherwise be jeopardised. This was acknowledged time and time again in recent court rulings.

Anti-trust proceedings in connection with suspected excessive gas prices

According to information from the Federal Anti-Trust Office, it initiated proceedings on the basis of the amended version of Sec. 29 German Act against Restraints on Competition (GWB) against around 35 gas suppliers in March 2008 in connection with suspected abusive gas pricing practices for household and commercial customers. In these proceedings, the companies mainly made monetary commitments to the benefit of the customers. The companies and the Federal Anti-Trust Office continue to have differing opinions on the matter; the proceedings were brought to a conclusion by way of such commitments only to avoid protracted legal disputes.

Many state anti-trust authorities, for example the one in Baden-Württemberg, are conducting proceedings themselves against companies in their area of responsibility. These proceedings also affect EnBW group companies.

Ordinance on the feed-in of biogas

On 12 March 2008, the federal cabinet passed the ordinance to promote the feed-in of biogas into the existing natural gas network. The amendments to the Gas Network Access Ordinance (GasNZV), the Gas Network User Charge Ordinance (GasNEV) and the Incentive Regulation Ordinance (ARegV) provide for an unambiguous regulation of the costs and responsibilities for the feed-in of biogas. Customers for the transmission of biogas will be granted priority network access. This is intended to improve the viability of feeding in biogas. In order for these generally welcome efforts to take full effect, a consistent statutory environment for the use of biogas is required at national level similar to the situation already existing at regional level in Baden-Württemberg as part of the Act on the Use of Renewable Sources of Thermal Power (EWärmeG). On the sales side, statutory regulations such as the amendments to the German Renewable Energies Act (EEG) or the Heating Act (EEWärmeG) at federal or state level are creating further incentives for the use of bio natural gas.

Cooperation agreement III – New regulation of balancing in the gas segment

In May 2008, the Federal Network Agency passed new market regulations (GABi Gas) for balancing in the gas segment with the intention of further simplifying gas trading, essentially by switching over from the previous balancing on an hourly basis to balancing on a daily basis. The requirements of the Federal Network Agency were implemented by the associations BDEW, VKU (Verband kommunaler Unternehmen e. V.) and GEODE (European Group of Energy Distribution Companies and Organizations) in the KOV III cooperation agreement coming into effect on 1 October 2008. The advantage for all market participants is the simplification of the previous complicated balancing system. This involved the introduction of prices based on the prices at liquid trading hubs for the respective trading market and the establishment of a central balancing energy system for the physical operation of the network. The costs of balancing energy are allocated to the traders that use the network for daily balancing. Amendments to the Gas Grid Access Ordinance (GasNV) are currently under preparation in cooperation between the Federal Ministry of Economics and the associations participating in the KOV III cooperation agreement. This serves to transpose the business processes for a change in gas supplier (GeLi Gas) and GABi Gas. The amended regulation is scheduled to be passed in summer 2009.

Regulation of the electricity and gas markets

Transmission network/Deutsche Netz AG

In the network area, there is discussion about the efficiency of the German transmission network. Some trade associations and the Federal Network Agency have expressed criticism of the four balancing zones in Germany. It was maintained that this situation was responsible for too much expensive balancing energy having to be provided. In order to solve the problem of counterbalancing, critics are of the opinion that the four balancing zones should be merged or that a national German grid holding company (Deutsche Netz AG) should be formed. From the perspective of EnBW, it is neither necessary to form a uniform balancing zone nor to transfer the grids to a national grid holding company in order to reduce balancing energy requirements. It is possible to achieve the same effect by intensifying cooperation between the balancing zone operators. The three transmission system operators, EnBW Transportnetze AG, E.ON Netz GmbH and Vattenfall Europe Transmission GmbH, initiated cooperation in this area in December 2008. Optimising the balancing energy will generate high ten-digit savings without impacting the existing proven supply reliability structure. The discussions relating to the national grid holding company have a strong political dimension. The federal government has appointed an arbitrator to discuss further procedure between the federal government and the four energy supply companies.

With regard to the regulation of network user charges, the year 2008 saw the end of cost-based regulation and the transition to incentive regulation. The Federal Network Agency prepared the implementation of the Incentive Regulation Ordinance (ARegV) passed in November 2007 at the same time as the cost review under the second round of network charge approvals. From 1 January 2009 onwards, there will be an individually set upper limit on the revenue from network user charges imposed on electricity and gas network operators in Germany. It is set for five years in advance for electricity grids and four years in advance for gas grids and is only adjusted for inflation and external cost trends. No annual cost reviews will be made over this period. The Federal Network Agency carried out a comparison of the efficiency of the network operators in order to set the individual upper limits on revenue for each company. EnBW AG's network operators fared better than average in this comparison and acted as an efficiency benchmark for other network operators.

Incentive regulation for long-distance gas grids

The Federal Network Agency has decided that supra-regional long-distance gas companies that have up to now calculated their charges using the comparative market principle are now likewise subject to a cost review. The supra-regional long-distance network operators concerned are subjected to an efficiency comparison. As of 1 January 2010, the companies will be subject to incentive regulation. They have the possibility of filing an application as early as the end of 2010, i.e. two years before the beginning of the next regulatory period, with a view to being exempted from the incentive regulation due to the potential network competition that would then have to be investigated and ascertained. Some of the long-distance gas companies have filed action against this decision by the Federal Network Agency.

The EnBW group

The EnBW group's operations continued their positive development. The adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG rose from € 821.0 million to € 1,091.3 million. The impairment losses on the electricity and gas grids and our financial assets had an adverse effect on group net profit.

Overall assessment of the business development

The EnBW group overall saw a positive development in the fiscal year 2008 in an increasingly difficult economic environment. We succeeded in achieving the ambitious targets we had set ourselves. Value added – our condensed indicator of entrepreneurial success – also exceeded the prior-year level. However, there were some adverse effects on group net profit arising from the impairment losses on the electricity and gas grids and our financial assets.

The electricity segment was the driver of the improvement in operating profit. It benefited noticeably from improvements in the electricity generation margin as higher wholesale market prices more than made up for the increase in procurement costs. With regard to the changes to the regulatory framework, the further decrease in network user charges imposed by the Federal Network Agency placed a specific burden on profits.

EnBW successfully reinforced its position as Germany's third-largest energy supplier in 2008. In the face of keen competition, we managed to increase unit sales to retail customers in the electricity segment. The gas segment lost industry customers and redistributors as a result of the ongoing liberalisation.

Forecast variances

Development of sales and earnings in 2008	Forecast in the 2007 annual report for 2008	Development 2008
Electricity sales (excluding trading)	stable	stable
Gas sales (excluding trading)	stable	falling
Adjusted EBIT, electricity	rising	rising
Adjusted EBIT, gas	falling	rising
Adjusted EBIT, energy and environmental services	falling	falling
Adjusted EBIT, consolidation	-	-
Adjusted EBIT, group	rising slightly	rising

While the electricity segment was able to match the forecast development of unit sales, unit sales in the gas segment were below forecast due to the weather conditions.

We exceeded the forecast adjusted EBIT at group level thanks to an improved operating profit in the gas segment and reimbursements of water supply fees as part of court composition proceedings for a reduction of the water supply fees. As a result, the profit of the energy and environmental services segment was below prior-year level.

Results of operations

Unit sales and revenue

Electricity sales of the EnBW group in billions of kWh	2008	2007	Variance %
Retail customers (B2C)	23.1	22.2	4.1
Industry and redistributors (B2B)	61.2	62.1	-1.4
Trade	46.2	55.2	-16.3
Total	**130.5**	**139.5**	**-6.5**

In the reporting period, unit sales of electricity dropped by 6.5%. This decrease primarily stems from trading. Higher CO_2 costs led to an increase in the costs of our own generation, and optimisation of the use of the power stations then in turn reduced the trading sales. With regard to retail customers, the success of our sales activities led to a slight increase in unit sales.

Gas sales of the EnBW group in billions of kWh	2008	2007	Variance %
Retail customers (B2C)	12.5	12.2	2.5
Industry and redistributors (B2B)	57.3	63.0	-9.0
Total	**69.8**	**75.2**	**-7.2**

In the B2C gas division, unit sales increased due to the – albeit mild – winter being colder in comparison to the prior-year period. In the B2B division – in particular to redistributors – gas sales fell on account of the loss of customers due to ongoing liberalisation of the gas market, despite the positive effects brought about by the weather.

External revenue of the EnBW group by segment in € millions [1]	2008	2007	Variance %
Electricity	12,736.4	11,539.7	10.4
Gas	2,881.2	2,479.3	16.2
Energy and environmental services	687.8	693.2	-0.8
Total	**16,305.4**	**14,712.2**	**10.8**

[1] After deducting electricity and natural gas tax.

FURTHER INFORMATION
Financial statements/ Segment reporting
› p. 178f.

In the fiscal year 2008, the EnBW group recorded external revenue before deducting electricity and natural gas tax of € 17,367.5 million, 10.3% more than in the prior year. After deducting electricity and natural gas tax, external revenue increased by 10.8% to € 16,305.4 million. The electricity and gas segments saw a positive development of revenue.

Electricity

Revenue rose by 10.4% to € 12,736.4 million. Higher unit sales of electricity, together with higher prices to retail customers, produced an increase in revenue. In the trading division and with industrial customers, the higher prices more than made up for the decline in unit sales. The electricity segment generated 78.1% of the EnBW group's revenue in the reporting period, thus reducing this segment's share of total group revenue by 0.3 percentage points compared to the prior year.

Gas

Despite falling sales volumes, revenue increased by 16.2% to € 2,881.2 million. The reason was that the increase in gas procurement prices caused by the development of the oil price was passed on to our customers. In the fiscal year 2008, the gas segment accounted for 17.7% of the revenue of the EnBW group, thus increasing this segment's share of total group revenue by 0.8 percentage points compared to the prior year.

Energy and environmental services

Revenue in the energy and environmental services segment comprises revenue from disposal, water supply and other energy services and came to a total of € 687.8 million. This represents a decrease of 0.8% compared to the fiscal year 2007. The decrease is essentially attributable to changes in the consolidated companies. Adjusted to eliminate changes in the consolidated group, revenue rose by 2.2% on the back of higher contracting revenue. The energy and environmental services segment accounted for 4.2% of the revenue of the EnBW group, 0.5 percentage points less than in the prior year.

Development of significant items of the income statement

FURTHER INFORMATION
Financial statements/ Notes to the income statement and the balance sheet
› p. 126ff.

Other operating income fell by 17.4% to € 815.8 million. This was primarily a result of lower income from derivatives and the reversal of provisions. Cost of materials rose by 10.6% to € 12,099.1 million as a result of higher procurement costs. Other operating expenses increased by 7.5% to € 1,071.4 million due to higher expenses from marking derivative financial instruments to market. Amortisation and depreciation increased by 37.9% to € 1,071.9 million, principally on account of impairment losses on the EnBW group's electricity and gas grid. These were due to the further reduction of network user charges imposed by the Federal Network Agency. The financial result was down 5.5% to € -483.7 million, primarily on account of the impairment loss recorded on our investments due to the general financial crisis on the capital markets. Income taxes came to € -335.2 million in the fiscal year 2008. In the fiscal year 2007, they came to € 43.2 million, due in part to the special income of € 412.0 million recognised as a result of the German 2008 Business Tax Reform Act.

Earnings

Group net profit in terms of the profit shares attributable to the equity holders of EnBW AG came to € 871.8 million in the fiscal year 2008. This is € 492.3 million or 36.1% less than 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, which reflects the development of results of operations. Consequently, the development of segments is commentated on the basis of adjusted EBIT for the first time in the fiscal year 2008. All other material earnings ratios have also been presented on an adjusted basis in order to better reflect the results of operations.

The non-operating result contains extraordinary effects. These include gains 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. The most important components of non-operating results are reported separately.

Adjusted earnings

Adjusted EBIT of the EnBW group by segment in € millions [1]	2008	2007	Variance %
Electricity	1,639.0	1,396.4	17.4
Gas	192.7	174.4	10.5
Energy and environmental services	100.1	130.3	-23.2
Holding/consolidation	-137.9	-138.1	0.1
Total	**1,793.9**	**1,563.0**	**14.8**

[1] Prior-year figures restated.

FURTHER INFORMATION
Financial statements/ Segment reporting
› p. 178f.

In the electricity segment, adjusted EBIT rose by 17.4% compared to the 2007 reporting period to € 1,639.0 million. In the generation and trading division, net profit increased due to an improved generation margin and reimbursements of water supply fees as part of court composition proceedings to reduce the water supply fees. The increase in the generation margin results from higher wholesale market prices. Increased costs for the procurement of electricity, fuels and CO_2 allowances in addition to a decrease in the gain from marking derivatives to market had a negative impact on the generation margin. Margins dropped in the sales function due to the increasing competition and increasing burdens on the cost side. With regard to the regulatory framework, the further reduction in network user charges imposed by the Federal Network Agency placed a burden on earnings. A decrease in the expenses in connection with feeding in wind energy had a positive impact.

In the gas segment, adjusted EBIT rose by 10.5% to € 192.7 million in the fiscal year 2008. The colder winter compared to the prior-year period had a positive effect here.

In the energy and environmental services segment, adjusted EBIT fell by 23.2% to € 100.1 million for the fiscal year 2008. The main reasons were lower income relating to other periods and a decline in income from other energy services.

Adjusted EBIT for the holding/consolidation segment improved in 2008 in a year-on-year comparison by 0.1% to € -137.9 million.

In total, adjusted EBIT grew by 14.8% to € 1,793.9 million in the fiscal year 2008.

Earnings indicators of the EnBW group (adjusted) in € millions	2008	2007	Variance %
Adjusted EBITDA	2,595.6	2,328.3	11.5
Adjusted EBIT	1,793.9	1,563.0	14.8
Adjusted net investment income	217.3	195.9	10.9
Adjusted financial result	-405.3	-475.5	14.8
Adjusted income taxes	-417.6	-383.6	8.9
Adjusted group net profit	1,188.3	899.8	32.1
of which profit shares attributable to minority interests	(97.0)	(78.8)	23.1
of which profit shares attributable to equity holders of EnBW AG	(1,091.3)	(821.0)	32.9

The adjusted net investment income increased by 10.9% to € 217.3 million. This increase stems from the higher operating performance of the equity investments and income relating to other periods.

The adjusted financial result came to € -405.3 million (prior year: € -475.5 million). Borrowing costs were reduced by € 33.9 million in the fiscal year 2008, due to the lower average level of financial liabilities. The lower average level of cash and cash equivalents led to a drop of € 26.8 million in interest and similar income. Other finance revenue grew significantly by € 92.7 million, owing to higher measurement gains and the sale of financial assets. The interest portion of the increase in provisions rose by € 22.6 million on account of higher interest on the personnel-related provisions and higher provisions.

Adjusted income taxes amounted to € -417.6 million in the fiscal year 2008 at a tax rate of 26.0% (prior year: 29.9%). The tax rate was lower than in the fiscal year 2007, mainly as a result of the German 2008 Business Tax Reform Act. The adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG rose by 32.9% to € 1,091.3 million in the fiscal year 2008.

Non-operating result

Non-operating result of the EnBW group in € millions	2008	2007
Income/expenses from changes in nuclear power provisions	-24.1	43.3
Other effects, nuclear power	-28.5	-10.8
Expenses from restructuring	-11.8	-62.2
Other non-operating result	8.9	37.8
Non-operating EBITDA	**-55.5**	**8.1**
Impairment losses	-270.2	-11.9
Non-operating EBIT	**-325.7**	**-3.8**
Non-operating investment result	34.0	76.3
Non-operating financial result	-78.4	17.0
Non-operating income taxes	82.4	426.8
Profit from discontinued operations	0.0	97.9
Non-operating group net profit	**-287.7**	**614.2**
of which profit shares attributable to minority interests	(-68.2)	(71.1)
of which profit shares attributable to equity holders of EnBW AG	(-219.5)	(543.1)

Compared to the fiscal year 2007, non-operating EBIT fell by € 321.9 million. The development is primarily a result of the income/expenses from changes in the nuclear power provisions and the impairment losses on the electricity and gas grids in the fiscal year 2008. The impairment losses were recorded on the electricity and gas grids to account for a further reduction in the network user charges imposed by the Federal Network Agency.

The non-operating investment result of € 34.0 million in the fiscal year 2008 includes a gain on the disposal of an equity investment. In the fiscal year 2007, the reversal of a provision for potential losses from the prospective acquisition of an equity investment had generated extraordinary income.

The non-operating financial result comprises impairment losses of € 89.1 million on our investments on account of the general financial crisis on the capital markets.

Non-operating income taxes in the prior year were primarily impacted by non-recurring tax income as a consequence of the German 2008 Business Tax Reform Act.

Discontinued operations did not have an effect on profit in the current fiscal year. The prior year had included a gain on disposal and the reversal of provisions.

The non-operating group net profit in terms of the profit shares attributable to the equity holders of EnBW AG dropped by € 762.6 million to € -219.5 million.

Reconciliation of earnings

Prior to adjustment for non-operating effects on earnings, the group net profit in terms of the profit shares attributable to the equity holders of EnBW AG fell by € 492.3 million to € 871.8 million.

Financial performance of the EnBW group as of 31 December 2008

in € millions

	2008	2007	Variance (%)
Adjusted EBITDA	2,595.6	2,328.3	+ 11.5%
Non-operating EBITDA	–55.5	8.1	
EBITDA	2,540.1	2,336.4	+ 8.7%
Adjusted EBIT	1,793.9	1,563.0	+ 14.8%
Non-operating EBIT	–325.7	–3.8	
EBIT	1,468.2	1,559.2	– 5.8%
Adjusted group net profit[1]	1,091.3	821.0	+ 32.9%
Non-operating group net profit[1]	–219.5	543.1	
Group net profit[1]	871.8	1,364.1	– 36.1%

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

Financial position

Financial management of EnBW

Basis and objectives

In terms of financial management, EnBW's objective is to achieve the best possible capital structure. Based on a theoretical analysis of the capital market the aim is to minimise the costs of capital. For EnBW, the optimum capital structure implies achieving an A category rating.

Capital management also includes active asset management. EnBW uses a cash-flow-based model to determine the P&L and cash flow effects of the next 30 years. This model is based on an actuarial opinion on pension provisions as well as external appraisals on nuclear power provisions and forms the basis for the management of financial assets. It allows simulations of various alternative return and provision scenarios.

The primary objective of financial management at EnBW is to minimise finance costs while at the same time securing the existing financial assets of the EnBW group and guaranteeing a sufficient level of liquidity reserves to allow the group to meet its payment obligations at all times without restriction.

Treasury

The EnBW group's treasury principles govern banking policy, financing arrangements, liquidity/asset management, management of interest and currency risks as well as intercompany cash pool management. The use of currency derivatives is permitted only for hedging purposes and in connection with an existing hedged transaction.

The group's treasury department manages all treasury processes of the subsidiaries taking part in the cash pooling. One priority in this respect is efficient liquidity management within the group. The computer-generated liquidity forecast is prepared on a monthly rolling basis as part of a multiple-year financial and liquidity plan. Besides centrally managing credit lines and guarantees for the holding company and subsidiaries, the treasury activities focus on currency management, counterparty management and interest rate optimisation.

Asset management

The management of financial assets is a further task assumed by the capital management function at EnBW. In order to cover our long-term pension and nuclear power provisions within an economically reasonable period of time by means of investments in appropriate financial assets, we seek to achieve the defined investment targets with minimum risk. Efforts to optimise the risk/return profile of our financial assets commenced in prior years were continued successfully in 2008. At the end of 2008, we were managing an investment volume in excess of € 5 billion spread over a total of ten asset classes.

We have essentially bundled our financial assets in four master funds with the following investment targets:

- Achieve long-term target return on financial assets of 5.5%
- Minimise risks
- Minimise the effect on the balance sheet and income statement
- Broadly diversify asset classes
- Cut costs and simplify administration

Financing facilities

In addition to the group's internal financing power from a free cash flow of € 415.1 million in 2008 and the group's own funds, the EnBW group has the following five instruments at its disposal to cover its total financing needs:

- Euro Medium Term Note (EMTN) programme
- Syndicated line of credit
- Bilateral short-term lines of credit
- Commercial paper programme
- Offering of special products and measures to strengthen equity

On 25 February 2008 the CHF 400 million bond issued by EnBW in 2003 fell due for repayment. EnBW financed repayment by means of a new EnBW bond with a volume of CHF 300 million paid out the same day and using its own funds. In addition, the company issued two bonds on 13 November 2008 with a total volume of € 1.5 billion. The bonds have terms of five and ten years respectively and serve to finance EnBW's investment programme. Furthermore, the liquidity position was enhanced by issuing a foreign currency bond of a volume equivalent to around € 170 million.

Despite the difficult market environment, EnBW was able to obtain short-term refinancing at any time during 2008 via the established commercial paper programme.

In May 2008, EnBW again made use of the agreed prolongation options for the first tranche of the syndicated line of credit. This tranche with a volume of € 1 billion was prolonged by another year until May 2009. An amount of € 1.442 billion from the second tranche has a term until May 2012; the remaining € 58 million is available until May 2010. The entire syndicated line of credit remained unused in the reporting period.

Documentation of our short-term and long-term borrowings on the capital market under the established EMTN and CP programmes as well as all other credit documentation with banks (e.g. syndicated line of credit) consists of internationally accepted standard clauses. One key element of EnBW's financing policy is the issuance of a negative report and a pari passu clause to all creditors.

Rating and rating development

Since the two rating agencies Standard & Poor's and Moody's rated the credit standing of EnBW for the first time in 2000 and 2002 respectively, EnBW has always achieved the goal of its financial strategy of ensuring an A category rating in the medium term.

In April 2008, the rating agency Standard & Poor's confirmed the long-term rating A- and the short-term rating A-2 of EnBW. The outlook for EnBW also remains "stable". The rating from Standard & Poor's is a tribute to EnBW's strong market position in Baden-Württemberg, its competitive generation capacities and a still relevant share in the regulated business as well as stable cash flows. EnBW's financial profile, however, is considered moderate by Standard & Poor's. The increasing regulatory influence in Germany is also seen as a critical factor. EnBW's major investment programme is considered ambitious. By rating the outlook as "stable", the rating agency assumes that EnBW will overcome the challenges posed by the economic framework in Germany. It believes that in view of EnBW's major investment programme, any deterioration of the environment could have a negative impact on the company's rating.

In May 2008, the rating agency Moody's confirmed the long-term rating A2 and the short-term rating Prime-1 of EnBW. Here, too, the outlook continues to be "stable". Moody's rating also takes into account EnBW's successful focus on the core activities electricity and gas. Moody's considers EnBW's current financial profile to be positive. Increasing regulation, the phase-out of nuclear power and emissions trading in Germany are seen as critical factors, as they could have a negative effect on the future development of earnings. The confirmation of the rating and assessment of the outlook as "stable" reflect the rating agency's expectation that EnBW will overcome the future economic and political challenges. In particular, the agency expects EnBW's financial profile to remain stable despite its ambitious investment programme.

Both agencies maintained their positive rating when EnBW announced its intention in July 2008 of acquiring a 26% shareholding in EWE AG for a purchase price of some € 2 billion.

The rating development over the past years	2004	2005	2006	2007	2008
Rating/outlook					
Standard & Poor's	A-/stable	A-/stable	A-/positive	A-/stable	A-/stable
Moody's	A3/negative	A3/stable	A2/stable	A2/stable	A2/stable

Interest and currency management
At present, the interest rates for the financial liabilities are contractually fixed to a large extent. A change in interest rates thus only affects the interest result of EnBW for new borrowing and upcoming refinancing (e.g. under the commercial paper programme).

The currency items resulting from operations are generally closed by appropriate forward exchange contracts. Overall, currency fluctuation from operating activities does not have any major effect on EnBW's profit for the period. Any translation risks are monitored on a case-by-case basis in the framework of currency management.

Investment analysis

Capital expenditures of the EnBW group on intangible assets and property, plant and equipment by business segment in € millions [1]	2008	2007	Variance %
Electricity	927.6	568.9	63.1
Gas	65.3	71.7	-8.9
Energy and environmental services	253.1	175.5	44.2
Total	**1,246.0**	**816.1**	**52.7**

[1] From continuing operations.

Capital expenditures on intangible assets and property, plant and equipment for continuing operations amounted to € 1,246.0 million in the fiscal year 2008. This constitutes an increase of € 429.9 million or 52.7% in comparison to the prior year. Intangible assets accounted for 10.0% (€ 124.4 million) of total capital expenditures, thus exceeding the prior-year level (€ 44.9 million).

Approximately 75% of these capital expenditures was made in the electricity segment. Spending here focused on the expansion of the power stations and distribution plants. Of the remaining capital expenditures, 20% was spent on the energy and environmental services segment and around 5% on the gas segment. Capital expenditures were allocated to the large-scale projects as follows: € 239.3 million for the new hard coal power station RDK 8 in Karlsruhe, € 97.1 million for the offshore wind power projects, € 35.0 million for the new run-of-the-river power station in Rheinfelden, € 44.4 million for the restructuring of the extra-high-voltage networks, € 93.0 million for the construction of EnBW City in Stuttgart, € 22.1 million for the new ZEAG administrative building in Heilbronn and € 11.7 million for the new office centre in Biberach.

Liquidity analysis

Free cash flow in € millions	2008	2007	Variance %
FFO electricity	1,930.7	1,671.3	15.5
FFO gas	278.0	277.9	0.0
FFO energy and environmental services	208.3	223.2	-6.7
FFO Holding/consolidation	-91.4	-112.5	18.8
FFO discontinued operations	-	99.5	-
FFO (funds from operations before taxes and financing), total[1]	**2,325.6**	**2,159.4**	**7.7**
Change in assets and liabilities from operating activities[1]	-536.1	90.8	-
Income tax paid	-265.6	-691.5	-61.6
Cash flow from operating activities	1,523.9	1,558.7	-2.2
Capital expenditures on intangible assets and property, plant and equipment	-1,246.0	-816.9	52.5
Cash received from disposals of intangible assets and property, plant and equipment	58.2	30.2	92.7
Cash received from construction cost and investment subsidies	79.0	81.2	-2.7
Free cash flow	**415.1**	**853.2**	**-51.3**

[1] Prior-year figures restated.

In a year-on-year comparison, funds from operations (FFO) before taxes and financing improved by 7.7% to € 2,325.6 million. The increase was primarily attributable to the electricity segment where an improvement in EBITDA had a positive impact on FFO.

Whereas in the prior year assets and liabilities from operations were reduced by € 90.8 million, the fiscal year 2008 saw them increase again by € 536.1 million. This increase in the reporting period is principally due to the higher level of security deposits for forward contracts with electricity, coal and emission allowances of € 293.1 million and an increase in inventories of € 164.4 million. Income taxes, however, fell substantially compared to the fiscal year 2007, by € 425.9 million. This was mainly because the taxes paid in the prior year included both payments as a result of tax field audits and higher withholding tax payments. As a result of these developments, the cash flow from operating activities dropped by 2.2% to € 1,523.9 million in the fiscal year 2008.

The free cash flow was reduced by 51.3% to € 415.1 million due to the considerable increase in capital expenditures on intangible assets and property, plant and equipment under the investment programme.

EnBW's solvency is secured for the future by the positive free cash flow and free lines of credit of € 3.253 billion.

Cash flow statement in € millions	2008	2007	Variance %
Cash flow from operating activities	1,523.9	1,558.7	-2.2
Cash flow from investing activities	-355.8	-381.6	6.8
Cash flow from financing activities	588.0	-1,786.6	-
Net change in cash and cash equivalents	**1,756.1**	**-609.5**	**-**
Net foreign exchange difference	10.6	-5.0	-
Change in cash and cash equivalents	**1,766.7**	**-614.5**	**-**

The cash flow from investing activities climbed by € 25.8 million to € -355.8 million despite the increase in capital expenditure on intangible assets and property, plant and equipment. This was mainly the result of the greater amounts of cash received from the sale of securities in fiscal 2008 and higher cash payments for the acquisition of group entities in fiscal 2007.

While the cash flow from financing activities amounted to € -1,786.6 million in fiscal 2007, mainly due to the redemption of financial liabilities, fiscal 2008 saw cash inflows of € 588.0 million. This change primarily results from borrowings in fiscal 2008. These borrowings are earmarked, among other things, for financing the acquisition of shares in EWE AG, which is currently subject to the approval of the Federal Anti-Trust Office.

Taking exchange rate differences into account, this led to the cash and cash equivalents of the EnBW group climbing by € 1,766.7 million to € 3,084.5 million.

Net assets

FURTHER INFORMATION
Financial statements/ Notes to the income statement and the balance sheet
› p. 131ff.

Condensed balance sheet of the EnBW group in € millions [1]	31/12/2008	31/12/2007	Variance %
Assets			
Non-current assets	21,102.3	21,564.9	-2.1
Property, plant and equipment	(11,573.7)	(11,416.2)	(1.4)
Other financial assets	(4,960.3)	(5,734.4)	(-13.5)
Deferred taxes	(28.7)	(6.0)	-
Current assets	11,818.8	6,867.5	72.1
Non-current assets held for sale	4.0	3.4	17.6
	32,925.1	**28,435.8**	**15.8**
Equity and liabilities			
Equity	5,583.3	6,001.7	-7.0
Non-current liabilities	17,956.2	16,097.1	11.5
Provisions	(9,307.8)	(8,989.1)	(3.5)
Deferred taxes	(1,631.4)	(1,616.8)	(0.9)
Financial liabilities	(4,925.1)	(3,364.2)	(46.4)
Current liabilities	9,385.6	6,329.1	48.3
Provisions	(1,109.1)	(1,131.3)	(-2.0)
Financial liabilities	(394.7)	(588.3)	(-32.9)
Liabilities of discontinued operations	0.0	7.9	-
	32,925.1	**28,435.8**	**15.8**

[1] Prior-year figures restated.

Compared with 31 December 2007, the total net assets of the group saw a significant rise of 15.8% to € 32,925.1 million. This rise was caused by an increase in the market value of derivative financial instruments and higher levels of trade receivables and payables. Another factor was the two bonds and a private placement issued for around € 1.7 billion, which led to an increase in cash and cash equivalents. The bonds are earmarked, among other things, for financing the acquisition of shares in EWE AG, which is still subject to the approval of the Federal Anti-Trust Office.

The decrease in equity arising from the lower level of unrealised gains in our securities and an increase in total assets reduced the equity ratio by 4.1 percentage points to 17.0%.

Property, plant and equipment increased by 1.4% to € 11,573.7 million due to the increase in capital expenditures.

Key indicators for the analysis of the composition of assets	2008	2007	Variance %
Equity ratio (%)	17.0	21.1	-19.4
Average capital employed in € millions [1]	12,245.8	11,471.5	6.7
Net debt/equity[1]	1.2	1.0	20.0
Coverage ratio for non-current assets (non-current assets/equity)	3.8	3.6	5.6
Coverage ratio for pension and nuclear power provisions (plan assets/pension and nuclear power provisions)	0.59	0.66	-10.6

1 Prior-year figures restated.

The increase in capital employed was caused by the higher capital expenditures, higher market values of our equity investments and lower deferred tax liabilities as a result of the German 2008 Business Tax Reform Act.

The deterioration of the other key indicators that are relevant for the analysis of the composition of assets is mainly attributable to the decrease in equity and in financial assets which was in turn caused by a drop in market prices on the capital markets. The EnBW group nonetheless still has a good composition of assets and equity and liabilities.

Net debt

The € 1,314.2 million increase in financial liabilities to € 5,287.2 million is a result of the bonds issued. These are earmarked, among other things, for the acquisition of shares in EWE AG, which is still subject to the approval of the Federal Anti-Trust Office, as the purchase price will not be paid until the fiscal year 2009. The acquisition therefore does not affect net debt or net financial liabilities as of the balance sheet date.

Net financial liabilities were reduced in fiscal 2008 by € 53.8 million to € 2,918.5 million. In contrast, net debt increased by € 889.0 million to € 6,833.5 million in fiscal 2008. The increase in net debt is primarily attributable to a drop in the unrealised gains of our securities resulting from falls in the capital market prices, to increases in pension and nuclear power provisions and to an increase in liabilities resulting from put options.

Net debt in € millions[1]	31/12/2008	31/12/2007	Variance %
Cash[2]	-2,216.3	-829.2	-
Short-term investments[2]	-152.4	-171.5	-11.1
Cash and cash equivalents[2]	**-2,368.7**	**-1,000.7**	**136.7**
Bonds[3]	4,110.3	2,698.2	52.3
Liabilities to banks	556.4	546.9	1.7
Other financial liabilities	620.5	727.9	-14.8
Financial liabilities[3]	**5,287.2**	**3,973.0**	**33.1**
Net financial liabilities[2, 3]	**2,918.5**	**2,972.3**	**-1.8**
Pension and nuclear power provisions	9,013.1	8,681.8	3.8
Long-term investments and loans	-4,231.4	-5,017.0	-15.7
Cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions	-1,218.7	-832.4	46.4
Liabilities from put options	514.4	428.9	19.9
Other	-162.4	-289.1	-43.8
Net debt[3]	**6,833.5**	**5,944.5**	**15.0**

1 Prior-year figures restated.
2 Without cash and cash equivalents of the special funds and short-term investments to cover pension and nuclear power provisions.
3 Adjusted for valuation effects from interest-induced hedging transactions.

The dynamic leverage ratio is net debt divided by adjusted EBITDA.

Dynamic leverage ratio in € millions	2008	2007	Variance %
Net debt[1]	6,833.5	5,944.5	15.0
Adjusted EBITDA	2,595.6	2,328.3	11.5
Dynamic leverage ratio[1]	2.63	2.55	3.1

[1] Prior-year figures restated.

The dynamic leverage ratio increased marginally to 2.63 as of 31 December 2008. In calculating the dynamic leverage ratio, the rise in net debt was offset by the improvement in adjusted EBITDA.

Unrecognised intangible assets

The unrecognised intangible assets include human capital, structural capital and relationship capital. We have been recording this "intellectual capital" in our intellectual capital statement since 2005. For more information on knowledge management and the intellectual capital statement, please turn to the chapter "Employees".

Value added 2008

Value added by segment[1]	Electricity		Gas		Energy and environmental services		Holding/ consolidation		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Adjusted EBIT including net investment income (€ millions)	1,911.5	1,677.1	203.1	179.2	113.9	142.5	-137.9	-138.1	2,090.6	1,860.7
Average capital employed (€ millions)	8,895.4	8,464.7	1,860.7	1,738.5	1,347.9	1,203.3	141.8	65.0	12,245.8	11,471.5
ROCE (%)	**21.5**	**19.8**	**10.9**	**10.3**	**8.5**	**11.8**	**-**	**-**	**17.1**	**16.2**
WACC (%)	9.2	9.0	8.8	8.5	9.6	9.5	-	-	9.2	9.0
Value added (€ millions)	**1,093.1**	**915.3**	**39.4**	**31.4**	**-15.5**	**28.2**	**-**	**-**	**964.0**	**828.3**

[1] Prior-year figures restated.

In the fiscal year 2008, the positive development of value-added growth continued. The increase in capital employed went hand in hand with a marked increase in the adjusted EBIT including net investment income. This created value added of € 964.0 million, which corresponds to growth of € 135.7 million compared to 2007 (16.4%).

The various segments contributed value as follows:
As in the prior year, most value was created by the electricity segment. Here, the value added was raised by € 177.8 million or 19.4% compared to the prior year. The increase in adjusted EBIT including net investment income was primarily achieved on the back of higher margins in the generation of electricity. Earnings were burdened by the reduction of network user charges imposed by the Federal Network Agency. The higher level of capital employed is mainly attributable to higher capital expenditures, higher market values of our equity investments and lower deferred tax liabilities as a result of the German 2008 Business Tax Reform Act.

The value added in the gas segment rose year-on-year by € 8.0 million or 25.5%. The rise in value added was caused by the improved operating profit generated by this segment. Adjusted EBIT in the segment was positively impacted by the winter being colder in comparison to the prior year. The increase in capital employed is essentially due to lower tax provisions and lower deferred tax liabilities as a result of the German 2008 Business Tax Reform Act.

The value added of the energy and environmental services segment fell by € 43.7 million compared to the prior year. This was partly due to the decline in profit recorded by the segment, and partly to the increase in capital employed. The decline in profit was principally caused by income relating to other periods and lower profits recorded from other services. The increase in capital employed is due in particular to increased capital expenditures on property, plant and equipment.

Calculating value added

The weighted average cost of capital before tax represents the minimum return on capital employed. Positive value added is only generated once the return on capital employed (ROCE) exceeds the weighted average cost of capital. Cost of capital is determined based on the weighted average cost of equity and debt. The weighted average is the share of equity and debt capital, respectively, in total capital. The value of equity refers to the value determined using the mark-to-market method instead of the amount recognised. Cost of equity is based on the return of a risk-free investment and a company-specific risk premium (market risk premium). The latter is calculated as the difference between the risk-free investment and the return of the overall market in relation to the beta factor. The cost of capital includes the cost of equity on a pre-tax basis. The terms at which the EnBW group can obtain debt capital in the long term are used to determine the cost of debt on a pre-tax basis.

Calculation of the weighted average cost of capital	2008	2007
Risk-free interest rate (r_{DC})	4.7%	5.1%
Market risk premium (MRP)	5.0%	5.0%
Beta factor (β)	1.1	0.8
Cost of equity after tax	**10.0%**	**9.1%**
Cost of debt before tax (r_{DC})	5.7%	5.7%
Tax shield of interest on debt capital	-1.5%	-2.0%
Cost of debt after tax	**4.2%**	**3.7%**
Percentage of financing that is equity (E)	40.0%	40.0%
Percentage of financing that is debt (DC)	60.0%	60.0%
WACC after tax	**6.5%**	**5.8%**
Tax rate (s)	29.0%	35.0%
WACC before tax (group)	**9.2%**	**9.0%**

$$\text{WACC} = (r_{DC} + ß \times \text{MRP}) \times \frac{E}{E + DC} \times \frac{1}{(1-s)} + r_{DC} \times \frac{DC}{E + DC}$$

In order to reflect the various risks of our activities along the value-added chain, we calculate the cost of capital separately for each segment.

To calculate ROCE, adjusted EBIT is determined in a first step. The EBIT generated at group level is adjusted to eliminate any non-operating income and expenses. Investment income and expenses are added to adjusted EBIT, provided the investments are a permanent part of EnBW's business model. The calculation is made on a pre-tax basis to ensure comparability with adjusted EBIT.

Capital employed comprises all assets from the operating business. Interest-free liabilities – such as trade payables – are deducted. Capital employed is calculated as the average of the opening value and closing value for the year as well as the three quarters.

Adjusted EBIT including net investment income in € millions[1]	2008	2007
EBIT	1,468.2	1,559.2
Non-operating EBIT	325.7	3.8
Investment income[2]	244.7	269.8
Non-operating investment result	-34.0	-76.3
Tax adjustment investment result[3]	86.0	104.2
Adjusted EBIT including net investment income	**2,090.6**	**1,860.7**

Average capital employed in € millions[1]	2008	2007
Intangible assets	1,687.8	1,657.9
Property, plant and equipment	11,573.7	11,416.2
Investment properties	86.6	87.7
Equity investments[4]	2,661.1	2,573.9
Inventories	862.9	732.7
Current trade receivables[5]	3,159.6	2,097.4
Other assets	4,837.9	2,716.6
Non-interest bearing provisions	-1,403.8	-1,438.6
Non-interest bearing liabilities[6]	-7,728.7	-4,545.6
Subsidies	-1,717.6	-1,733.3
Deferred taxes[7]	-1,602.7	-1,610.8
Capital employed as of 31 December	**12,416.8**	**11,954.1**
Average capital employed[8]	**12,245.8**	**11,471.5**

1 Prior-year figures restated.
2 Without income from investments held as financial assets.
3 Adjusted investment result / 0.71 – adjusted investment result (where 0.71 = 1 – tax rate of 29%).
Prior year: Adjusted investment result / 0.65 – adjusted investment result (where 0.65 = 1 – tax rate of 35%).
4 Including entities accounted for using the equity method, investments in affiliated entities and other investments that are allocable to operations.
5 Without affiliated entities.
6 Without affiliated entities, without potential purchase price obligations from put options.
7 Deferred tax assets and liabilities netted.
8 Calculation of the average based on the quarterly figures of the reporting year and the prior-year closing figure.

EnBW AG

The profit for the year of EnBW AG increased compared to the prior year by € 547.9 million to € 1,153.4 million. Taking account of the profit carryforward of € 38.1 million and after transferring € 576.4 million to other revenue reserves, retained earnings come to € 615.1 million. A dividend of € 2.01 per share will be proposed to the annual general meeting. This represents an increase in dividend paid of 33% compared to the prior year.

EnBW AG

As operational holding company, EnBW Energie Baden-Württemberg AG (EnBW AG) exercises the management function in the EnBW group. The economic situation of EnBW AG hinges on the economic situation of the group. The financial statements of EnBW AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporations Act (AktG). The detailed financial statements of EnBW AG audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Stuttgart, are published in the Electronic German Federal Gazette (elektronischer Bundesanzeiger) together with the unqualified audit opinion. The full financial statements of EnBW AG are available for download at www.enbw.com.

FURTHER INFORMATION
www.enbw.com
Investors/
Downloadcenter

Net assets of EnBW AG

The net assets of EnBW AG are largely dependent on its equity investments and the central treasury management. The central treasury management affects financial assets as well as receivables from, and liabilities to, affiliated entities. The pension obligations of the main subsidiaries are bundled at EnBW AG. The annual expenses for post-employment benefits are paid by the subsidiaries concerned in each case.

Condensed balance sheet of EnBW AG in € millions[1]	31/12/2008	31/12/2007	Variance %
Assets			
Non-current assets			
Intangible assets	11.1	9.3	19.4
Property, plant and equipment	10.1	7.8	29.5
Financial assets	12,165.0	11,547.9	5.3
	12,186.2	**11,565.0**	**5.4**
Current assets			
Receivables from affiliated entities	2,377.3	2,091.9	13.6
Other receivables and other assets	606.1	533.0	13.7
Cash and cash equivalents	2,061.3	518.6	-
	5,044.7	**3,143.5**	**60.5**
Prepaid expenses	55.3	53.8	2.8
	17,286.2	**14,762.3**	**17.1**
Equity and liabilities			
Equity	2,610.9	1,826.3	43.0
Provisions	3,383.1	3,229.1	4.8
Liabilities to affiliated entities	11,225.8	9,593.9	17.0
Other liabilities	48.7	93.9	- 48.1
Deferred income	17.7	19.1	- 7.3
	17,286.2	**14,762.3**	**17.1**

[1] According to German commercial law.

The securities and cash and cash equivalents increased by € 1,542.7 million in relation to the prior year. Liabilities to affiliated entities grew by € 1,631.9 million. Both changes are due to the bond issued in November 2008 via a subsidiary for a total of € 1,500.0 million, the liquidity of which was made available to EnBW AG in the form of loans.

The equity ratio of EnBW AG rose by 2.7 percentage points on the prior year to 15.1%. One reason for this change is the increase of € 2,523.9 million in total assets, above all as a result of raising the funds for the capital expenditures planned. An amount of € 784.6 million of the increase in equity was accounted for by the positive development of profits and the related transfer to revenue reserves.

Net profit of EnBW AG and dividend

Condensed income statement of EnBW AG in € millions[1]	2008	2007	Variance %
Financial result	1,609.9	953.2	68.9
Personnel expenses	-175.7	-110.2	59.4
Other income and expenses	-165.9	-172.2	-3.7
Profit from ordinary activities	**1,268.3**	**670.8**	**89.1**
Taxes	-114.9	-65.3	76.0
Profit for the year	**1,153.4**	**605.5**	**90.5**

[1] According to German commercial law.

The profit for the year 2008 recorded by EnBW AG amounts to € 1,153.4 million, € 547.9 million above the prior-year level. Retained earnings total € 615.1 million and include the profit carried forward of € 38.1 million as well as the transfer to other revenue reserves of € 576.4 million. The financial result improved by € 656.7 million compared to the prior year, mainly on account of the higher income from investments and decrease of € 434.1 million in the negative interest result. These effects were in turn essentially caused by the non-recurring interest compensation payments of € 385.7 million incurred in the prior year which were payable to the transferor under repurchase agreements for fixed-interest bonds.

The negative balance of other income and expenses improved by € 6.3 million compared to the prior year. It primarily comprises offsetting within the group as well as administrative and consulting costs. The tax expense is € 49.6 million higher than in the prior year. The change is attributable to higher income taxes including expenses for provisions for tax field audits and, on the other hand, tax refunds for previous fiscal years.

On 23 April 2009, the Board of Management will propose to the annual general meeting that a dividend of € 2.01 per share be distributed from the retained earnings of EnBW AG. This represents an increase in the dividend paid of 33% compared to the prior year. As of 31 December 2008, a total of 244,256,523 shares were entitled to dividends. If the annual general meeting approves this proposal, the amount distributed by EnBW AG for fiscal 2008 will total € 491.0 million.

Comments on reporting

In accordance with Sec. 315 a (1) German Commercial Code (HGB), the consolidated financial statements of the EnBW group are prepared according to the International Financial Reporting Standards (IFRS) the adoption of which is mandatory in the EU at the balance sheet date.

Dependent company declaration

Pursuant to Sec. 312 German Stock Corporations Act (AktG), the Board of Management of EnBW AG prepared a dependent company report for the fiscal year 2008. This details relationships with affiliated companies, and closes with the following declaration: “In the legal transactions listed in the dependent company report, and according to the circumstances that were known to us when those legal transactions were performed, our company received an appropriate consideration in each legal transaction and was not placed at a disadvantage. There were no actions at the instigation or in the interest of the controlling companies on which we would be obliged to report.”

Employees

Over 20,000 people work for the EnBW group. Every one of them makes a decisive contribution to the company's value added. Therefore, we are particularly committed to our employees' concerns.

Headcount development

As of the end of the year, the EnBW group employed 20,501 people – roughly the same number as at the end of the prior year. More than half of our employees work in the electricity segment, a little over 35% in the energy and environmental services segment and around 5% in the gas segment. The headcount at the holding company rose by 65 to 620. This was attributable mainly to the development of our strategic growth initiatives and the start of a new group trainee programme with 17 participants.

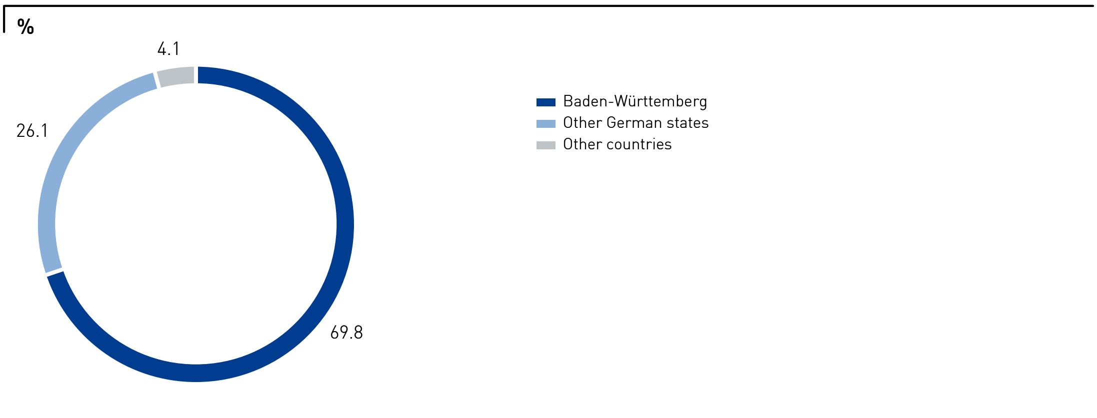
Employees of the EnBW group[1]	31/12/2008	31/12/2007	Variance %
Electricity	11,676	11,632	0.4
Gas	923	891	3.6
Energy and environmental services	7,282	7,187	1.3
Holding	620	555	11.7
Continuing operations	20,501	20,265	1.2
Total	**20,501**	**20,265**	**1.2**
Number of full-time equivalents[2]	19,610	19,424	1.0

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

Personnel composition

A total of 69.8% of our employees work in our home state Baden-Württemberg, 26.1% in other German states and 4.1% abroad. This distribution is largely unchanged compared to the prior year.

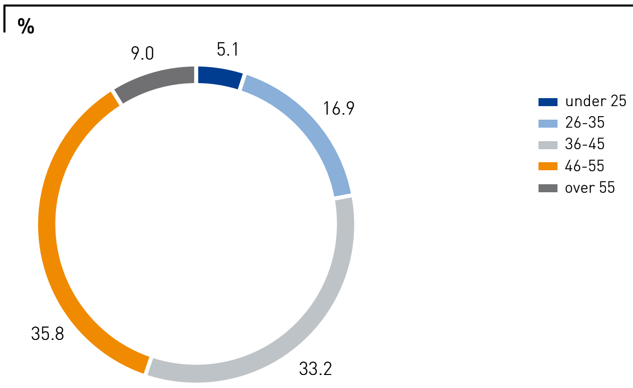
Employees in and outside Germany



At year-end female employees made up 24.8% of the total workforce (prior year: 24.1%). The proportion of part-time employees, including employees under the phased retirement scheme, rose slightly year-on-year by 0.9 percentage points to 10.8% (2,208 employees). 59.8% of all part-time employees were female (1,321 employees). The average age of the employees was 43.4 (prior year: 43.1). The average length of service rose slightly to 16.7 years (prior year: 16.1 years).

EnBW's personnel composition by age group remained largely unchanged compared to 2007.

Employees by age group



21.4% of all employees in the EnBW group have a degree from a university, university of applied sciences or university of cooperative education (prior year: 20.2%), 72.8% did an apprenticeship or training programme at a technical college (prior year: 72.7%), and 5.8% have school-leaving certificates without further formal training (prior year: 7.1%).

The ratio of trainees to the total workforce in EnBW's core companies in Baden-Württemberg has traditionally been very high. It was 7.9% as of year-end 2008.

Collective wage agreements

The remuneration of employees and trainees covered by the framework collective agreement between the Elektrizitätswerke Baden-Württemberg e.V. employers' association and the ver.di Vereinte Dienstleistungs-gewerkschaft e.V. trade union, Baden Württemberg district was raised by 4.35% with effect as of 1 March 2008 by the collective pay agreement concluded in April 2008 for a period of 13 months. In addition, the two sides of industry agreed to a one-off payment of € 120 in September 2008.

Further to the collective wage increase, it was agreed to extend the collective agreement on the hiring of trainees after completion of the training. Employers and employee representatives consider this step, which ensures employment of the trainees once they have successfully completed their training, as an important means of winning and retaining promising young employees.

Effective 30 November 2008, the employers' association Elektrizitätswerke Baden-Württemberg terminated the collective framework agreement, which had been in effect unchanged in significant respects since 1973. The ongoing negotiations now aim to create future-oriented market and competitive conditions for energy supply companies in Baden-Württemberg.

On an operational level, the commitment of staff members is rewarded with an annual profit participation bonus. Companies and works councils further refined the existing model throughout 2008, linking it consistently to the achievement of certain group targets.

Personnel development through knowledge management

Our knowledge management activities revolve around the employees of EnBW. The objective of operational knowledge management is to systematically develop their potential. We offer our employees the opportunity to share their knowledge and experience in an effective way and to maintain contact with experts. To tap existing professional, methodical and social competencies and analyse the development needs of our employees, we use the "wheel of competencies". We have already successfully employed this established tool at various levels within the group as part of personnel and team development measures.

The introduction in 2008 of the "knowledge relay" was crowned with success. This is an instrument to help make the knowledge and wealth of experience of a person quitting their position available to their successor in a systematic way. The age structure of our workforce is another reason why we believe that professional support with knowledge management will continue to be in great demand in future.

We are continuously making progress with group-wide knowledge sharing by establishing Communities of Practice throughout the group. These are networks focusing on certain key topics that bring together people with similar tasks or interests on a regular basis. This networking makes it easier for us to activate the potential available in the EnBW group. Knowledge sharing also takes the form of participation in the working groups of professional associations and cooperation agreements with universities and research institutions.

International workforce

EnBW promotes global thinking and action on the part of its employees. One example is the cooperation between EnBW and EDF which involves employees of the two companies often working at the respective partner company or at a foreign subsidiary for several years.

The model of co-recruitment with EDF, which proved successful in the field of nuclear power, is now also being applied to other areas by EnBW and EDF. Two more co-recruitment programmes were launched in 2008 within the EDF group: "connExion" in the field of conventional power stations and "Top Finance" in the area of finance. Once again, EnBW and EDF are pursuing a common target here of sharing knowledge and exploiting synergies.

In early 2008, EnBW and EDF launched the network twinning programme to promote an exchange on the topic of grid technology between executives of the lower and medium management level within the EDF group. The concept of the network twinning programme is the same as that of the leadership twinning programme, which was introduced in the sales and related areas in 2004.

Executives

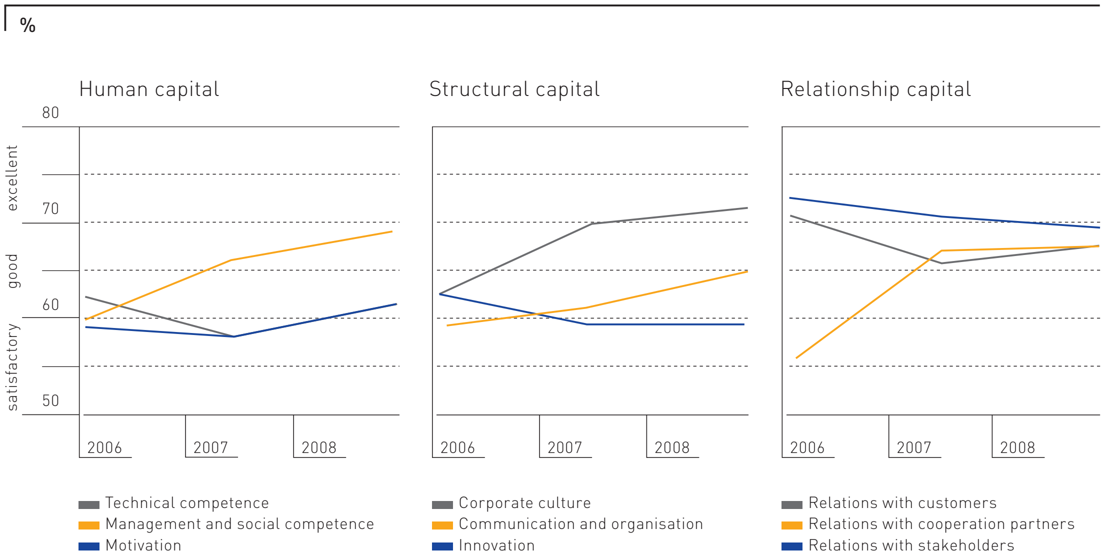
As part of its growth strategy, EnBW reviews existing instruments and processes of management development in terms of their effectiveness and realigns them. The aim common to all activities is to achieve a comprehensive talent management process geared consistently to the corporate strategy. It ranges from the identification, development and advancement of executives to appointments to positions at top management level. This way, job families derived directly from the value added chain can be used to manage resources at management level throughout the group and aid close integration with the corporate strategy. Over the last two years we have added group-wide successor planning and systematic performance management to the tried-and-tested platforms such as the annual management conventions for the assessment of potential and identification of talent. In collaboration with EDF, we have established an international pool of talents.

Student programmes

To complement the many different activities for supporting students, we launched an accreditation programme called "KompetenzKompass – Finde Deinen Weg" (competence compass – finding your way) in 2008. Under this programme in cooperation with the Centre for Cultural and General Studies (ZAK) of the University of Karlsruhe and Linde Material Handling GmbH, EnBW helps to prepare 20 budding engineers, industrial engineers, computer scientists and business graduates for their later careers.

Assessment of our intellectual capital

Development of the factors influencing the intellectual capital of EnBW



Professional management of human, structural and relationship capital, i.e. of our intellectual capital, is a challenge of strategic importance. For this purpose, EnBW has been employing intellectual capital reporting based on the principle of "Intellectual Capital Statement – Made in Germany" since 2005. In a systematic self-assessment process, several employee groups that are representative in terms of the professions and hierarchies of their members assess the factors influencing our intellectual capital. The measures used in the assessment are the quality and quantity of individual factors and their systematic development. This way, we obtain a comprehensive overview of the development of our intellectual capital on an annual, rolling basis[1] and can therefore initiate targeted optimisation measures as required.

The assessments of human, structural and relationship capital have meanwhile clearly exceeded 60% on the scale – a level that we have defined as strategically favourable for us. Overall, the factors influencing intellectual capital are all either classified as "excellent" (70 – 80%), "good" (60 – 70%) or "satisfactory" (50 – 60%) at group level.

The results of the intellectual capital reporting in 2008 demonstrate that the action taken over the past two years has had a positive effect on the development of our intellectual capital.

[1] The intellectual capital statement is prepared on an alternating basis: in years ending with an odd number it is prepared by the companies in the electricity segment and in even years at companies in the gas segment and the service companies. The results of the current year and of the prior year are consolidated in a group-wide summary (comprising the results of the intellectual capital statement at 13 group entities). This alternating approach at segment level is primarily related to the speed of change with respect to improving intellectual capital.

Research and development

Research, development and innovation are of capital importance for the future of energy supply and hence also for the success of EnBW. These factors create the technical conditions for providing sufficient energy in an environmentally compatible, affordable, reliable and safe manner in future. Enhancing the efficiency of energy generation and reducing emissions are at the heart of research and development work at EnBW.

Research and development objectives and guidelines

With the aim of enhancing energy efficiency, EnBW's research and development work covers a wide range of advanced technologies:

- More efficient conventional[1] power stations with lower CO_2 emissions
- International climate protection projects – Clean Development Mechanism (CDM)
- Tapping new energy sources: bioenergy, geothermal electricity
- More efficient electricity grids
- Applied energy efficiency: geothermal heating, fuel cells

EnBW's research and innovation division, which has emerged from the two divisions research and development (R&D) and innovations, investigate s the application of new technologies and methods along the entire value added chain, including their use at customers. This is a holistic approach, designed to cover all options along the road to securing sustainable energy supply.

In view of the fact that traditional sources of energy will still account for the largest share of electricity and heating energy in the medium term, our attention centres on improving the supply of energy generated from these resources, while incorporating the progress made in generating energy from renewables. The emphasis of our activities is placed on achieving higher efficiency levels with the help of new components and procedures and on raising the economic viability of the new technologies.

Efficient research and development structure

Each EnBW entity initiates and realises its own R&D activities in its own area of energy conversion. A relatively small, central research team at the holding company provides them with assistance in producing new ideas, identifying development needs and – where appropriate – rapidly developing demonstration projects. EnBW will continue to work without laboratories of its own, focusing on the last R&D step – the actual innovation: from development to application. Renowned research partners assist us with their expertise in the basic research and development. Together with technology partners in industry and with suppliers, we then apply the new developments on our own premises and at customers and partners of EnBW.

[1] Conventional including thermal and nuclear power facilities.

Expenditure, personnel, results

In 2008, R&D expenditure amounted to € 28.9 million; in 2007 expenses relating to other periods and start-up costs for new products led to expenditures of € 32.4 million.

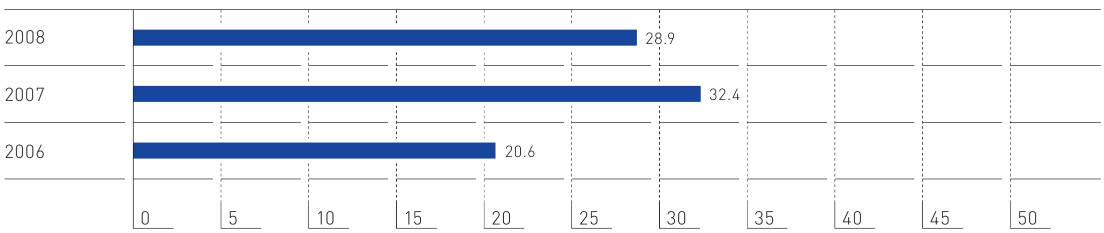
The EnBW group had a total of around 150 employees working in research, development and innovation in 2008. The strategic core areas of R&D and innovation located in the holding company were merged and downsized. Towards the end of 2008, these areas had 19 employees and numerous students, most of whom engineers, scientists or business students. They are supported by some 130 employees throughout the companies who carry out research and development projects in the course of their operational work.

Four EnBW research projects won prizes in the reporting period. In the E-Energy competition hosted by the Federal Ministry of Economics, our MEREGIO approach for the development of model regions with a high level of energy efficiency and minimal CO_2 emissions won government research sponsorship along with five other national entries to the competition. In the Spitzencluster competition by the Federal Ministry of Education and Research, we are participating in a project in one of the five prize-winning clusters with BASF SE to produce the climate-neutral fuel methanol and other basic products by means of a chemical reduction of CO_2. Our bio natural gas pilot facility in Burgrieden near Laupheim was chosen as a "selected landmark" in the "Germany – Land of Ideas 2008" competition. Through technical and conceptual refinements, we have considerably raised the sustainability and cost effectiveness of bioenergy generated by this facility. For 2009, the "Land of Ideas" has already chosen CO_2 capture using microalgae, a system that we have been exploring with our partner Subitec GmbH in the Freudenstadt district since early summer 2008.

In connection with our research projects, inventions in the areas of renewable energies and smart electricity systems gave rise to more than ten patent applications in 2008.

Research expenditure EnBW group

in € millions



Incorporating external know-how

The most important external research and innovation partners are the universities, colleges and research institutes in Baden-Württemberg, in particular in Hohenheim, Karlsruhe and Stuttgart. Further afield, close ties also exist to universities and research institutes in Aachen, Berlin, Cologne, Cottbus, Darmstadt, Düsseldorf and Munich.

In 2008, EnBW successfully extended its cooperation with the European Institute for Energy Research (EIfER) founded in 2001 by Electricité de France (EDF) and the University of Karlsruhe to a total of 29 joint projects. Topics include the local generation of energy, energy technology for conurbations and climate change. As part of this cooperation, for instance, we are assessing the impact of climate change on water levels and temperature of the river Rhine, and in 2008 we refined the geothermal heating system with auto-circulating CO_2 heat pipes – successfully tested in Triberg in the Black Forest since 2007 – to keep roads free of ice without use of any energy.

Selected research and development results

Increasing efficiency in traditional power generation

One condition for further improving the utilisation of fuel cells is an increase in the steam parameters: pressure and temperature. For many years, EnBW has been involved in leading technology projects for qualifying and testing new materials for coal power stations that use steam temperatures of over 700 °C; these included test facilities in Esbjerg/Denmark and the Scholven power station in Gelsenkirchen/Germany. In 2008, another pilot project was launched with the participation of EnBW at the large-scale power station in Mannheim to assess the long-term development of the materials properties with a view to obtaining authorisation for use of such components in future.

In the course of specific R&D projects in the EDF group, aimed at the technical capture of CO_2, EnBW is working on post-combustion processes. Our activities focus on reducing the high level of energy needed for the capture. Together with the University of Stuttgart, we are planning to construct and operate a pilot plant at the University of Stuttgart by 2011, which uses ordinary lime as a carbon dioxide carrier. This method aims to reduce the loss of efficiency of the power station caused by the capture from a current level of 12% to around 5%. The development of the carbonate looping process gives EnBW a lead in this technology for energy-efficient carbon dioxide capture. Besides these projects, we are involved in further developments relating to flue gas cleaning, also outside Germany. In cooperation with the Jülich research centre, we have broken new ground in the development of gas-selective membranes. Such membranes were tested for the first time in August 2008 in flue gas at the Karlsruhe thermal power station. If successful, this process would be a further simple and low-loss method of capturing carbon dioxide.

In 2004, the two German states Baden-Württemberg and Bavaria launched the "Power Stations of the 21st Century" initiative together with academia and industry in a bid to improve the environmental compatibility, supply reliability and economical viability of coal power stations. The first phase with a volume of € 12.7 million spent on a total of 37 projects was successfully brought to a close in 2008. Our plants in Karlsruhe and Altbach, for example, were able to save fuels and operating resources for flue gas cleaning once the combustion processes had been optimised in close cooperation with the University of Stuttgart by means of innovative computer technology.

Nuclear power

For many years, EnBW has been involved in nuclear power research in Germany through joint ventures coordinated by the professional association VGB Power Tech. In 2008, we supported 150 projects, most of which spanning several years, of leading national and international institutes and facilities. Around 30 projects were successfully completed in the first half of 2008. Some 40 new projects were launched around the same time. The majority of these projects relate to current issues of optimising the operation of power stations. EnBW funded twelve grants for doctorates in 2008 with a view to retaining and expanding know-how in the field of nuclear energy.

Tapping new energy sources

We made good progress in 2008 towards our aim of generating electricity from geothermal power. Pilot operation of the electricity generation facility in Soultz-sous-Forêts has begun. In Bruchsal, our facility is soon to start generating electricity. Its foundation stone was laid in January 2008 and work on the above-ground power station was finished in autumn. Then, however, supply bottlenecks for the thermal water system caused some delays. In Basle, investigations are still ongoing to clarify the causes of the seismic events that occurred as water was pressed into the drill hole in late 2006.

For the first time since the commissioning of our subsidiary Erdgas Südwest's processing plant in Burgrieden near Laupheim in May 2008, processed biogas is being transmitted to customers via the natural gas grid as scheduled. The pilot project is the result of a long-term cooperation concept for the supply of biogas. It provides farmers with a guarantee for the sale of part of their production and for the energy industry it means supply reliability at a reasonable price. State-of-the-art technology is to be used in Laupheim in order to refine even more biogas to produce natural gas, thus reducing the costs of generating and feeding in bio natural gas. Another area of research is exploring ways of generating additional electricity and heat from the residual gas after gas cleaning for the purpose of heating the fermenter.

The inspections relating to the possible construction of a tidal power station on the German North Sea coast have been completed. The conditions for viable operation, especially the wave height required, were not found at any of the potential sites. Plans for an adiabatic compressed-air energy storage plant, which would allow the electricity generated from wind energy to be stored in a highly efficient form in north-German salt domes, have been shelved for the time being. Despite all our efforts, we have not been able to win a manufacturer to develop the special components such as air turbines or high-performance compressors. However, EnBW will continue to pursue the idea in cooperation with other operators in an attempt to analyse the technical and economic feasibility of such electricity storage options. Two large plant manufacturers are currently both performing feasibility studies independently of each other. Their results are expected for the first half of 2009.

In November 2008 EnBW celebrated the commissioning of Germany's first near-surface geothermal network in March/Kaiserstuhl. This innovative supply solution for new housing estates uses geothermal heat for heating and cooling purposes on the basis of central ground water wells and local heating pumps.

Local generation of energy

In December 2008, we created a research platform for local generation of energies in cooperation with the German Aerospace Centre (DLR) in Stuttgart. Several projects are to start in 2009 to develop new concepts and components for the local generation of electricity and heat on the basis of conventional and alternative fuels, also including for example biomass.

International climate protection projects/CDM

Further progress was made on the Clean Development Mechanism (CDM) project involving the cultivation of jatropha plants in Madagascar to obtain CO_2 allowances and produce biofuel. A planting area of some 500 ha had been realised by the end of 2008.

Grids

Since 2002 EnBW and international partners at the Swiss Federal Institute of Technology Zurich have been investigating the mechanisms triggering noises in the power lines caused by wet weather and measures to reduce the noise. The triggering mechanism has now been analysed scientifically and possibilities for reducing the noise have been developed. In August, a hydrophilic line coating was applied to one of EnBW's 380 kV power lines. It has reduced adhesion of rain drops and considerably improved the noise in wet weather. This field test is intended to demonstrate whether this approach can in future serve as a cost-saving alternative and be applied to extra-high-voltage lines where licences for any construction-related changes are difficult to obtain. These research activities and the 380 kV field tests make EnBW a forerunner in the field of noise reduction on high-voltage lines.

Applied energy efficiency

In October 2008, EnBW launched the MEREGIO (Minimum Emission Regions) project together with ABB, IBM, SAP, the University of Karlsruhe (KIT) and other partners. This project, sponsored by the Federal Ministry of Economy's E-Energy programme, is pursuing the aim of establishing a model region over the next four years in which the local energy producer, intelligent end devices as well as stationary and mobile energy storage facilities are connected using electronics and data technology to create a smart grid. To this end, the functionality of EnBW's intelligent electricity meter is being refined and will be installed at 1,000 final customers in the model region from mid-2009 onwards. Together with the newly implemented market platform, the intelligent meter forms the basis for the development, simulation and testing of new energy efficiency products and services. The MEREGIO project will also apply dynamic rates from our "price signal at the power socket" concept. The aim pursued by EnBW is to permanently reduce carbon dioxide emissions by means of interactive involvement of the final customer and to identify new business models. A certification scheme to be developed in the course of the project will document the success of the optimisation measures.

We have seriously stepped up our nationwide programme to promote the testing of fuel cells for residential energy purposes. A further 222 fuel cell heating devices are to be installed in Baden-Württemberg by 2012 as part of the federal government's CALLUX lighthouse project. EnBW is investing around € 10.5 million. Since the programme was launched in December 2001, we have already installed 28 fuel cells involving different technologies, manufacturers and performance classes at customers and partners. They include the first facilities installed under the CALLUX programme in August and September 2008 in Walzbachtal near Karlsruhe and in Dettingen in the Reutlingen district. The aim is to actively promote serial use in future of this environmentally friendly form of energy supply and to develop new business models in the field of local generation of energy.

Risk management

In 2008 we developed the EnBW risk management system further by adding a concept for the aggregation of risks and introducing a group-wide credit risk management system. Competition and market risks were on the increase in 2008. There were no risks to the group's ability to continue as a going concern.

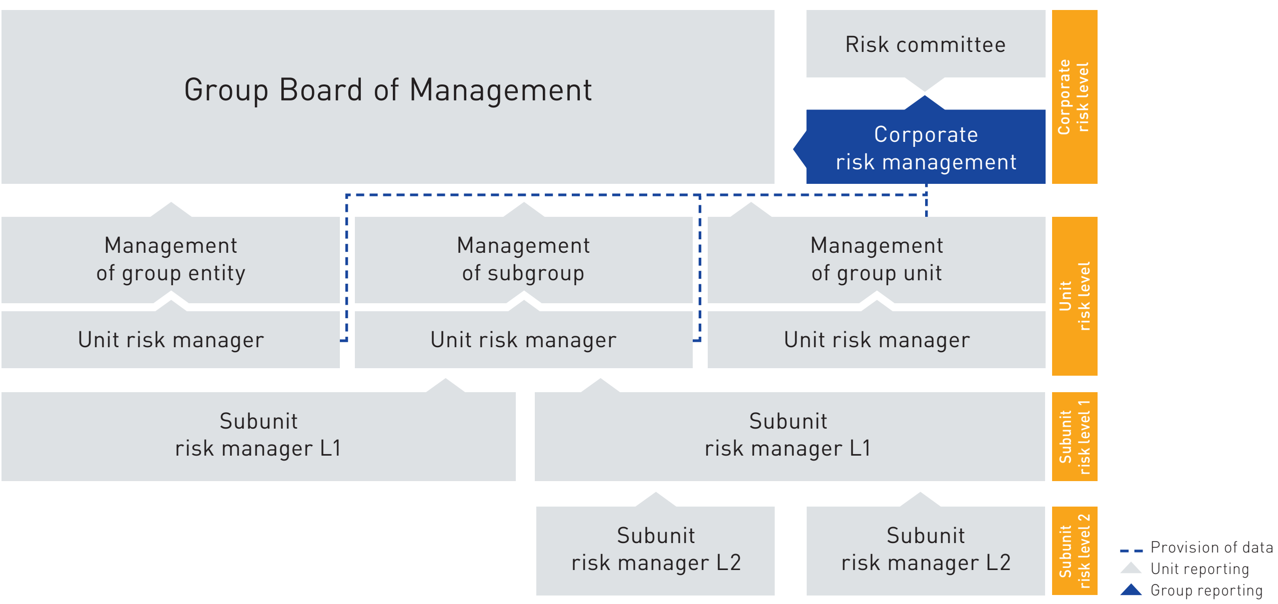
Principles

In the EnBW group, a risk is defined as a potential loss of income or assets arising from possible risk scenarios. Possible risk scenarios are events that either can basically be planned, but are still subject to chance or that are not foreseeable. In accordance with this definition of risk and the objective, we define risk management in the EnBW group as the proactive and preventative process of managing risks. This includes risk identification, risk analysis and assessment, an early warning system, risk management as well as risk documentation and reporting. Risk management measures are measures to avoid, reduce or transfer risk, to make provision in the balance sheet for risk or accept the risk. Generally, the observation period analysed by risk management is the medium-term planning horizon. If required, we naturally also include risks beyond that period. Opportunities for the EnBW group are commented on in the forecast report.

Structure and process

Our risk management is divided into central and local units. At the level of the holding company, the group's risk management prescribes group-wide methods and processes. It is also responsible for the risk reporting to the group's Board of Management.

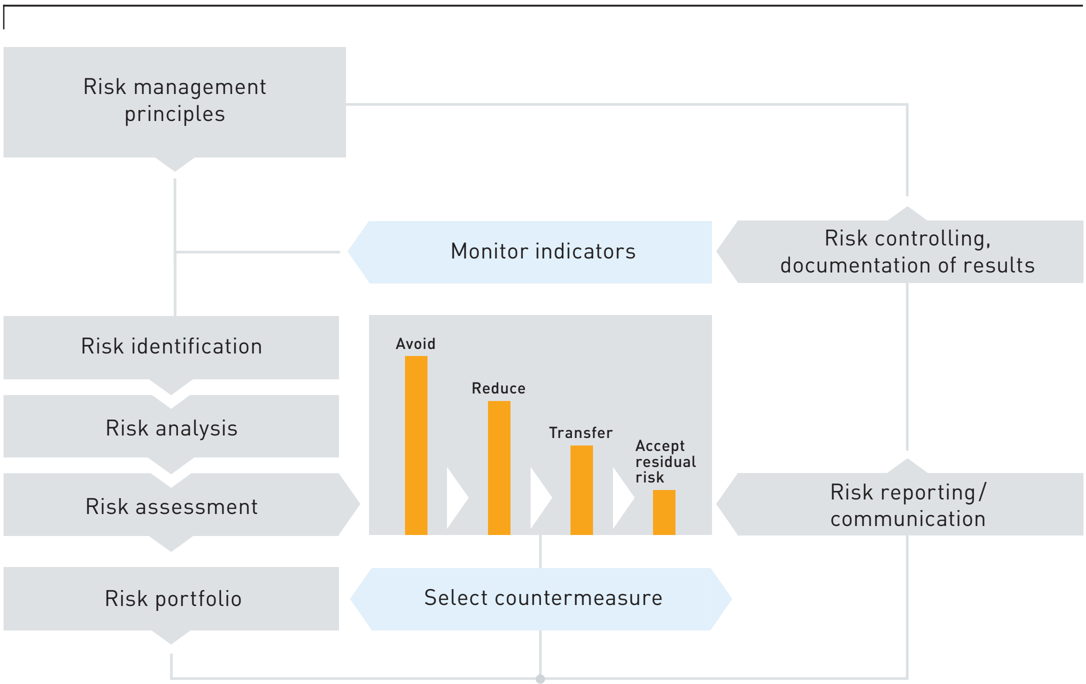
Structure



The structure at group level is rounded off by an interdisciplinary risk committee that addresses questions and issues relating to risk management from various group perspectives and is responsible for the quality of the group's risk report.

Our risk management process is integrated in the operational processes of our companies and at the level of the holding company as a continuous procedure. The process comprises risk identification, risk analysis and assessment, monitoring early warning indicators and risk management in various forms as well as ongoing reporting.

Process



A standardised risk report is issued each month. In 2008 we tackled the issue of credit risk management at group level. A mandatory system was introduced for uniform credit risk assessment throughout the group and has been rolled out at the first group entities. Furthermore, we appointed a monitoring group comprising representatives of the group entities and the holding company to monitor and manage credit risk at group level. The reporting process was expanded to include monthly credit risk reports to the Board of Management. This ensures both the necessary depth of information on the risks in the specialist areas of responsibility as well as the breadth of information at the level of the group's Board of Management and Supervisory Board.

The purpose of the risk aggregation concept is to assess risk-based changes in the group's earnings figures by means of simulation. Detailed analyses reveal material effects on earnings indicators and provide information relevant for steering the company. The concept that was introduced this year and will be continually developed complements the risk assessment scheme used to date, which was primarily based on risk assessments and reporting on individual risks. The risk assessment at group level is refined by the consideration of portfolio and correlation effects. This new concept allows group planning results to be validated on an ongoing basis from a risk perspective.

During the fiscal year 2008 the group-wide risk management intensified cooperation and close networking with other group management systems, above all planning and accounting, crisis management, group security and group internal audit, and played an important role in the internal control system. In this context, new emphasis was also placed on fraud risk management, which is designed to identify actions that are detrimental to the business at an early stage and effectively prevent any such actions. To match our growing spheres of responsibility, we consistently develop the professional expertise of our employees at regular workshops and information events.

Strategic risks

The aim of our group strategy is to safeguard our existing business and exploit growth potential. Extensive capital expenditures of several billion euros have been earmarked for this purpose in the next few years.

As with any business enterprise, EnBW's growth drive involves certain risks. Development opportunities always harbour the risk of a potential loss of income. In general, the latter arises from a misinterpretation of customer requirements and framework conditions as well as technological misjudgements. In implementing strategic projects, there is also a risk that the phase of economic viability may not be reached at all or with a delay.

EnBW is planning the construction of offshore wind farms and for this purpose has acquired two companies that hold the rights to four offshore wind farm projects at varying levels of development. In connection with further project development and implementation, the planned investments may, among other things, give rise to approval, engineering, procurement market and technology-related risks. If these cause delays, for instance, they could adversely impact their economic viability. The resulting risks are monitored on an ongoing basis and taken into consideration in the decision-making process.

Systemic and industry risks

Economic risks

Allocation of CO_2 emission allowances

The German Allocation Act 2008 – 2012 (ZuG 2012) as well as the related Allocation Decree (ZuV 2012) came into force in August 2007. They regulate the distribution of the CO_2 volumes defined in the National Allocation Plan (NAP) II. EnBW is not exposed to any risk in this respect, as the allocated allowances and those that need to be obtained have been included in the planning. However, there is uncertainty regarding the form the allowance allocation process will take for the third allocation period from 2013 onwards. The concept of auctioning off all allowances as discussed to date is currently the target of criticism. We will continue to monitor future developments, but cannot yet assess the economic implications.

The CO_2-related market risk in the procurement and use of the allowances is managed uniformly throughout the group as part of the integrated risk management process. In addition to European allowances, international allowances from the project-based mechanisms defined in the Kyoto Protocol (Clean Development Mechanism and Joint Implementation) are used. Most of these allowances are acquired on the secondary market, but some are obtained directly from the project owner on the primary market. To optimise procurement in the sense of an extended value added chain, EnBW decided in 2008 to expand procurement activities and venture further into the primary market. Plans are to generate up to 2.5 million allowances per year from the company's own projects on the primary market by use of renewable energies and energy efficiency measures.

Development of the economy

The federal government and economic research institutes have forecast an economic downturn for the coming year. On account of the reduced production levels already announced by various industries in 2008, this could lead to a drop in the demand for electricity and gas. In conjunction with a potential demand-related fall in the price of energy, this could result in a risk of declining profit margins for final customers.

A deterioration of the economic situation at customers and trading partners could also increase the risk of defaults on payment. This would be exacerbated if, as a direct consequence of the financial crisis, loans could no longer be obtained on the same scale.

Market development

Almost all assets and transactions of our group entities in the areas of generation, trading and distribution are exposed to market price risks. The valuation and management of the profit or loss potential arising from changes in market prices are among the main tasks of our risk management. Our risk management and risk controlling are based on best practices and are adapted to reflect market developments on an ongoing basis. EnBW Trading GmbH (ETG) has voluntarily committed to comply with the minimum requirements for risk management (MaRisk) prescribed for financial service providers. On a daily basis, ETG's risk controlling records market price fluctuation and credit risks, compliance with the limits and earnings measured against current market prices. ETG secures the net profit of the group by hedging the energy price risks on the forward markets at an early stage. The concept underlying the hedging strategy also contains the use of opportunities. The central body of our risk management is a risk management committee in which various group entities along the value-added chain and the group's holding company are integrated. The core business of ETG is to market our own generation products, primarily via the wholesale market. Through risk management in the sales function EnBW ensures that the anticipated sales volume is available. The risk management for our electricity generation provides in particular for financial security in the event of falling electricity prices and rising prices for fuel and emission allowances. ETG generally hedges currency risks from the purchase of fuels which are traded in foreign currency. Opportunities which result from the flexibility of our power stations are used by continuous optimisation of current market prices. In order to generate additional income, ETG uses its know-how on the energy markets to manage the risks as well as for trading for our own account.

The following significant market price risks are inherent in market development:

In the context of our energy trading activities, the EnBW group enters into energy trading contracts for the purpose of price risk management, optimisation of power stations, burden equalisation and optimisation of margins. Trading for own account is only permitted within narrow, clearly defined boundaries. The price risks mostly arise from the procurement and sale of electricity, the procurement of coal, gas and oil as fuels and the procurement of emission allowances. Furthermore, the EnBW group is exposed to price risks from speculative items entered into in own-account trading. The price risks are hedged using appropriate financial instruments on the basis of continuously monitored forecasts of market prices. The hedging instruments used in the reporting period were forwards, futures, swaps and options. As of 31 December 2008, the nominal value of all energy derivatives totalled € 34,759.6 million. The market value of all energy derivatives as of the same date was € -142.4 million.

The EnBW group has exposure to foreign currencies from procurement and hedging of prices for fuel needs, as well as gas and oil trading. In addition, the EnBW group has currency risks arising from liabilities denominated in foreign currency. The currency risk is hedged with the help of appropriate financial instruments – in the reporting period forward exchange contracts in particular – on the basis of continuously monitored exchange rate forecasts. The EnBW group principally has exposure from US dollars and Swiss francs. The net assets tied up at foreign group entities outside the euro zone and the translation risks are only hedged against exchange rate fluctuation in exceptional cases. EnBW AG is mainly exposed to currency risks from liabilities denominated in Japanese yen and Swiss francs. These are mostly hedged using suitable financial instruments, including swaps.

The EnBW group and also EnBW AG use interest-sensitive financial instruments in order to meet the requirements of operational and strategic liquidity management. Interest rate risks therefore only stem from floating-rate instruments here. On the assets side, there is interest exposure from bank balances and on the liabilities side from floating-rate liabilities to banks. In addition, there are interest rate risks from derivatives in the form of swap transactions. For the EnBW group and EnBW AG, these risks are mainly in the euro zone.

The nominal volume of interest and currency derivatives amounted to € 2,828.9 million as of 31 December 2008. These derivatives had a total market value of € 33.0 million.

Energy for compensation of losses

Our grid companies have to purchase on the market the energy lost during transmission through the networks. While the amount of energy lost can be estimated quite accurately based on past experience, the market prices for purchasing from other sources are highly volatile. The risk for us is that these purchase costs may exceed our budgeted prices. Due to the level of prices at the time of procurement, in 2008 for example EnBW Transportnetze AG (TNG) could obtain energy to compensate for energy lost only at prices in excess of our budgeted prices.

Political and regulatory risks

Regulation of network user charges

In 2008, the Federal Network Agency approved only around 75% of the network user charges for which our network companies had applied, both in the electricity and in the gas segment. The risk of a reduction of the network user charges hence became reality in the past fiscal year. The charges approved for 2008 form the basis for the network user charges for the years 2009 to 2013. Another factor influencing future charges is the efficiency classification of the grid companies. For inefficient companies, a deduction is made from the approved network user charges. The Federal Network Agency has classified our electricity grid companies as being highly efficient and well above the average efficiency of 93.6% at a national level. Efficiency in excess of the nationwide average was also confirmed for our gas grid companies.

In the context of regulation of network user charges, the Federal Court of Justice (BGH) passed a ruling on an existing risk. In November 2005, the German Network Access Ordinance had come into effect. Approval of the charges for the first time in 2006 already led to a reduction in relation to the charges previously levied. It was not clarified whether retroactive absorption of surplus revenues was permitted for the interim period. On 14 August 2008, the anti-trust senate of the Federal Court of Justice then ruled that the principle of absorption of surplus revenues was lawful. Accordingly, EnBW will also have to bear an expense equal to the surplus revenue generated. It will presumably be offset against future network user charges.

Abuse proceedings relating to balancing energy

The Federal Network Agency has initiated abuse proceedings against the transmission system operators (TSOs) in Germany. The object of the proceedings is the balancing energy purchased by the transmission system operators. The four balancing zones in Germany are controlled separately and, as a result, may use balancing energy in a contradirectional non-harmonised manner. From the appellant's point of view such contradirectional non-harmonised use of balancing energy should be avoided. The transmission system operators feel that the current practice is in compliance with the law and the technical necessities to guarantee a stable network. Should the Federal Network Agency find this practice abusive, there is a risk that some of the costs incurred for balancing energy since 2006 by our transmission system operator, TNG, might not be recognised and not taken into account in future network user charge periods.

Renewable Energies Act

The German Renewable Energies Act (EEG) regulates the purchase and payment of electricity generated from renewable energy or energy sources eligible for subsidies as defined by the legislature. As a rule, EEG energy costs more than market prices. The additional costs that arise as a result are passed on to the end user via the network level and distribution companies in a multi-stage indirect allocation process. The income of various group entities is, however, exposed to risks.

As transmission system operator, TNG has to provide the end supplier with "converted" EEG energy as a pre-defined, constant supply and in return accept part of the actually generated EEG energy that is subject to fluctuation. The energy volume provided by TNG as a constant supply is determined by the forecast feed-in volume of EEG energy. If the EEG energy actually generated varies from the forecast feed-in volume, surplus quantities have to be sold or missing quantities procured. The wind energy feed-in is particularly problematic. There is an income risk here for the fiscal year 2009 if the volume fed in varies from the forecast and also if changes in market prices occur.

Companies supplying retail customers have to purchase a proportion of the EEG energy based on their sales volume. If the quantity to be absorbed, or the prices for it, are higher than forecast, this pushes up the price of procuring energy. Because the higher procurement prices cannot be passed on to every customer group on a timely basis, this leads to a risk. When supplying energy to the sales functions, the adjustments in the course of the year of the EEG quantity to be absorbed may also give rise to risks. It may be necessary to sell the surplus quantity after the adjustment at market prices which are below the prices forecast.

Amendment of the Renewable Energies Act

The lower house of the German parliament enacted an amendment of the Renewable Energies Act (EEG) on 6 June 2008, which came into effect on 1 January 2009. The major changes from a risk perspective are the introduction of direct marketing possibilities and the authorisation of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety to replace the physical transfer of electricity from subsidised sources by a financial transfer. Direct marketing will make it even more difficult to forecast how much EEG energy will have to be delivered to the sales functions. In particular if market prices are high, the volume of EEG electricity can be expected to be low. This means that where the EEG electricity expected at the time of entering a contract for delivery was included in the calculation (net procurement), additional electricity will need to be procured subsequently. The market price payable could potentially be higher than the original procurement prices for deliveries in 2009. In the case of fixed-term contracts providing for direct transfer of the EEG costs to final customers, these costs could not be passed on. Regarding contracts without direct transfer of EEG costs, it may not be possible to pass on the subsequent procurement costs for competitive reasons. In the event of transition to a purely financial transfer, EEG deliveries to the sales functions would no longer take place and the EEG subsidisation would be collected via a general, fixed EEG cost allocation charged on the electricity consumption. Once in place, this approach would ultimately reduce risks. During the transition phase, however, subsequent procurement as described above could lead to sales risks, especially if EEG deliveries were to cease completely as of a certain date. Transitional provisions, including for example a fixed, constant supply, could give rise to new risks for TNG. During and after transition to financial transfer, there is a further regulatory risk for the transmission system operator that the EEG cost allocation may not cover all costs incurred.

Act against Restraints on Competition

Enactment of the amendments to the German Act against Restraints on Competition (GWB), and specifically the new Sec. 29 GWB, has widened the anti-trust authorities' possibilities to regulate competition in the gas and electricity markets. Investigations into abusive gas prices by the anti-trust authorities also affect entities in the EnBW group.

Third European energy liberalisation package

On 19 September 2007, the European Commission presented a proposal for the third energy liberalisation package. The aim pursued by the Commission with this package of laws is to promote competition on the European electricity and gas market. As an alternative to the previous unbundling scenarios, the "third way" has been put forward for discussion in the legislative process. According to this proposal, the grids would still be owned by the energy supply companies, but transmission system operators would need to be more independent. The various possibilities are now to be debated by the Council. The specific consequences for the EnBW group cannot be assessed at this stage of the process.

Operating risks

The production processes along our value added chain require complex and highly specialised technical equipment. We make every effort to avoid damage to our plants and minimise downtimes. To manage internal risks, we use cutting-edge technology, maintain our plants properly and train our staff. Despite the high standards, it is not possible to rule out risks completely. Risks due to external factors are more difficult to ascertain, as external effects tend to impact our processes very rapidly and unexpectedly. We counter such risks through operational measures.

The economic effects of operating risks are minimised, among other things, by taking out insurance. Every year, we analyse the effectiveness of our insurance cover and any additional requirements to guarantee that we are adequately insured should damage to property occur. We select the amount of the deductible based on what makes economic sense. Business interruptions, depending on how long they take, can significantly impact the operations of the group.

Power station dismantling

Long-term and complex large-scale projects such as dismantling Obrigheim power station generally involve exposure to risk. In this respect, the focus is on technical and regulatory risks in addition to market risks. These may cause budget overruns or delays. The project plan is currently being reviewed on the basis of the First Closure and Dismantling Permit (1. SAG) issued on 28 August 2008 that prescribes deadlines and budget. As know-how is acquired, it is entered into knowledge management systems to ensure that this information is available for future restoration projects.

New power stations

EnBW is in the process of building the new RDK 8 power station unit. The permit required under German immissions law was issued by the Karlsruhe authorities on 9 May 2008. The permit under water law issued by the Karlsruhe authorities was made available on 29 October 2008 and is now final and conclusive.

Investment projects of this scale and complexity are generally also exposed to risks relating to quality, cost and deadlines.

Renewal of municipal franchise agreements

A franchise agreement is an arrangement between a municipality and an energy supply company. It grants the energy supply company the right to lay and operate lines on public roads in order to supply end consumers in the district directly. In return, the municipality receives a franchise fee. Upon expiry of a franchise agreement, the municipalities have the right to commission other energy suppliers to operate the network, who then buy the network from the previous network operator. In the supply territory of EnBW and its major shareholdings, a large number of electricity and gas franchises will have to be renegotiated in the next few years. Some 740 franchises will expire by 2012. The loss of a franchise territory would involve a loss of income. EnBW entities have prepared for the new negotiations, among other things by means of active franchise management. In 2008, 220 franchise agreements were renegotiated and concluded. Despite keen competition from the public utilities, the EnBW group was able to secure virtually all the franchises. It is not possible to forecast to what extent the regulation of network user charges will impact the upcoming franchise negotiations.

Status of franchise negotiations in the EnBW group

Franchise agreements concluded in 2008		
Electricity	existing	159
	new	0
Gas	existing	62
	new	2
Franchise agreements expiring between 2009 and 2012		
Electricity		580
Gas		165

New ice load map

The German Commission for Electrical Engineering (DKE) plans to introduce an ice load map for high and extra-high-voltage networks. Irrespective of the actual condition of the networks, the technical requirements for pylons and overhead lines for ice load bearing capacity are defined based on geographical elevation. The DKE published a draft standard on 28 January 2008; REG and TNG have filed an objection within the period allowed. We cannot currently estimate the economic effects of implementation of the ice load map.

Technical and economic risks from mechanical-biological waste disposal plants

In the course of implementing the plans for the closure of Buchen mechanical-biological waste disposal plant as ordered by the Karlsruhe authorities, a review was carried out under the German Water Resources Act on the potential impact of the plant on the environment. This review revealed that the plant had leaks. The concentration of harmful substances found in the subsoil of the plant in the course of the hydro-geological investigations, however, are within the range permitted by the Federal Soil Protection Act. There seems to be proof at this stage that the leak is attributable to faults in the construction of the plant. This means that the proceedings pending before the district administration can be closed and the decommissioning process can continue.

IT risks

Communication and information systems are of capital importance for business processes. Accordingly, high priority is given to avoiding malfunctions in the IT networks and applications and supporting the implementation of processes in the best possible way.

We minimise our IT risks by means of high security standards. The EnBW group principles for security in information and communication technology (EKSIT@), an integral part of those standards, are a group-wide, binding set of rules for the use of our information and communication systems. Special importance is attached to the aspects IT security, data protection and data security.

Applications in the IT network are protected according to their significance and the assigned level of protection. Service level agreements require the IT service providers to guarantee that the requirements are met. The assessment of the IT risk makes it possible to compare the present situation with the protection level assigned and, if necessary, to identify action for the refinement of the IT systems to achieve the security required. The ongoing analysis and evaluation process involves IT managers as well as risk managers and is accorded high priority.

Personnel risks

There is a remuneration risk stemming from collective wage agreements compared to budgeted personnel expenses. The 2008 collectively bargained agreement fixes employee remuneration until March 2009. New collective bargaining agreements are expected for the period thereafter. The uncertainty concerns the amount and term of the collectively bargained wages and salaries in the planning period.

In addition, there is a risk that the human resources needed for the business development may not be available at the expected terms and conditions. The measures taken to counteract this risk include internal personnel development and the positioning of EnBW as an attractive employer.

Financial risks

Counterparty risk

Counterparty risks arise above all from unsecured receivables due from trading partners and customers. On the energy exchanges such as EEX or ICE, clearing and margining are used to exclude the risk of counterparty default. Margining agreements with our trading partners involve the provision of collateral for existing receivables, thereby actively limiting the counterparty risk from the business relationship and keeping it to a reasonable level. For trading partners, we define credit scope on the basis of their credit standing. We determine counterparty risks regularly and monitor adherence to the credit scope. ETG generally enters into transactions on the over-the-counter market on the basis of master agreements, as published by the European Federation of Energy Traders (EFET), the International Swaps and Derivatives Association (ISDA) or the International Emissions Trading Association (IETA), for example. One counterparty default event on the trading side was the insolvency of Lehman Brothers Inc., but exposure was relatively minor thanks to a margining agreement and related collateral.

Financing and liquidity risks

Liquidity/financing

Owing to our stable financing with own funds and the contractually finalised lines of credit, EnBW was able to cover its funding requirements at all times in the fiscal year 2008, despite the difficult conditions on the capital market. The difficult situation mainly translated into increased borrowing costs with respect to upcoming refinancing and new borrowings. From today's perspective, we expect this trend to continue in 2009.

Asset management

As in the past, in allocating our funds we attach particular importance to good credit rating and high marketability of our investments as well as to a broad diversification. This conservative strategy will be consistently pursued in 2009. The value at risk determined per security as of the balance sheet date is € 107 million (95%/10 days).

Other risks

Legal risks

Our entrepreneurial activity brings with it a series of legal risks from our contractual relationships with customers and business associates and from regulatory developments. In the operating business, the main risks relate to the pricing of energy supplies (in particular Secs. 315, 307 German Civil Code (BGB)), user network charges (Sec. 315 German Civil Code (BGB)) and the conditions for network usage and power plant operation.

The Federal Court of Justice (BGH) issued rulings relating to price escalation clauses in 2008, which affect EnBW companies directly and indirectly. In some parts, the rulings are still open to interpretation and some related other cases are still pending. It is currently not possible to estimate the effects on the group. Besides civil law disputes with business associates, anti-trust and regulatory measures play a role here. Particular mention should be made of the anti-trust pricing reviews under Sec. 29 German Act against Restraints on Competition (GWB), in which the anti-trust authorities are focusing on the gas sector. Risks from the regulatory environment increased considerably in 2007 and 2008. Court cases and other legal disputes are mainly in the civil law area. However, there is litigation in the area of public law (for example, transfer of electricity quantities) that has great economic significance.

Adequate risk provisioning has been made with the approval of the departments concerned and the legal department.

Overall assessment

By refining methods and tools, we are able to present the risks of the group and their economic impact in greater detail, thus improving the risk management process still further. Overall, there was a considerable increase in political and legal risks in the reporting period 2008. Most of the regulatory risks associated with incentive regulation have in fact materialised. The risk of a sustained decline in income due to competitive and market risks is growing rapidly.

In 2008, the credit risks triggered by the banking crisis in the United States and Europe played a major role. The credit risks that became apparent in the third and fourth quarter in the course of the persistent disruptions on the financial markets only had a limited negative effect on EnBW thanks to the effective risk management system.

We seek to use operational and accounting measures to reduce the risk potential for the group. Provisions and impairments in the accounts allow for risks where the probability of occurrence is high. Current forecasts reflect the risk situation in the current fiscal year.

In 2008, there were no discernable risks to the continued existence of the company either from individual risks or from the overall risk position of the EnBW group.

Risk management system

In 2008, the group risk management function again informed the EnBW Board of Management and the management of the group companies and other consolidated entities of the current risk situation in detailed quarterly reports and monthly risk change reports. Where unforeseen risks occurred, we provided decision-makers with ad-hoc reports. The EnBW Board of Management in turn provided the EnBW Supervisory Board with detailed quarterly reports on the group's current risk situation. In accordance with the German Corporate Governance Code, the audit committee dealt at its meetings with risks which can have a significant influence on the financial position, net assets and results of operations of the group.

The risk management system within the group and at the individual entities is regularly reviewed by the internal audit function as well as the independent auditors – both in terms of compliance with legal requirements and also in terms of the way it works and how effective it is. The group internal audit and the independent auditors have confirmed the suitability of our early warning system for the detection of risk and the risk management system to recognise major risks and attested it a high quality standard.

Overall assessment of the economic situation of the group

The EnBW group continued to improve its economic situation in the past reporting period. It provides a sound basis for the consistent pursuance of its growth-oriented corporate strategy.

The course of business in 2008 led to a considerable increase in the operating profit at group level, principally driven by the largest segment, electricity. EnBW has reinforced its position as Germany's third-largest energy supplier. Nonetheless, EnBW is facing an increasingly competitive environment and regulatory uncertainties. Our investment programme is designed to meet these challenges and enable the group to enjoy sustainable growth. The future efficiency of the EnBW group is to be enhanced in a sustainable fashion by our !mpuls programme.

The investment programme is funded by cash flows as well as the use of non-current financial instruments – as exemplified by the successful issuance of EnBW bonds, even in the present difficult market environment. The group's financial scope additionally includes previously unused further financial instruments of € 3 billion. The current ratings of the company are still in the targeted A region, accompanied by a stable outlook. The financial position of the group is sound. The strong operating performance of the EnBW group will still allow us to distribute a high dividend to our shareholders in future without touching the substance of the company.

Given the anticipated recession, however, the economic situation may also deteriorate for EnBW in future. Such a deterioration may be brought about in particular by a decrease in unit sales in the electricity and gas segments as a result of the overall economic situation. Any further impairment of our financial assets or defaults on payment by our business partners could also have a negative impact on EnBW's economic situation.

Remuneration report

The remuneration report contained on pages 202 – 208 of the corporate governance report is an integral part of the management report. The remuneration report summarises the principles applied to determine the remuneration of members of the Board of Management and explains the structure and amount of the board remuneration and the remuneration of the Supervisory Board.

Subsequent events

There were no events after 31 December 2008 which would be significant for assessing the net assets, financial position and results of operations of EnBW.

Disclosures pursuant to Secs. 289 (4), 315 (4) German Commercial Code (HGB) and explanatory report of the Board of Management

In the following, the Board of Management provides the information prescribed by Secs. 289 (4) and 315 (4) German Commercial Code (HGB) and explains this in accordance with Secs. 120 (3) Sentence 2 and 175 (2) Sentence 1 German Stock Corporations Act (AktG).

Composition of subscribed capital

The subscribed capital of EnBW amounts to € 640,015,872.00 and is divided into 250,006,200 no par value registered shares with an imputed value of € 2.56 each.

Restrictions relating to the voting rights or transferability of shares

Dated 14 April 2008, Electricité de France (EDF) published the 2007 reference document issued for the French financial market supervisory authorities in which it informed the financial markets of the agreements made between EDF and Zweckverband Oberschwäbische Elektrizitätswerke (OEW). In a shareholder agreement dated 26 July 2000, the two main shareholders EDF and OEW agreed on the ownership of rights and the coordination of their exercise, as well as the capability of the shareholders to exercise influence. According to this agreement, EDF and OEW will use the voting rights from their shares uniformly after prior consultation in a shareholders' committee which is to be set up by them. EDF and OEW will, in particular, suggest candidates for the election of shareholder representatives on the Supervisory Board and will seek to use their votes to have four members based on the EDF suggestion and three, including the chairman of the Supervisory Board, based on the OEW suggestion. In addition, the parties to the shareholder agreement want to use their influence to appoint a member of the Board of Management based on EDF's suggestion.

In the shareholder agreement, EDF and OEW have also imposed restrictions on the transfer of EnBW shares. OEW may only sell restricted shares (= 25.005% of EnBW's shares) to a third party with the approval of EDF, while EDF can only sell restricted EnBW shares (25.005%) to third parties with the approval of OEW if such third parties are not prepared to acquire the EnBW shares of OEW for the same price. Moreover, OEW has a pre-emptive right to the restricted EnBW shares (25.005%) held by EDF. For each planned sale of EnBW shares above and beyond the restricted shares (25.005%) held by EDF and OEW, EDF and OEW have granted each other reciprocal pre-emptive rights.

The restrictions are in force for the duration of the shareholder agreement, initially until 31 December 2011, and thereafter for as long as EDF and OEW jointly hold a majority interest and each party holds at least 17% of EnBW shares.

Direct or indirect capital investments exceeding 10%

EDF International SA, which is based in Paris (France), and Zweckverband Oberschwäbische Elektrizitätswerke, which has its registered offices in Biberach an der Riss, each hold 45.01% of the capital stock of EnBW as of 31 December 2008.

The sole shareholder of EDF International SA is the listed Electricité de France SA with registered offices in Paris (France), which in turn is controlled by the French Republic. Electricité de France SA and the French Republic thus each indirectly hold a 45.01% interest in EnBW via EDF International SA.

Zweckverband Oberschwäbische Elektrizitätswerke holds its investment in EnBW in trust for OEW Energie-Beteiligungs GmbH with registered offices in Ravensburg, which is the beneficial owner of the EnBW shares held by Zweckverband Oberschwäbische Elektrizitätswerke. OEW Energie-Beteiligungs GmbH therefore has an indirect holding of 45.01% in the capital stock of EnBW via Zweckverband Oberschwäbische Elektrizitätswerke. The sole shareholder of OEW Energie-Beteiligungs GmbH is Zweckverband Oberschwäbische Elektrizitätswerke.

The latter therefore holds its share of 45.01% in EnBW's capital stock not only directly but also indirectly via OEW Energie-Beteiligungs GmbH.

Legal provisions and statutes on the appointment and dismissal of members of the Board of Management and amendments to the articles of incorporation and bylaws

Pursuant to Sec. 84 German Stock Corporations Act (AktG) in conjunction with Sec. 31 German Co-determination Act (MitbestG), responsibility for the appointment and dismissal of members of the Board of Management rests with the Supervisory Board. This competence is stipulated in Art. 7 (1) Sentence 2 of EnBW's articles of incorporation and bylaws. If under exceptional circumstances a required board member is missing, Sec. 85 German Stock Corporations Act (AktG) requires in urgent cases that the board member be appointed by the court.

The annual general meeting has the right to make changes to the articles of incorporation and bylaws in accordance with Sec. 119 (1) No. 5 German Stock Corporations Act (AktG). The specific rules of procedure are contained in Sec. 179 and 181 German Stock Corporations Act (AktG). For practical reasons, the right to amend the articles of incorporation and bylaws, relating solely to the wording, was transferred to the Supervisory Board. This legal option pursuant to Sec. 179 (1) Sentence 2 German Stock Corporations Act (AktG) has been incorporated in Art. 18 (3) of the articles of incorporation and bylaws.

Resolutions of the annual general meeting to amend the articles of incorporation and bylaws are, pursuant to Sec. 179 (2) German Stock Corporations Act (AktG), passed by the annual general meeting with a majority of at least three quarters of the capital stock represented at the passing of the resolution, unless the articles of incorporation and bylaws provide that the amendment of the purpose of the company requires a higher majority of the capital. Pursuant to Art. 18 (1) of the articles of incorporation and bylaws, the resolutions of the annual general meeting require a simple majority of the votes cast, unless legal regulations or the articles of incorporation and bylaws prescribe otherwise. If the law requires a larger majority of the votes cast or of the capital stock represented when taking the resolution, the simple majority suffices in those cases where the law leaves it up to the articles of incorporation and bylaws to determine this.

Authority of the Board of Management regarding the possibility to issue or redeem shares

Since 29 April 2004, the annual general meeting at EnBW has not authorised the company in accordance with Sec. 71 (1) No. 8 German Stock Corporations Act (AktG) to purchase treasury shares. The company may purchase treasury shares only on the basis of other reasons justifying acquisition in accordance with Sec. 71 (1) German Stock Corporations Act (AktG). As of 31 December 2008, the company has 5,749,677 treasury shares which were purchased on the basis of earlier authorisations in accordance with Sec. 71 (1) No. 8 German Stock Corporations Act (AktG). The treasury shares of the company can be sold on the stock exchange or by public offer to all shareholders. The use of treasury shares, in particular their sale, in any other way must fall within the scope of the resolution taken by the annual general meeting on 29 April 2004. In accordance with Sec. 71b German Stock Corporations Act (AktG), the treasury shares held by EnBW do not grant the company any rights.

Material agreements subject to the condition of a change of control as a result of a takeover bid and the resulting effects

FURTHER INFORMATION
Financial position
› p. 61

Two agreements of EnBW are subject to the condition of a change of control following a takeover bid as defined by Sec. 289 (4) No. 8 German Commercial Code (HGB). The syndicated facility agreement for a line of credit of € 2.5 billion, which had not been drawn by 31 December 2008, can be terminated by the lenders and fall due for repayment if a third party acquires control. This does not apply if the third party is EDF or OEW or another German public law corporation.

Under the shareholder agreement between EnBW and Eni S.p.A., Eni S.p.A. has the right to acquire EnBW's 50% share in EnBW Eni Verwaltungsgesellschaft mbH in the event of a change of control at EnBW. EnBW Eni Verwaltungsgesellschaft mbH holds 100% of the shares in Gasversorgung Süddeutschland GmbH. The purchase price that Eni S.p.A. would have to pay for the share held by EnBW in EnBW Eni Verwaltungsgesellschaft mbH is based on the market value determined by expert appraisal.

Nos. 4, 5 of Secs. 289 (4), 315 (4) German Commercial Code (HGB) were not relevant for EnBW in the fiscal year 2008.

Forecast

EnBW aims to improve the key financial indicators through organic as well as external growth. Despite the risks from the volatile political, economic and regulatory environment, EnBW expects adjusted EBIT for 2009 to match the prior-year level.

To the extent possible, our forecast takes an in-depth look at the expected future development of EnBW and the environment we work in for the next two fiscal years.

Future overall economic situation

Due to the persistent, unfavourable global economic conditions, we expect a further economic downturn in 2009. Foreign trade in particular will have a negative impact on economic growth in the coming year. On the other hand, impetus is expected to come from falling commodity prices and the associated increase in consumer spending. The first and second economic stimulus packages enacted by the federal government will also help to support the economy. Should the banking sector fail to stabilise, however, the recession could extend over a longer period.

Future industry situation

Future energy policy effects

As in the past, energy policy will have a major effect on the business operations of EnBW in the coming two years.

With regard to the grids, an agreement is about to be reached within Europe on the third energy liberalisation package with the possibility of ownership unbundling of integrated energy supply companies. In Germany, the option of the "third way" seems possible. In contrast to the forced separation from its grids, for EnBW this would mean even more regulation affecting the relationship between its sales and network companies.

Parallel to the third energy liberalisation package at EU level, the debate in Germany is about a national German grid holding company – Deutsche Netz AG – and combining the four balancing zones. EnBW rejects both ideas. While it is unlikely, considering legal ownership rights, that a national grid holding company will be incorporated in the next few years, the possibility that the balancing zones in Germany may be combined cannot be excluded. The opinions of the key players in Germany diverge on this issue. EnBW advocates closer cooperation while retaining the four balancing zones as security cells.

Regarding climate protection, the requirements on energy efficiency will probably become more demanding over the next two years. All scientific studies presented to date show that the federal government's plans to double energy productivity by 2020 can be achieved only if new action plans take effect within the next two years. EnBW sees an opportunity to participate in this emerging market.

With respect to the German Renewable Energies Act (EEG), an ordinance has yet to be issued on changing the method of transfer of EEG electricity and on direct marketing. There is the danger that procurement risks for EnBW could increase as a result of the ordinance.

In emissions trading, the resolution to auction off all emission allowances for the majority of the European electricity industry will take effect as of 2013. Like all other energy supply companies in Germany, EnBW will then have to buy 100% of its emission allowances on the market. This will reduce the profitability for new fossil-fired power plants, for example, which could exacerbate the potentially impending electricity gap.

Electricity market and electricity business

The prices of primary energy sources and CO_2 allowances determine the marginal costs of electricity production and are thus decisive for the price of electricity on a competitive market. This is illustrated among other things by the fact that the increase in forward prices for electricity occurred in the first six months of 2008 and the decrease in the last six months of the year – in line with the price developments of coal, oil, gas and CO_2. Accordingly, the development of electricity prices will continue to be strongly dependent on how fuel and CO_2 prices develop. Factors that are more difficult to assess include the future weather conditions and plant-related effects as well as political framework conditions.

The forecast rise in the share of renewable energy sources in the total volume of electricity generated will reduce the wholesale market price. As more wind power is fed into the system, prices will become more volatile on the spot market. However, the price-reducing effect on the wholesale market is offset by higher costs for final customers as a result of the German Renewable Energies Act (EEG).

For the electricity price there is considerable uncertainty inherent in the further economic development. If industrial production were to be scaled down on a long-term basis, the demand for electricity would fall, and with it the price of electricity.

In light of the conditions in the energy industry and the lively public debate, the final customers can be expected to remain very sensitive to the price of energy in future. Competition between established players and new market entrants will intensify as a result. This assessment applies for retail and industry customer markets alike. In the next few years the number of intelligent meters installed in the small customer segment is expected to increase on account of legal requirements, together with the associated electricity products offered.

Coal market

Price developments in 2009 will essentially depend on how the world economy develops. In terms of demand, the current financial and economic crisis is likely to slow global demand for coal imports, which would ease the pressure on the market. On the supply side, however, some capital expenditures on the expansion of extraction and infrastructure capacity will be deferred, which could in the medium term lead to a supply shortage. Where market prices are concerned, the demand effect has so far outweighed the supply effect in this crisis, with the result of prices falling since the summer. At present, prices are still far above the short-term marginal costs of most exporting countries. Further price adjustments in the near future could therefore follow. Based on the forward price curve in late 2008, market participants expect prices to rise slightly in the medium term for the period between 2009 – 2011.

Oil market

On the demand side, the development of oil prices in 2009 will be determined mainly by the global economic development and the response to lower price levels. On the supply side, the decisive factor will be how well OPEC manages to adjust its production to demand, and whether capital expenditures for new oil fields are delayed in the wake of the currently low oil price level and the credit crunch. There have already been first signs of project delays. Since the extraction rates of oil fields decline sharply with age, deferred investments are accompanied by the risk of a renewed supply shortage as soon as the global economy recovers. As revealed by the forward curve for Brent oil, the market players expect oil prices to be much higher in future than towards the end of 2008.

Gas market and gas business

Natural gas pricing is based on the competition between natural gas and customer-specific alternative sources of energy. On the heating market, natural gas principally faces competition from oil products. Therefore, final customer prices and procurement agreements are, as a rule, indexed to the oil price. Accordingly, the oil price will remain the dominating factor influencing the gas price. Due to the delay with which the oil prices are factored into the gas price, the high oil prices of the first half of 2008 will continue to affect import prices for natural gas until early 2009. After that the cross-border price for natural gas is forecast to follow the trend of declining prices observable on the market for crude oil since the start of July 2008. The gas sales functions will pass on changes in the procurement prices for natural gas due to the oil price development to their customers. This practice of passing on price adjustments – in particular price increases – to customers will continue be at the centre of attention of the anti-trust authorities (Sec. 29 German Act against Restraints on Competition (GWB)), of the rulings of the Federal Court of Justice (Secs. 307, 315 German Civil Code (BGB)) and of the public.

On the gas market, liquidity increased over the past year thanks to improved conditions for grid access of third parties. The E.ON Gastransport (EGT) trading point, where gas trading started up on 1 October 2007, has established itself in the gas trade in Germany. Liquidity should continue to increase here in 2009. The number of market territories in Germany was reduced on 1 October 2008 from 14 to 12. The Federal Network Agency is seeking to reduce the number of market territories even further in order to facilitate transmission and eliminate hurdles for trading. 1 October 2008 was also the date on which new balancing rules took effect for the German gas market. The transition to daily balancing, combined with an hourly incentive system for network stability points and large consumers, is to aid and increase competition in the gas business. Accordingly, we expect competition on the gas market to intensify in the downstream business across all customer groups.

In order to reinforce EnBW's position on the competitive gas market, the gas business will be expanded strategically in the midstream direction, i.e. with the aim of direct access to the procurement market, to storage and to trading with gas.

CO_2 market

The price of CO_2 allowances is expected to remain relatively volatile for the remainder of the second trading period, i.e. until 2012. The reasons for this include uncertainties regarding the volume of future project-based emission reductions (Certified Emission Reductions – CER, Emission Reduction Units – ERU), which are generated by the flexible Clean Development Mechanism (CDM) and Joint Implementation (JI) established by the Kyoto Protocol and used within the European emission trading system. These reductions are exposed to numerous uncertainties, particularly political ones.

In December 2008 the climate package of the EU was enacted by the European Parliament and the European Council. It sets a target reduction of greenhouse gases by 20% below the 1990 level by 2020. This target will increase to 30% if other industrial countries and economically advanced developing countries agree to reduction targets adapted to their ability. In line with the ambitious European climate targets, the quantity of allowances available in emissions trading in the third trading period from 2013 to 2020 will be far below that of the second trading period from 2008 to 2012. However, companies taking part in the European emissions trading system will have the possibility of transferring unused allowances from the second trading period to the third trading period. This form of "banking" has also reduced the number of allowances available in the current trading period. Prices for allowances can therefore be expected to rise in the second trading period, reflecting the tightened reduction targets of the third trading period.

Network user charges

As of 1 January 2009, the network user charges are determined by means of incentive regulation. Accordingly, the development of revenue in the network area is essentially fixed for the next four to five years.

Energy and environmental services

In light of the climate and energy efficiency debate, we see further growth potential on the contracting market, especially in the field of local generation of energy. The co-generation of heat and electricity as well as possibilities for application of biogenic fuels make local generation solutions particularly attractive.

The demand for comprehensive and complex contracting models is on the rise. Energy consumers are increasingly concentrating their management resources and their financial strength on their actual core business and consistently outsourcing areas that do not belong to their core business. There seems to be a growing interest on the market among companies across all industries – not only from the manufacturing industry. In the industry sector, EnBW is one of Germany's leading contracting companies.

EnBW's energy and environmental services also include the respective segment of EnBW Kraftwerke AG. Using more substitute fuels – such as sewage sludge for co-combustion in power stations, waste wood for combustion in biomass CHP plants or the use of waste to generate district heating in Stuttgart, for example – helps to avoid a significant proportion of CO_2 emissions. Besides avoiding CO_2, these services will continue to serve as an example of the close cooperation with municipalities in Baden-Württemberg which extends beyond the generation of electricity.

Future development of the company

Corporate strategy and investments for growth

Securing our existing business and consistently exploiting growth potential are the key objectives of our corporate strategy. The focus is on pursuing the investment programme initiated. Capital expenditures of € 7.7 billion are planned for the period from 2009 to 2011. Financial investments account for around € 2.2 billion of this total, capital expenditures for € 5.5 billion. 82% of the capital expenditure totalling € 7.7 billion are earmarked for growth projects (including new power stations).

One key emphasis of the financial investments is EnBW's target of obtaining a shareholding in EWE AG. This shareholding would strengthen our position in Germany. We expect the anti-trust authorities' approval for the first quarter of 2009. In addition, we have identified opportunities in the area of renewable energies in central and eastern Europe (including Turkey) and in the acquisition of existing generation facilities in Germany.

With regard to the planned capital expenditures of € 5.5 billion in total, the emphasis – € 4.1 billion – is on the construction of new conventional power stations, heat contracting, the gas midstream business and renewable energies (offshore wind power).

Of the total capital expenditures, around 79%, or € 4.3 billion, is accounted for by the electricity segment. With € 3.2 billion, the focus is on the electricity upstream business (mainly generation), € 2.1 billion of which is accounted for by new thermal power stations and € 1.1 billion by renewable energies such as wind power (offshore and onshore) and hydropower.

Some 8%, or € 0.5 billion, of the total capital expenditures is accounted for by the gas segment. A significant portion has been set aside for the construction of gas storage facilities to expand our position in the midstream area.

The remaining capital expenditures of around € 0.7 billion are earmarked for the energy and environmental services segment. Priority is given to power stations for thermal utilisation of substitute fuels and contracting as well as real estate investments (own use).

Financing

EnBW's growth strategy involves external financing requirements. The net financial liabilities are expected to increase by approximately € 2 billion by year-end 2011 despite the planned investment programme of around € 7.7 billion. In order to cover these requirements, EnBW draws on various sources of financing. The decision about which products should be used is based on strategic financial requirements of cost-efficient financing combined with the need to ensure liquidity at all times. The difference of around € 5.7 billion will probably be financed by the current cash flow.

FURTHER INFORMATION
EnBW on the capital market
› p. 21

Anticipated development of earnings

Any acquisitions in Germany or in central and eastern Europe, which may lead to further increases in the key financial indicators of the EnBW group, are subject to a high degree of uncertainty. The forecast below is therefore restricted to the development of the operational earnings power of the existing EnBW group (sales development, adjusted EBIT and adjusted group net profit). The acquisition of a minority interest in EWE, for which approval from the anti-trust authorities is still pending, would have an effect below adjusted EBIT, on investment income. Also on account of the high degree of uncertainty, the anticipated development of earnings does not include the future extraordinary effects disclosed at EnBW within the non-operating results (for example, any impairment losses on securities on account of the financial crisis and technical risks associated with the restoration of nuclear plants). For details, please refer to the section on risk management.

Anticipated development of unit sales and revenue[1]

The estimated development of revenue in the electricity segment is strongly dependent on the activities of our trading company. Electricity sales to customers are also relevant for the development of revenue. The associated revenue is, however, dependent upon future market development, even in the course of one year, and consequently involves considerable uncertainty. The development of revenue is of minor significance for the profit for the year.

In the gas segment, the linking of the gas price to the oil price causes additional planning uncertainty in relation to revenue. However, it only affects the gas segment to a minor extent in terms of the gross margin.

Earnings in the energy and environmental services segment are characterised by a large portion of internal revenue (for shared services). External revenue (for operations relating to water, thermal disposal and contracting) is expected to increase moderately.

Revenue is less relevant to the development of earnings than unit sales in the B2C and B2B areas in the electricity and gas segments.

In the electricity segment, we expect competition to increase further and more energy-efficient behaviour to start showing effect by reducing unit sales in the B2C area for 2009 and the following years. We therefore expect the sales volume to decline marginally in this area. If the conditions remain unchanged in the B2B area, energy efficiency efforts are intensified and the focus on margins is consistently pursued, we expect falling sales volumes.

Despite the start of competition in the gas segment, we project unit sales in the B2C area matching the prior-year level based on our consolidation strategy and an average cold winter. In the B2B area, after the losses in the wake of the ongoing liberalisation of the gas market in the prior year, we are confident that we will be able to win new customers again in future.

(External) sales in the segments in 2009 compared to the prior year

Electricity segment excluding trading	falling
Gas segment excluding trading	rising

[1] Adjusted for changes in the consolidated companies.

Anticipated development of earnings (adjusted EBIT)[1]

In the electricity segment, developments will continue to be highly varied.

In the regulatory area, the final notices for the first period of incentive regulation are still outstanding. They will be based on the costs of the year 2006. However, the costs of the network companies and transmission system operators have increased significantly. It is anticipated that it will not be possible to include in the approved network user charges the significantly increasing prices in 2008 for loss and balancing energy and for the conversion of the wind energy being fed in. To support the positive efficiency ratings obtained from the Federal Network Agency for our distribution companies, we are therefore aiming to further minimise the drop in earnings by launching efficiency programmes (continual optimisation of operational processes) in the group's network companies. For 2009, we will probably not be able to match the prior-year level of earnings. However, we expect earnings to rise again in the following years.

The sales function in 2009 is still characterised by increasing prices on the forward market. The transitional provisions of the amendment of the German Renewable Energies Act (EEG) are still to be issued. It is currently not possible to foresee the effects of the amendments to Sec. 29 German Act against Restraints on Competition (GWB). Despite the decline in sales, we are confident that we will be able to improve on the profit level of the prior year by consistently pursuing our focus on margins and enhancing efficiency.

With respect to generation (including trading) we are confident that our generation and trading position will allow us to generate a higher profit than in the prior year. With the integrated risk management system in the generation (including trading) division, we manage and limit the exposure of profit to fluctuating prices for fuels, CO_2 allowances and electricity.

In the gas segment, we have budgeted a lower profit level than in the prior year, despite increasing sales volumes. The reasons for this assessment are the intensified competition and anticipated start-up costs for implementation of the gas midstream strategy.

Earnings in the energy and environmental services segment are expected to match the prior-year level.

Overall, we expect to maintain profit at prior-year level in 2009, despite the regulatory and competitive environment. Our growth strategy is aimed at continually increasing anticipated earnings.

Development of earnings 2009 (adjusted EBIT) compared to the prior year

Electricity segment	rising (3% to 6%)
Gas segment	falling (-5% to -10%)
Energy and environmental services segment	stable
Consolidation (no statement on earnings possible at present)	
Adjusted EBIT, group	**stable**

Anticipated development of adjusted group net profit and dividend

Based on the target for 2009 of adjusted EBIT at prior-year level, we also expect a stable adjusted profit for the year 2009 and positive growth rates for the following years, despite the additional interest expenses associated with the investment programme, as the capital expenditures will be largely financed by current cash flows and we aim to generate further investment income. In particular interest expenses from acquisitions as well as the associated positive consolidation effects, however, are subject to a significant degree of uncertainty. Against the backdrop of our investment programme and the related moderate increase in net financial liabilities, we aim to achieve a distribution rate in terms of adjusted group net profit of up to 50%.

[1] Adjusted for changes in the consolidated companies.

Significant opportunities and risks of the next two years

In light of the group's financial flexibility, we are optimistic that we will be able to seize opportunities for external growth as they arise in the short and medium term.

The level of future earnings depends significantly on how commodity and electricity prices develop. With our hedging strategy, we have secured the major volumes for 2009; for the next few years the unhedged volumes – and thus opportunities and risks – are naturally higher.

By nature, the availability of power stations always involves risks. Our power stations have in the past always performed better than the national average, however.

The transitional provisions for the new amendments to the German Renewable Energies Act (EEG), which are still outstanding, are considered more of a risk than an opportunity because additional quantities of electricity might need to be procured subsequently on account of the method of transfer for renewable energies and the direct marketing option. The same applies to the realisation of our target sales margins and development of a customer portfolio for electricity and gas, i.e. these are a risk rather than an opportunity. The achievement of both objectives is dependent on the currently unforeseeable development of competition and the political and economic pricing conditions.

Gas sales are strongly dependent on temperatures. Moreover, unit sales of electricity and gas are affected by potential changes in consumer behaviour (subsidy programmes for energy efficiency) and the implications of the economic development on consumption in trade and industry, triggered by the current crisis on the financial market. The risks will tend to be higher here than the opportunities.

In the regulatory area, there are risks inherent in the incentive regulation by the Federal Network Agency. This pertains especially to the implementation of court rulings on the absorption of surplus revenues and the outstanding ruling in the abuse proceedings on balancing energy. There are opportunities arising from the recognition of costs for energy for the compensation of losses. The forced ownership unbundling under the third energy liberalisation package of the EU seems to have been averted in principle. State intervention (e.g. through formation of a national grid holding company) is still possible, yet it does not appear likely in the next two years.

Developments in human resources and welfare

EnBW's ambitious growth targets can be realised only with competent and motivated employees. For certain professions the labour market is however tightening noticeably. Therefore, it is more and more vital to find and retain qualified employees. Against this backdrop, we will make every effort in the next few years to further increase our attraction as an employer and regularly adjust our personnel management systems to reflect the latest developments on the labour market.

Competence management: In light of the tightening labour market, it is imperative that the competencies available within the group are put to their best use. The competence management scheme helps us to identify risks of a potential competence gap in certain areas at an early stage. This topic will receive more attention over the next few years.

Talent management: To further enhance our efforts to develop our talents – from trainees to executives – we will gradually expand our training and development programmes and our personnel development tools. The aim is to offer key personnel good prospects within the group from an early stage, this way binding them to the company.

Corporate and management culture: We will continue to shape our corporate and management culture in a positive way in the next few years. Besides employee surveys and further establishing the corporate philosophy, this will involve refining our management tools, the executives' understanding of their roles, and strengthening a feedback culture.

Work-life balance: In 2007, the Hertie foundation awarded us the "audit berufundfamilie" certificate. The re-auditing process for this certificate starts towards the end of 2009. One of our family-friendly measures in this process will be to increase the number of childcare places considerably at our key locations in Karlsruhe and Stuttgart in the next few years.

Training and student programmes: Our social responsibility includes training more trainees and apprentices than we need ourselves. Accordingly, we will again offer 334 positions for apprentices and students from universities of cooperative education and universities of applied sciences at our core companies in Baden-Württemberg in 2009. In addition, we want to intensify and expand cooperation with universities and their students. The activities range from speaker activities, seminars, events and committee work to grants and even foundation chairs.

Analysis of the appeal of EnBW as an employer: Once more in 2009, we will be putting our attractiveness as an employer to the test in the external "Top Employers in Germany" study. We will survey how closely our employees identify with EnBW again in 2010/2011.

Our ambitious growth projects on the one hand and new regulatory and information technology requirements on the other will create a need for new staff in the coming years. At the same time, we will strive to improve our efficiency. Overall, we assume that the number of employees in the group will be raised over the next two years (adjusted for changes in the consolidated group).

Development of research and innovation

In the area of research and innovation, we will remain committed to our strategic objectives and focal points in the fiscal year 2009. Pursuing the aim of increasing the efficiency and environmental compatibility of the supply of energy as part of our innovations-oriented strategy, we will continuously supplement and improve the technology basis for the provision of electricity as a product. The expenditure and headcount in the area of research and innovation are scheduled to rise in 2009 and 2010 accordingly.

In addition to our activities focusing on fuel cells, we are planning to strengthen research into the local generation of energy. The cultivation of jatropha plants in Madagascar is to be expanded to 3,000 hectares by 2010. Once the geothermal power station is commissioned in Bruchsal we hope to gain further insights into this technology and will intensify our efforts in geothermal generation of electricity on that basis. We will also further enhance our activities relating to intelligent networks. These will include the infrastructure, which permits electrical mobility.

Overall assessment of the anticipated development

Despite the uncertain political environment and the troubled economic outlook, we still anticipate sustainable, profitable growth at EnBW. We aim to return a profit to match the prior year again in 2009. We plan to invest some € 7.7 billion in our business segments by 2011 within the framework of our investment programme. We will finance a large portion of this sum from the company's cash flow from operating activities; net financial liabilities are scheduled to increase only by approximately € 2 billion. EnBW will thus maintain its sound financial position. An A category rating remains our target.

Future-oriented statements

This report contains statements relating to the future that are based on current assumptions and projections of the management of EnBW. Such statements are subject to risks and uncertainties. These and other factors mean that the actual results, financial position, developments or performance of the company may diverge materially from the estimates made here. EnBW assumes no obligation of any kind to update future-oriented statements or to adjust them to reflect future events or developments.

FINANCIAL STATEMENTS OF THE ENBW GROUP

+330

million m^3 of storage capacity

INDEPENDENCE

EnBW consistently pursues its policy of expanding its value added chain in the gas segment. We focus on independent procurement and reliable access to the necessary transmission and storage infrastructure. In 2008, for example, we secured new storage capacities with a volume of up to 330 million cubic metres.

GAS STORAGE FACILITIES
With a capacity of 300,000 cubic metres and a height of 100 metres, EnBW's gas tank in Stuttgart-Gaisburg is the largest piston-type gasholder still in operation in Europe.

Income statement of the EnBW group

€ millions	Notes	2008	2007
Revenue including electricity and natural gas tax		17,367.5	15,740.7
Electricity and natural gas tax		-1,062.1	-1,028.5
Revenue	(1)	**16,305.4**	**14,712.2**
Changes in inventories		16.2	1.5
Own work capitalised		53.6	51.9
Other operating income	(2)	815.8	987.9
Cost of materials	(3)	-12,099.1	-10,943.9
Personnel expenses	(4)	-1,480.4	-1,476.2
Other operating expenses	(5)	-1,071.4	-997.0
EBITDA		**2,540.1**	**2,336.4**
Amortisation and depreciation	(6)	-1,071.9	-777.2
Earnings before interest and taxes (EBIT)		**1,468.2**	**1,559.2**
Investment income	(7)	251.3	272.2
of which share of profit of entities accounted for using the equity method		(142.8)	(158.9)
of which other investment income		(108.5)	(113.3)
Financial result	(8)	-483.7	-458.5
of which finance revenue		(457.8)	(397.9)
of which finance costs		(-941.5)	(-856.4)
Earnings before tax (EBT)		**1,235.8**	**1,372.9**
Income tax	(9)	-335.2	43.2
Profit from continuing operations[1]		**900.6**	**1,416.1**
Profit from discontinued operations	(25)	0.0	97.9
Group net profit		**900.6**	**1,514.0**
of which profit shares attributable to minority interests		(28.8)	(149.9)
of which profit shares attributable to equity holders of EnBW AG		(871.8)	(1,364.1)
Shares outstanding (millions), weighted average		**244.257**	**244.257**
Earnings per share from continuing operations (€)[2]		**3.57**	**5.18**
Earnings per share from group net profit (€)[2]		**3.57**	**5.58**

[1] Of which profit shares attributable to the equity holders of EnBW AG: € 871.8 million (prior year: € 1,266.2 million).
[2] Basic and diluted; in relation to the profit shares attributable to the equity holders of EnBW AG.

Balance sheet of the EnBW group

€ millions[1]	Notes	31/12/2008	31/12/2007
Assets			
Non-current assets			
Intangible assets	(10)	1,687.8	1,657.9
Property, plant and equipment	(11)	11,573.7	11,416.2
Investment properties	(12)	86.6	87.7
Entities accounted for using the equity method	(13)	1,932.2	1,856.5
Other financial assets	(14)	4,960.3	5,734.4
Trade receivables	(15)	400.7	372.6
Income tax refund claims	(16)	228.2	253.8
Other non-current assets	(17)	204.1	179.8
Deferred taxes	(23)	28.7	6.0
		21,102.3	**21,564.9**
Current assets			
Inventories	(18)	862.9	732.7
Financial assets	(19)	584.7	727.6
Trade receivables	(15)	3,181.5	2,108.7
Income tax refund claims	(16)	305.0	255.1
Other current assets	(17)	3,800.2	1,725.6
Cash and cash equivalents	(20)	3,084.5	1,317.8
		11,818.8	**6,867.5**
Non-current assets held for sale	(25)	4.0	3.4
		11,822.8	**6,870.9**
		32,925.1	**28,435.8**
Equity and liabilities			
Equity	(21)		
Group shares			
Subscribed capital		640.0	640.0
Capital reserve		22.2	22.2
Revenue reserves		4,311.5	3,787.7
Revaluation reserve in accordance with IFRS 3		49.6	49.6
Treasury shares		-204.1	-204.1
Total net income recognised in equity		-39.3	756.0
		4,779.9	**5,051.4**
Minority interests		803.4	950.3
		5,583.3	**6,001.7**
Non-current liabilities			
Provisions[2]	(22)	9,307.8	8,989.1
Deferred taxes	(23)	1,631.4	1,616.8
Financial liabilities	(24)	4,925.1	3,364.2
Other liabilities and subsidies	(24)	2,091.9	2,127.0
		17,956.2	**16,097.1**
Current liabilities			
Provisions[2]	(22)	1,109.1	1,131.3
Financial liabilities	(24)	394.7	588.3
Trade payables	(24)	3,400.5	2,323.3
Income tax liabilities	(24)	12.3	6.3
Other liabilities and subsidies	(24)	4,469.0	2,279.9
		9,385.6	**6,329.1**
Liabilities of discontinued operations	(25)	0.0	7.9
		9,385.6	**6,337.0**
		32,925.1	**28,435.8**

[1] Prior-year figures restated.
[2] Of which total current and non-current provisions for income tax: € 267.0 million (prior year: € 229.9 million).

Cash flow statement of the EnBW group

€ millions[1]	2008	2007
1. Operating activities		
EBITDA	2,540.1	2,336.4
EBITDA of discontinued operations	0.0	131.5
Change in non-current provisions	-228.9	-256.1
Gain/loss on disposal of non-current assets	-3.2	-24.0
Other non-cash expenses/income[2]	17.6	-28.4
Funds from operations (FFO) before taxes and financing[2]	**2,325.6**	**2,159.4**
Change in assets and liabilities from operating activities[2]	-536.1	90.8
Inventories	(-164.4)	(-128.3)
Net balance of trade receivables and payables	(-55.9)	(229.9)
Net balance of other assets and liabilities	(-309.5)	(-3.1)
Current provisions	(-6.3)	(-7.7)
Income tax paid	-265.6	-691.5
Cash flow from operating activities	**1,523.9**	**1,558.7**
of which discontinued operations	(0.0)	(-33.8)
2. Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-1,246.0	-816.9
Cash received from disposals of intangible assets and property, plant and equipment	58.2	30.2
Cash received from construction cost and investment subsidies	79.0	81.2
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method	-104.0	-190.5
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method	60.2	74.1
Cash paid for investments in other financial assets	-616.4	-588.1
Cash received from the sale of other financial assets	973.5	551.4
Cash received/paid for investments in connection with short-term finance planning	26.5	27.9
Interest received	265.7	311.6
Dividends received	147.5	137.5
Cash flow from investing activities	**-355.8**	**-381.6**
of which discontinued operations	(0.0)	(72.4)

[1] Further disclosures are presented under "Other notes".
[2] Prior-year figures restated.

€ millions[1]	2008	2007
3. Financing activities		
Interest paid	-256.6	-403.2
Dividends paid	-436.5	-359.0
Cash received from the sale of treasury shares	0.0	0.0
Proceeds from borrowings	1,956.7	303.6
Repayment of financial liabilities	-667.8	-1,322.9
Capital reduction for minority interests	-7.8	-5.1
Cash flow from financing activities	**588.0**	**-1,786.6**
of which discontinued operations	(0.0)	(2.6)
Net change in cash and cash equivalents	**1,756.1**	**-609.5**
Net foreign exchange difference	10.6	-5.0
Change in cash and cash equivalents	**1,766.7**	**-614.5**
Cash and cash equivalents at the beginning of the period	1,317.8	1,932.3
Cash and cash equivalents at the end of the period	**3,084.5**	**1,317.8**

[1] Further disclosures are presented under "Other notes".

Statement of changes in equity of the EnBW group

€ millions	Subscribed capital	Capital reserve	Revenue reserves	Revaluation reserve in accordance with IFRS 3	Treasury shares
As of 31 December 2006	**640.0**	**22.2**	**2,702.1**	**7.3**	**-204.1**
Total net income recognised in equity				42.3	
Group net profit			1,364.1		
of which profit/loss from discontinued operations			(97.9)		
Total income recognised directly in equity and group net profit	**0.0**	**0.0**	**1,364.1**	**42.3**	**0.0**
Dividends paid			-278.5		
Other changes					
As of 31 December 2007	**640.0**	**22.2**	**3,787.7**	**49.6**	**-204.1**
Total net income recognised in equity					
Group net profit			871.8		
Total income recognised directly in equity and group net profit	**0.0**	**0.0**	**871.8**	**0.0**	**0.0**
Dividends paid			-368.8		
Other changes			20.8		
As of 31 December 2008	**640.0**	**22.2**	**4,311.5**	**49.6**	**-204.1**

Total net income recognised in equity						
Difference from currency translation	Cash flow hedge	Available-for-sale financial assets	Entities accounted for using the equity method	Group shares	Minority interests	Total
19.6	**-83.6**	**383.8**	**75.6**	**3,562.9**	**929.5**	**4,492.4**
2.3	159.2	165.2	33.9	402.9	-1.2	401.7
				1,364.1	149.9	1,514.0
				(97.9)	(0.0)	(97.9)
2.3	**159.2**	**165.2**	**33.9**	**1,767.0**	**148.7**	**1,915.7**
				-278.5	-80.5	-359.0
					-47.4	-47.4
21.9	**75.6**	**549.0**	**109.5**	**5,051.4**	**950.3**	**6,001.7**
-25.1	-260.3	-532.2	22.3	-795.3	-5.0	-800.3
				871.8	28.8	900.6
-25.1	-260.3	-532.2	22.3	76.5	23.8	100.3
				-368.8	-67.7	-436.5
				20.8	-103.0	-82.2
-3.2	**-184.7**	**16.8**	**131.8**	**4,779.9**	**803.4**	**5,583.3**

Notes to the 2008 financial statements of the EnBW group

General principles

In accordance with Sec. 315a (1) German Commercial Code (HGB), the consolidated financial statements of EnBW Energie Baden-Württemberg AG (EnBW) are prepared according to the International Financial Reporting Standards (IFRS) the adoption of which is mandatory in the European Union at the balance sheet date. In addition, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) are observed. IFRSs and IFRICs whose application is not yet mandatory are not early adopted. The consolidated financial statements of EnBW comply in all respects with IFRSs and IFRIC interpretations.

The consolidated financial statements are presented in millions of euros (€ millions). Besides the income statement and balance sheet, a cash flow statement and statement of changes in equity of the EnBW group are presented separately.

In the interest of clarity, items have been combined in the income statement and in the balance sheet and disclosed separately and explained in the notes.

The income statement has been prepared using the nature of expense method.

The consolidated financial statements are prepared as of the balance sheet date of the parent company's financial statements. The parent company's fiscal year is the calendar year.

The registered offices of the company are in Karlsruhe, Germany. The address is EnBW Energie Baden-Württemberg AG, Durlacher Allee 93, 76131 Karlsruhe.

Basis of consolidation

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

Capital consolidation is performed according to the purchase method by offsetting the cost of acquisition against the proportionate revalued equity of the subsidiaries at the date of acquisition. Assets, liabilities and contingent liabilities are carried at fair value. Any remaining positive differences are recognised as goodwill. Negative differences are immediately recognised in profit or loss following a review of their calculation.

When consolidating minority interests acquired in entities that are already fully consolidated, the net assets are not revalued. Any positive difference between the consideration and the carrying amount of the additional share of the net assets acquired is recognised in goodwill. Any negative difference is recognised in profit or loss.

Receivables, liabilities, provisions and contingent liabilities between the consolidated entities are netted. Intercompany income is offset against the corresponding expenses. Intercompany profits are eliminated, unless they are immaterial. Deferred taxes are recorded.

Joint ventures are consolidated according to the same principles as subsidiaries.

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

Consolidated companies

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

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

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

The list of shareholdings of the EnBW group is given in a separate list in accordance with Sec. 313 (4) German Commercial Code (HGB) that will be published in the Electronic German Federal Gazette (Elektronischer Bundesanzeiger) together with the financial statements. The list of major shareholdings is part of the notes to the financial statements.

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	31/12/2008	31/12/2007
Full consolidation	90	95
Proportionate consolidation (joint ventures)	10	10
Entities accounted for using the equity method	17	17

Changes in the consolidated group

Of the companies fully consolidated in the consolidated financial statements, 3 (prior year: 13) German companies and 2 (prior year: 1) foreign companies were consolidated for the first time in the reporting year. There were 7 (prior year: 18) deconsolidations and 3 (prior year: 2) mergers. Of the deconsolidated companies, 7 (prior year: 18) were German companies and 0 (prior year: 0) were foreign companies. Of the deconsolidated companies, 6 companies were removed from the consolidated group due to immateriality.

Of the joint ventures, our share of which was included in the consolidated financial statements, 0 German companies (prior year: 1) were consolidated in full for the first time and 0 German companies (prior year: 1) were consolidated for the first time in the reporting year.

Of the entities accounted for using the equity method, 0 (prior year: 0) foreign companies and 1 (prior year: 0) German company was consolidated for the first time in the reporting year. 1 (prior year: 2) German and 0 (prior year: 9) foreign companies were deconsolidated.

Changes in accounting policies

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following new standards and interpretations, the adoption of which is mandatory as of the fiscal year 2008:

- **Reclassification of Financial Assets (amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"):** The amendments to IAS 39 permit reclassifying individual financial instruments from one measurement category to another in particular circumstances. The amendments to IFRS 7 require additional disclosures in the notes when reclassifications are made. The amendments to IAS 39 and IFRS 7 are effective with retroactive effect as of 1 July 2008. These amendments did not have any effect on EnBW's consolidated financial statements.

- **IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions":** The interpretation deals with the question of how IFRS 2 "Share-based Payment" applies to agreements on share-based payments which contain group or treasury shares. First-time adoption of IFRIC 11 did not have any effect on EnBW's consolidated financial statements.

Effects of new accounting standards that are not yet mandatory

The IASB and IFRIC have published the following standards and interpretations whose adoption is not yet mandatory for the fiscal year 2008. Their application in the future is subject to their endorsement by the EU into European law.

- **"Improvements to IFRSs":** The amendments are the product of the IASB's first 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 January 2009. The amendments have not yet been endorsed into European law. The effects on EnBW's consolidated financial statements are currently being assessed.
- **IFRS 1 "First-time Adoption of International Financial Reporting Standards":** The amendments to IFRS 1 only relate to the formal structure of the standard. The revised IFRS 1 is effective for the first time for fiscal years beginning on or after 1 July 2009. The standard has not yet been endorsed into European law. The amendments to IFRS 1 are not expected to have any effect on EnBW's consolidated financial statements.
- **Amendments to IFRS 1 and IAS 27 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate":** The amendments provide for exemptions relating to the measurement of investments in the separate financial statements of first-time adopters of IFRS. The amendments are effective for the first time for fiscal years beginning on or after 1 January 2009. They have yet to be endorsed into European law. The amendments are not expected to have any effect on EnBW's consolidated financial statements.
- **IFRS 2 "Share-based Payment":** The amendments to IFRS 2 clarify the definition of "vested liabilities" for share-based payments. They also clarify that all cancellations of share-based payment plans are to be accounted for in the same way, regardless of the party terminating the agreement. The amendments are effective for the first time for fiscal years beginning on or after 1 January 2009. First-time adoption of the amendment is not expected to have any effect on EnBW's consolidated financial statements.
- **IFRS 3 "Business Combinations":** The main changes relate to the scope and accounting for business combinations achieved in stages. The standard also introduces an option: Minority interests can either be measured at fair value or at the amortised interest in net assets. Depending on how the option is used, any goodwill arising in the course of the business combination is either disclosed in full or on a pro rata basis. The revised standard also contains new provisions regarding the recognition and measurement of acquired assets and liabilities. The amendments are effective for the first time for fiscal years beginning on or after 1 July 2009. They have yet to be endorsed by the EU into European law. The effects on EnBW's consolidated financial statements are currently being assessed.
- **IFRS 8 "Operating Segments":** IFRS 8 replaces the previous IAS 14 "Segment Reporting" and, with a few minor exceptions, brings the standard in line with the US GAAP provisions of Statement of Financial Accounting Standards (SFAS) 131. IFRS 8 requires operating segments to be identified using the management approach. The standard is effective for fiscal years beginning on or after 1 January 2009. As a result of the first-time adoption of IFRS 8, the electricity segment is broken down into "Electricity Upstream" and "Electricity Downstream". Adoption of IFRS 8 is not expected to have any further effect on the segmentation.

- **IAS 1 "Presentation of Financial Statements":** This standard requires changes in equity arising from transactions with equity holders acting in their capacity as equity holders and other changes in equity to be presented separately. Accordingly, the statement of changes in equity only includes details on transactions with equity holders, while all other changes in equity are presented in a single line. In addition, the standard introduces a statement of comprehensive income, which includes all line items of income and expenses recognised in the income statement as well as all components of other comprehensive income recognised directly in equity, either in one statement or in two linked statements. The revised IAS 1 is effective for the first time for fiscal years beginning on or after 1 January 2009. The changes will have an effect on the future presentation of EnBW's consolidated financial statements and give rise to more extensive disclosures in the notes.
- **IAS 23 "Borrowing Costs":** The amendment of IAS 23 eliminates the allowed alternative treatment of expensing any borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets in the period in which they are incurred. In future, such borrowing costs must be capitalised as part of the cost of the asset. The amendments are effective for the first time for fiscal years beginning on or after 1 January 2009. First-time adoption of the revised standard did not have any significant effects on EnBW's consolidated financial statements.
- **IAS 27 "Consolidated and Separate Financial Statements":** The amended IAS 27 contains in particular amended rules on accounting for changes in ownership interests. In future, the transactions by which a parent company has changed its ownership interest in a subsidiary without losing control of the subsidiary will be recorded directly in equity. The revised standard is effective for the first time for fiscal years beginning on or after 1 July 2009. The amendment has not yet been endorsed into European law. The effects on EnBW's consolidated financial statements are currently being assessed.
- **IAS 32 "Financial Instruments: Presentation":** The main changes relate to the disclosure of certain cancellable financial instruments and of obligations which only occur in the case of liquidation. Some financial instruments which currently qualify as financial liabilities will therefore be classified as equity. The amendments are effective for the first time for fiscal years beginning on or after 1 January 2009. They have yet to be endorsed into European law. The effects on EnBW's consolidated financial statements are currently being assessed.
- **IAS 39 "Financial Instruments: Recognition and Measurement":** The amendment to IAS 39 clarifies how the principles of hedge accounting should be applied in the designation of inflation as a hedged risk and the designation of a one-sided risk in a hedged item. The amendments are effective for the first time for fiscal years beginning on or after 1 July 2009. The amendments have not yet been endorsed into European law. The effects on EnBW's consolidated financial statements are currently being assessed.
- **Reclassification of Financial Assets (amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"):** The IASB has issued editorial corrections to the amendments to IAS 39 and IFRS 7 originally issued on 13 October. These editorial corrections clarify the effective date of the amendments issued on 13 October. They have yet to be endorsed into European law. The amendments to IAS 39 and IFRS 7 did not have any effect on EnBW's consolidated financial statements.
- **IFRIC 12 "Service Concession Arrangements":** IFRIC 12 governs the accounting for arrangements under which a public sector entity as the grantor awards contracts to private operators for the provision of services to the public such as airports, prisons, utilities, etc. In order to perform these duties, the operator uses infrastructure which, however, continues to be controlled by the grantor. Nevertheless, the operator is responsible for construction, operation and maintenance. This interpretation is effective for the first time for fiscal years beginning on or after 1 January 2008. IFRIC 12 has not yet been endorsed by the EU into European law. The changes are not expected to have any significant effect on EnBW's consolidated financial statements.
- **IFRIC 13 "Customer Loyalty Programmes":** This interpretation addresses the recognition and measurement of revenue from sales transactions and associated expenses for obligations arising from customer loyalty programmes such as credits, bonuses or other awards operated by the manufacturer or service provider, or by third parties. This interpretation is effective for the first time for fiscal years beginning on or after 1 July 2008. The interpretation is not expected to have any effect on EnBW's consolidated financial statements.

- **IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction":** This interpretation provides guidance on how to determine the limit of IAS 19 "Employee Benefits" for a surplus that can be carried as an asset. In addition, it explains the effects of defined benefit plans on the measurement of assets and provisions on account of a legal obligation to make minimum contributions, e.g. in accordance with statutory requirements or the terms and conditions of the plan. This is to ensure that entities consistently recognise any surplus plan assets as an asset. However, IFRIC 14 does not require the employer to recognise any other obligation as long as the minimum funding contribution is repaid to the entity. This interpretation is effective for fiscal years beginning on or after 31 December 2008. IFRIC 14 is not expected to have any significant effect on EnBW's consolidated financial statements.
- **IFRIC 15 "Agreements for the Construction of Real Estate":** IFRIC 15 addresses the accounting treatment for the sale of real estate where an agreement is reached with a third party before the construction of the real estate is completed. IFRIC 15 clarifies when IAS 11 "Construction Contracts" or IAS 18 "Revenue" apply. In addition, the interpretation determines the timing of revenue recognition. This interpretation is effective for fiscal years beginning on or after 1 January 2009. IFRIC 15 has not yet been endorsed by the EU into European law. The interpretation is not expected to have any effect on EnBW's consolidated financial statements.
- **IFRIC 16 "Hedges of a Net Investment in a Foreign Operation":** IFRIC 16 provides guidance on identifying the risks that qualify for hedge accounting in the hedge of a net investment in a foreign operation and on where within the group the hedging instruments can be held in the hedge of a net investment. This interpretation is effective for fiscal years beginning on or after 1 October 2008. IFRIC 16 has not yet been endorsed by the EU into European law. The interpretation is not expected to have any effect on EnBW's consolidated financial statements.
- **IFRIC 17 "Distributions of Non-Cash Assets to Owners":** This interpretation addresses the accounting treatment for distributions of non-cash assets in the financial statements, prepared in accordance with IFRSs, of the entity making the distribution. The obligation arising from a distribution of non-cash assets is measured in accordance with IAS 37. It is recognised when the distribution is appropriately authorised and is no longer at the discretion of the entity. The interpretation is effective for the first time for fiscal years beginning on or after 1 July 2009. IFRIC 17 has not yet been endorsed by the EU into European law. The interpretation is not expected to have any effect on EnBW's consolidated financial statements.

Changes in presentation

To enhance presentation of the results of operations, financial position and net assets, we made the following changes in presentation in the 2008 reporting period. The prior-year figures have been restated accordingly.

- The provisions for energy price reductions are now presented under pension provisions in line with their nature, instead of under personnel-related provisions.
- In the cash flow statement, for the first time non-cash expenses/income include gains/losses on the measurement of derivatives that are not offset by cash receipts or payments from variation margins. These were previously recognised under changes in assets and liabilities from operations. The change in presentation also affects the funds from operations (FFO) before and after taxes and financing.
- In the interest of transparency, the allocation of overheads by the holding company was extended to the areas of electricity generation and electricity trading in the 2008 reporting period.
- To aid the assessment of capital employed and net debt, we have split our other investments up into investments that are allocable to operations and investments held as financial assets. The investments that are allocable to operations and the associated income is included in the calculation of ROCE as a component of capital employed and of net investment income. By contrast, investments held as financial assets are deducted in the calculation of net debt.

Significant accounting policies

Intangible assets

Intangible assets are carried at amortised cost and, except for goodwill, are amortised using the straight-line method over their useful life. The amortisation period of intangible assets – without goodwill – ranges from three to twenty years. The useful lives and amortisation methods are reviewed annually.

In accordance with the provisions of IFRS 3 "Business Combinations", goodwill from capital consolidation is not amortised, but tested for impairment at least once a year and whenever there is any indication that the recoverable amount may be lower than the carrying amount.

Property, plant and equipment

Items of property, plant and equipment that are subject to wear and tear are recognised at amortised cost and depreciated using the straight-line method. Borrowing costs are not capitalised as a component of cost. Depreciation is recorded pro rata temporis in the year of addition.

Maintenance and repair costs are recorded as expenses. Renewal or maintenance expenses which lead to future economic benefits of an asset are capitalised.

Investment grants or subsidies are not deducted from the cost of the asset concerned, but recognised on the liabilities' side of the balance sheet.

The nuclear power plants also contain the present value, net of depreciation, of the estimated cost of the closure and dismantling of the contaminated plants.

Depreciation on our major items of property, plant and equipment is computed using the following uniform group-wide useful lives:

	Years
Buildings	25 – 50
Power stations	15 – 50
Electricity distribution plants	25 – 45
Gas distribution plants	15 – 55
Water distribution plants	20 – 40
Other equipment, furniture and fixtures	5 – 14

The useful lives and depreciation methods are reviewed annually.

Leases

Property, plant and equipment under finance leases, which transfer substantially all the risks and rewards incidental to ownership to the EnBW group, are recognised at the inception of the lease at market value or at the lower present value of the lease instalments. Depreciation is charged systematically over the economic useful life.

Finance leases, which transfer all risks and rewards incidental to ownership to the lessee, are recognised as a receivable at the amount of the net investment.

Lease payments and instalments from operating leases are recognised immediately as an expense in the income statement.

Investment property

Investment property includes land and buildings held to earn rentals or for capital appreciation and not used by EnBW itself. Investment property that is subject to wear and tear is measured at amortised cost and depreciated over a term of 25 to 50 years using the straight-line method. The market value is determined using internationally recognised methods such as the discounted cash flow or mark-to-market methods and disclosed in the notes to the financial statements.

Impairment

The carrying amounts of intangible assets, property, plant and equipment, and investment properties are tested for impairment at each balance sheet date. If there is any indication that the asset may be impaired, the recoverable amount of the asset concerned is determined in impairment testing. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

The fair value is determined on the basis of a business valuation model and reflects the best estimate of the amount at which a third party would acquire the asset. The value in use corresponds to the present value of the future cash flows expected to be derived from an asset or cash-generating unit. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

If it is not possible to determine the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset can be allocated.

Goodwill arising from business combinations is allocated to the cash-generating units or groups of cash-generating units that are expected to achieve synergies from the business combination. The recoverable amount of these cash-generating units or groups of cash-generating units is tested for impairment at least once a year. An additional test is performed whenever there is any indication that the carrying amount may not be recoverable. For more information, please refer to note 10, “Intangible assets”.

If the recoverable amount of an asset falls short of its carrying amount, an impairment loss is recognised in profit or loss. In the event of impairment losses on cash-generating units to which goodwill has been allocated, the goodwill is reduced first. If the impairment loss exceeds the carrying amount of the goodwill, the difference is allocated proportionally to the remaining non-current assets of the cash-generating unit.

If the reason for a previously recognised impairment loss no longer exists at a later date, the impairment loss is reversed. The increased carrying amount of the asset attributable to a reversal may not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years (amortised cost). An impairment loss recognised for goodwill may not be reversed in a subsequent period. Accordingly, impairment losses on goodwill are not reversed.

Entities accounted for using the equity method

Investments in associates accounted for using the equity method are initially recognised at cost and subsequently recognised according to the amortised interest in net assets. The carrying amounts are increased or reduced each year by the share in profit, dividends paid or other changes in equity. Goodwill is recognised in the carrying amount of the investment.

Financial assets

Investments in non-consolidated affiliated entities, in associates not accounted for using the equity method and in other investees, as well as some of the long-term investments, are allocated to the “available-for-sale” category. They are measured at fair value if it can be determined reliably. Unrealised gains and losses are recognised directly in equity. If there is any permanent or significant impairment as of the balance sheet date, the adjustments to the negative market value are recognised in profit or loss. The unrealised gains or losses previously recognised directly in equity are recognised in profit or loss upon sale. Impairment losses are reflected in an allowance account.

Securities classified as held-to-maturity investments are measured at amortised cost.

Loans are accounted for at amortised cost. Loans subject to market interest rates are recognised at nominal value, and low-interest or interest-free loans at present value.

The securities recognised as current financial assets and held for trading purposes are measured at fair value through profit or loss. Changes in market value are recognised immediately in profit or loss.

To date, EnBW has not made use of the option to measure financial assets or financial liabilities at fair value through profit or loss (fair value option).

Inventories

Inventories are stated at costs of purchase or costs of conversion. As a rule, they are measured at average prices. Pursuant to IAS 2, costs of conversion contain the direct costs and an appropriate portion of the necessary materials and production overheads including depreciation. Costs of conversion are determined on the basis of normal capacity utilisation. Borrowing costs are not capitalised as a component of costs of conversion. Appropriate allowance is made for risks relating to slow-moving goods. Where necessary, the lower net realisable value compared to the carrying amount is recognised. Write-ups on inventories are deducted from the cost of materials.

The nuclear fuel rods disclosed in the inventories are measured at amortised cost. Depreciation is determined in accordance with consumption.

Emission allowances

Emission allowances are recognised under inventories. Emission allowances acquired without consideration in the current fiscal year are recognised at their nominal value, while those acquired for a consideration to cover anticipated consumption are recognised at cost. Emission allowances acquired for trading purposes are recognised as other assets at fair value with effect on profit or loss, and any fluctuation in fair value is recognised directly in profit or loss.

The obligation to return CO_2 emission allowances is accounted for under other provisions. The carrying amount of the provision is determined based on the carrying amount of the emission allowances provided free of charge and, if more emission allowances are needed, on the carrying amount of the existing emission allowances. If further emission allowances are needed, they are accounted for at their fair value as of the balance sheet date.

Trade receivables and other receivables

Trade receivables and other receivables are accounted for at cost less any bad debt allowances required based on the actual bad debt risk. Low-interest or interest-free receivables are stated at present value. Some bad debt allowances are recognised via an allowance account. The decision whether the bad debt allowance reduces the carrying amount directly or indirectly via an allowance account depends on the probability of the anticipated default.

Treasury shares

Own equity instruments which are repurchased (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the group's own equity instruments.

Provisions for pensions and similar obligations

For defined benefit plans, provisions for pensions and similar obligations are determined using the projected unit credit method in accordance with IAS 19. This method considers current and future pension benefits known at the balance sheet date as well as future anticipated salary and pension increases. Actuarial gains and losses outside the 10% corridor are distributed over the average remaining working lives of the employees on a straight-line basis. Assets of funds established to cover the pension obligations are deducted from the provision. Service cost is disclosed in personnel expenses, while the interest portion of additions to the provision and the return on plan assets are recorded in the financial result.

Payments for defined contribution plans are expensed as incurred and presented under personnel expenses.

Other provisions
Other provisions take account of all legal or constructive obligations towards third parties resulting from past events that are identifiable at the balance sheet date and which are uncertain in terms of amount and/or date of occurrence. The provisions are recognised at their settlement amount. They are measured at the estimated future amount or the amount most likely to be incurred.

The non-current provisions are stated at the future amount needed to settle the obligation discounted to the balance sheet date. This does not apply to provisions for pensions and similar obligations. They are subject to special rules in accordance with IAS 19.

Deferred taxes
Deferred taxes are recorded in accordance with the temporary concept (IAS 12) on all timing differences between the tax accounts and the IFRS balance sheet of the individual entities. Deferred taxes from consolidation entries are recognised separately. Deferred tax assets are recognised on unused tax losses if it is reasonably certain that they will be utilised. Deferred taxes are calculated on the basis of the tax rates that apply or that are expected to apply in the individual countries at the time of utilisation. A tax rate of 29.0% is applied for German group entities. Tax assets and tax liabilities are offset against each other if the conditions to do so have been satisfied.

Financial liabilities
Financial liabilities are recorded at fair value upon initial recognition. After initial recognition, they are measured at amortised cost. Liabilities from finance leases are measured at the lower of fair value and present value of the minimum lease payments at the date when the leased asset is recognised.

Trade payables and other liabilities
Trade payables and other liabilities are recognised at the amount repayable.

The construction cost subsidies recorded as liabilities are released to other operating income in accordance with the use of the subsidised item of property, plant and equipment. As a rule, the period of release for construction cost subsidies is between 40 and 45 years. Investment subsidies and grants are released over the depreciation period of the subsidised assets. The amount released is offset against depreciation on the face of the balance sheet.

Non-current assets held for sale and assets of discontinued operations
Non-current assets held for sale and assets of discontinued operations are individual non-current assets, groups of assets or operations which can be sold in their present condition, whose sale is highly probable and which satisfy all the criteria defined in IFRS 5. The item “liabilities of discontinued operations” includes liabilities that are part of a discontinued operation.

Assets that meet the criteria to be classified as non-current assets held for sale for the first time are measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets ceases.

Gains or losses from measuring individual assets held for sale and groups of assets are disclosed as profit or loss from continuing operations until they are finally sold.

Income and expenses from the operation of discontinued operations as well as gains and losses from their measurement at fair value less costs to sell are disclosed as profit/loss from discontinued operations. Gains and losses on the sale of discontinued operations are also recognised in this item.

Derivatives

Derivatives are measured at fair value (market value) in accordance with IAS 39. They are recognised under other assets and other liabilities and subsidies. The market values are derived from market prices or using generally accepted valuation methods.

If they are contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements (own use), they are not recognised as derivatives under IAS 39, but as pending contracts in accordance with IAS 37.

Derivatives are classified as "held for trading" unless hedge accounting is used. Changes in market value are recognised immediately in profit or loss.

For derivatives used in a hedge, the accounting treatment of changes in fair value depends on the nature of the hedge.

In the case of changes in the fair value of cash flow hedges which are used to offset future cash flow risks arising from existing hedged transactions or highly probable forecast transactions, the unrealised gains and losses are initially recognised directly in equity (total net income recognised in equity) in the amount of the hedged transaction covered. Amounts are reclassified to the income statement when the hedged transaction is recognised in profit or loss.

In the case of a fair value hedge used to hedge the fair value of assets or liabilities, the gains or losses from the measurement of derivatives and the hedged transactions at fair value are recognised in profit or loss.

Foreign currency risks from investments with a foreign functional currency are secured by hedges of a net investment in a foreign operation. Unrealised exchange differences are initially recognised in equity and reclassified to profit or loss when the foreign operation is sold.

Contingent liabilities

Contingent liabilities are possible obligations to third parties or present obligations where an outflow of resources is remote or the amount cannot be determined reliably. Contingent liabilities are not recognised.

Revenue recognition

Revenue is generally recognised when the risk has been transferred to the customer. Substantially all the risks and rewards are transferred to the customer together with the transfer of title or ownership. Revenue is measured at the fair value of the consideration received or receivable for goods or services. Revenue is recognised net of any sales deductions such as price discounts and rebates and VAT as well as after elimination of intercompany sales. Most of the revenue is generated from the sale of electricity and gas, the distribution of electricity and gas as well as waste disposal, energy services and water supply.

Interest income is recognised using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Exercise of judgement and estimates when applying accounting policies

The preparation of the consolidated financial statements requires judgements and estimates to be made in applying the accounting policies that affect the reported amounts of assets and liabilities, revenue and expenses and the disclosure of contingent liabilities.

The following judgements in particular were made in the process of applying the accounting policies:

- Judgement is required with respect to certain commodity futures contracts to determine whether they are derivatives as defined by IAS 39 or an uncertain future event in accordance with the provisions of IAS 37.
- Financial assets are allocated to the measurement categories in accordance with IAS 39: "held for trading", "available for sale", "held-to-maturity investments" and "loans and receivables".
- IAS 19 allows different methods for the measurement of pension provisions with regard to the recognition of actuarial gains and losses. The EnBW group uses the corridor method.

These estimates are based on assumptions and forecasts which, by their very nature, are uncertain and may be subject to change. The key future-oriented assumptions and other sources of uncertainty as of the balance sheet date concerning estimates which have given rise to a considerable risk that material adjustments of carrying amounts of assets and liabilities may be required in the next fiscal year are explained below.

Goodwill: Goodwill is tested for impairment at least once a year. The impairment test involves estimates above all concerning future cash inflows. To determine the recoverable amount, an appropriate discount rate must be chosen. Changes in the overall economic, industry or company situation in the future may reduce cash inflows or the discount rate and thus potentially lead to an impairment of goodwill.

Property, plant and equipment: Technical progress, deterioration in the market situation or damage could lead to an impairment of property, plant and equipment.

Impairment of available-for-sale financial assets: Changes in the value of financial assets in the "available for sale" measurement category are recognised directly in equity. Permanent impairments are recognised in the profit or loss for the period. A significant or prolonged decline in the fair value of an investment in an equity instrument below its amortised cost is an indication of impairment. In the fiscal year 2008, impairment losses of € 89.1 million (prior year: € 0.0 million) were recognised in the income statement for available-for-sale financial assets.

Determination of fair value of financial assets and financial liabilities: The fair value of financial assets and financial liabilities is determined by reference to quoted market prices or using valuation techniques such as the discounted cash flow method. Where the parameters used in the valuation techniques are not supported by observable market data, assumptions need to be made which can affect the fair value of financial assets and financial liabilities.

Trade receivables and other assets: Bad debt allowances are recognised for doubtful debts in order to account for the credit risk. The amount of the allowance includes estimates and judgements concerning individual receivables, based on the age structure of the receivables, the customers' credit rating, past experience relating to the derecognition of receivables and changes in payment terms. As of 31 December 2008, bad debt allowances on trade receivables and other assets totalled € 82.8 million (prior year: € 84.8 million).

Pension provisions: When calculating pension provisions, differences compared to the actual obligations incurred over time may arise from the selection of underlying assumptions such as the imputed interest rate or trends, use of demographic probabilities based on the 2005 G Heubeck mortality tables and accepted approximation methods when determining the pension from the statutory pension insurance fund.

Nuclear power provisions: The provisions for closure and disposal relating to nuclear power are based on external appraisals that are updated annually. These appraisals are based on cost estimates of the settlement value for each obligation. The uncertainty inherent in the estimates is primarily due to changes in the scope of insurance, departures from the assumed cost development and changes in payment dates. Changes in the discount rate could also lead to an adjustment of the nuclear power provisions.

Provisions for onerous contracts: Provisions for onerous contracts are generally set up for onerous procurement and sales agreements. Future changes in market prices on the procurement or sales side may lead to an adjustment of the provisions for onerous contracts.

Acquisition accounting: For acquisition accounting purposes, all identifiable assets, liabilities and contingent liabilities acquired in a share purchase are recognised at fair value as of the date of acquisition. Estimates are used to calculate the fair value of these assets and liabilities as of the date of acquisition. Land and buildings as well as other equipment, furniture and fixtures are generally measured by independent appraisers. Marketable securities are recognised at market price. The measurement of intangible assets is based on the nature of the intangible asset as well as the complexity of determining fair value. Fair value is therefore determined on the basis of an independent external valuation appraisal.

Income tax: Estimates are needed to set up tax provisions and to assess the recoverability of deferred tax assets on unused tax losses. The assessment of recoverability of deferred tax assets is subject to uncertainty in terms of the interpretation of complex tax regulations and the amount and timing of future taxable income.

Entities accounted for using the equity method: IFRS financial statements were not available to us for all entities. Therefore, these entities were accounted for using the equity method based on an estimate of the HGB-IFRS differences.

Joint ventures

The share of joint ventures in the consolidated balance sheet and the consolidated income statement breaks down as follows:

Balance sheet in € millions	31/12/2008	31/12/2007
Non-current assets	338.4	303.5
Current assets	140.2	116.8
Non-current liabilities	97.6	79.2
Current liabilities	80.9	59.6

Income statement in € millions	2008	2007
Revenue	369.7	284.4
Cost of materials	-257.2	-187.9
Operating profit	57.1	46.7
Financial result	8.0	7.8
Earnings before tax	65.1	54.5
Income tax	-11.9	-7.4
Earnings after tax	53.2	47.1

Currency translation

In the separate financial statements of the entities, business transactions in foreign currency are translated at the rate of the transaction date. Non-monetary items are measured at the rate prevailing when they were first recorded. Monetary items are translated at the closing rate as of the balance sheet date. Exchange differences from monetary items are recognised in other operating income or other operating expenses with effect on profit or loss.

The reporting currency of EnBW, which is also the functional currency, is the euro (€). The financial statements of the group entities are translated to euro. Currency translation is performed in accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates” using the functional currency method. Under this method, the assets and liabilities of entities that do not report in euro are translated at the mean rate prevailing on the balance sheet date, while expenses and income are translated at the average annual rate. The entities concerned are foreign entities, whose functional currency generally is the respective local currency. Differences from the currency translation of assets and liabilities compared to the translation of the prior year as well as exchange differences between the income statement and the balance sheet are recognised directly in equity under total net income recognised in equity. The same procedure is applied by analogy for foreign entities accounted for using the equity method.

The entities of the EnBW group mainly operate in the euro zone. As in the prior year, the provisions of IAS 29 on financial reporting in hyperinflationary economies were not relevant in the fiscal year. No major group entities are domiciled in a hyperinflationary economy.

Currency translation was based on the following exchange rates, among others:

	Closing rate		Average rate	
€ 1	2008	2007	2008	2007
Swiss francs	1.49	1.65	1.59	1.64
Pound sterling	0.95	0.73	0.80	0.68
US dollar	1.39	1.47	1.47	1.37
Hungarian forint	266.70	253.73	251.78	251.31
Czech koruna	26.88	26.63	24.96	27.76
Japanese yen	126.14	164.93	152.45	161.25

Notes to the income statement and the balance sheet

(1) Revenue

Revenue is recognised when the risk has been transferred to the customer. The electricity and natural gas tax paid by the entities is deducted from revenue on the face of the income statement.

In the interest of a more accurate presentation of the business development, income and expenses from energy trading are disclosed net. The net disclosure means that revenue from energy trading is reported net of the related cost of materials. For the fiscal year 2008, the net energy trading revenue came to € 7,810.1 million (prior year: € 2,247.9 million).

The segment reporting contains a breakdown of revenue by business segment and geographical segment.

(2) Other operating income

€ millions	2008	2007
Rent and lease income	35.1	31.5
Income from the release and reduction of specific bad debt allowances	7.3	13.1
Disposals of assets	27.7	18.8
Exchange rate gains	20.9	15.1
Reversal of provisions	166.1	293.4
Release of construction cost subsidies	90.3	88.1
Income from derivatives	99.1	213.7
Sundry	369.3	314.2
Total	**815.8**	**987.9**

Disposals of assets contain income of € 5.8 million (prior year: € 5.7 million) from the disposal of real property held for sale.

Sundry other operating income includes extraordinary income of € 1.9 million (prior year: € 21.1 million).

Reversals of impairment losses on intangible assets, property, plant and equipment and investment properties amounted to € 1.8 million in the reporting period (prior year: € 7.7 million).

In addition, sundry other operating income includes income from the reversal of accruals and income from insurance claims.

(3) Cost of materials

€ millions	2008	2007
Cost of materials and supplies and of purchased merchandise	9,818.2	8,759.5
Cost of purchased services	2,280.9	2,184.4
Total	**12,099.1**	**10,943.9**

Cost of materials and supplies and of purchased merchandise comprises in particular electricity and gas procurement costs as well as the necessary increases – other than that due to the passage of time – in provisions for the decommissioning of nuclear power plants. This item also includes costs for the disposal of irradiated fuel rods and radioactive waste as well as the consumption of nuclear fuel rods, nuclear fuels and fuels for conventional power stations.

Cost of purchased services mainly contains expenses for network use, services purchased for the operation and maintenance of the plants as well as franchise fees. In addition, other expenses directly attributable to services rendered are shown under this heading.

(4) Personnel expenses

€ millions	2008	2007
Wages and salaries	1,183.9	1,125.9
Social security, pension and other benefit costs	296.5	350.3
of which for post-employment benefits	(100.0)	(157.5)
Total	**1,480.4**	**1,476.2**

Average headcount of continuing operations during the year	2008	2007
Electricity	11,719	11,592
Gas	914	881
Energy and environmental services	7,130	7,149
Holding/consolidation	594	555
Employees of continuing operations	**20,357**	**20,177**
Apprentices and trainees in the group	1,247	1,225

Expenses for post-employment benefits arising from the increase in the benefit obligation amount to € 56.2 million (prior year: € 92.5 million). The other expenses for post-employment benefits mainly contain other social benefits that can be recognised as a provision and contributions to the pension guarantee association.

The total figure includes 678 employees (prior year: 678) from entities included in proportion to the EnBW share. The average headcount at discontinued operations during the year 2008 was 0 (prior year: 322).

(5) Other operating income

€ millions	2008	2007
Rent and lease expenses	74.7	73.0
Expense from specific bad debt allowances	40.3	40.5
Disposals of assets	24.5	27.7
Exchange rate losses	15.8	27.1
Other personnel expenses	71.9	85.7
Advertising expenses	125.5	137.8
Administrative and selling expenses	127.3	136.7
Audit, legal and consulting fees	161.8	134.7
Expenses from derivatives	138.2	26.7
Insurance	41.8	40.3
Dues and levies	7.0	8.1
Other taxes	13.4	15.3
Sundry	229.2	243.4
Total	**1,071.4**	**997.0**

Sundry other operating expenses include extraordinary expenses of € 27.7 million (prior year: € 17.8 million).

(6) Amortisation and depreciation

€ millions	2008	2007
Amortisation of intangible assets	97.1	92.0
Depreciation of property, plant and equipment	973.9	689.1
Depreciation of investment property	7.2	2.0
Release of investment cost subsidies	-6.3	-5.9
Total	**1,071.9**	**777.2**

In the reporting year there were no impairment losses on goodwill from capital consolidation (prior year: € 0.0 million). The impairment losses recognised on other intangible assets, property, plant and equipment and investment property amounted to € 270.2 million (prior year: € 11.9 million). They are mostly due to impairment losses on the electricity and gas grids as a result of a further reduction in the network user charges imposed by the Federal Network Agency.

(7) Investment income

€ millions	2008	2007
Share of profit of entities accounted for using the equity method	**142.8**	**158.9**
Investment income[1]	58.8	48.5
of which non-consolidated, affiliated entities	(8.2)	(3.9)
Write-downs of investments	-4.4	-8.6
of which non-consolidated, affiliated entities	(-2.5)	(0.0)
Income from the sale of equity investments	54.1	17.3
Other	0.0	56.1
Other income from investments	**108.5**	**113.3**
Investment income	**251.3**	**272.2**

[1] Of which € 6.6 million (prior year: € 2.4 million) stems from investments held as financial assets.

Write-downs include impairment losses on other investments of € 1.9 million (prior year: € 8.6 million) and impairment losses on shares in affiliated entities of € 2.5 million (prior year: € 0.0 million). In the prior year, the line item “other” contains income of € 54.3 million from the reversal of provisions for potential losses from writer obligations for the potential acquisition of investments.

(8) Financial result

€ millions	2008	2007
Interest and similar income	302.6	327.1
of which non-consolidated, affiliated entities	(0.5)	(0.4)
Other finance revenue	155.2	70.8
Finance revenue	**457.8**	**397.9**
Borrowing costs	-243.0	-276.9
Other interest and similar expenses	-32.7	-27.6
of which non-consolidated, affiliated entities	(-0.3)	(-0.3)
Interest portion of increases in provisions	-488.7	-466.1
Personnel provisions	(-218.8)	(-208.6)
Provisions relating to nuclear power	(-254.8)	(-246.2)
Other non-current provisions	(-15.1)	(-11.3)
Other finance costs	-177.1	-85.8
Finance costs	**-941.5**	**-856.4**
Financial result	**-483.7**	**-458.5**

Interest and similar income contains interest income from interest-bearing securities and loans, dividends and other profit shares.

Interest income of € 0.0 million was offset against economically related interest expenses in the reporting period (prior year: € 385.7 million).

Borrowing costs and other interest and similar expenses mainly consist of expenses for bank interest and bonds of € 168.8 million (prior year: € 190.5 million) as well as the interest portion for finance lease costs of € 42.2 million (prior year: € 45.9 million), other borrowing costs of € 32.0 million (prior year: € 40.5 million) and interest on put options of minority interests of entities that have already been fully consolidated amounting to € 23.8 million (prior year: € 22.5 million). The interest portion from the increase in provisions relates to the annual increase of the non-current provisions due to the passage of time.

Other finance costs comprise impairment losses of € 89.1 million on investments in the 2008 reporting period on account of the general credit crisis on the capital markets. In addition, other finance revenue/finance costs contain write-ups/write-downs of securities and realised exchange rate gains/losses on the sale of securities in the fiscal year 2008.

The income and expenses realised on interest rate swaps are disclosed net.

(9) Income tax

€ millions	2008	2007
Current income tax		
Domestic corporate income tax	187.4	201.1
Domestic trade tax	71.3	168.2
Foreign income taxes	29.1	36.9
Total	**287.8**	**406.2**
Deferred taxes		
Germany	54.2	-429.1
Abroad	-6.8	-20.3
Total	**47.4**	**-449.4**
Income tax (-income/+expense)	**335.2**	**-43.2**

Current income tax contains net expenses of € 32.8 million (prior year: € 84.1 million) that relate to prior periods. Deferred tax contains net income of € 46.3 million (prior year: € 81.6 million) that relates to prior periods. The net tax income in the prior year was due primarily to use of the lower tax rate of 29.0% (previously: 38.0%) in the calculation of deferred taxes as a result of the German 2008 Business Tax Reform Act.

Deferred taxes are computed using a tax rate of 29.0% (prior year: 29.0%). This consists of corporate income tax, the solidarity surcharge and the average trade tax at the tax rates applicable since 2008.

In 2008, the deferred tax expense was reduced by € 6.7 million (prior year: € 35.3 million) by recognising previously unused tax losses and increased by a € 0.0 million write-down of a deferred tax asset (prior year: € 12.0 million). In addition, the deferred tax expense was reduced by € 0.4 million on account of the increase in unused tax losses (prior year: € 186.8 million).

The reconciliation from the theoretical income tax expense to the current income tax expense is presented below:

€ millions	2008	%	2007	%
Earnings before tax	**1,235.8**		**1,372.9**	
Applicable tax rate		29.0		38.0
Theoretical income tax expense	**358.4**		**521.7**	
Tax effects				
Differences, foreign tax rates and tax rate differences	0.3	0.0	-19.5	-1.4
Tax-free income	-56.6	-4.6	-92.8	-6.8
Non-deductible expenses	63.7	5.2	29.3	2.1
Addbacks and reductions for trade tax purposes	21.8	1.8	12.9	0.9
Measurement of associates using the equity method	-41.6	-3.4	-54.9	-4.0
Change in deferred tax assets relating to unused tax losses	-3.3	-0.3	-22.9	-1.7
Zero-rated disposals of investments	-2.1	-0.2	-0.1	0.0
Taxes relating to other periods	-13.5	-1.1	2.5	0.2
Non-recurring effect, tax reduction under the German 2008 Business Tax Reform Act	0.0	0.0	-412.0	-30.0
Other	8.1	0.7	-7.4	-0.4
Current income tax (-income/+expense)	**335.2**		**-43.2**	
Effective tax rate		**27.1**		**-3.1**

(10) Intangible assets

€ millions[1]	Franchises, industrial rights, licences and similar rights	Internally generated intangible assets	Goodwill	Other	Total
Cost					
As of 1 January 2008	1,474.8	68.8	676.0	17.1	2,236.7
Increase/decrease due to changes in the consolidated companies[2]	0.3	0.0	10.1	0.1	10.5
Additions	124.5	0.4	0.0	7.2	132.1
Reclassifications	3.2	0.1	0.0	-4.2	-0.9
Currency adjustments	21.1	0.0	1.2	0.0	22.3
Disposals	-44.8	0.0	0.0	0.0	-44.8
As of 31 December 2008	1,579.1	69.3	687.3	20.2	2,355.9
Accumulated amortisation					
As of 1 January 2008	544.0	20.8	14.0	0.0	578.8
Increase/decrease due to changes in the consolidated companies	-0.2	0.0	0.0	0.0	-0.2
Additions	86.1	10.0	0.0	0.0	96.1
Reclassifications	-1.4	0.0	0.0	0.0	-1.4
Currency adjustments	3.5	0.0	0.0	0.0	3.5
Disposals	-9.7	0.0	0.0	0.0	-9.7
Impairment losses	1.0	0.0	0.0	0.0	1.0
As of 31 December 2008	623.3	30.8	14.0	0.0	668.1
Carrying amounts					
As of 31 December 2008	955.8	38.5	673.3	20.2	1,687.8
Cost					
As of 1 January 2007	1,491.1	47.6	627.6	17.3	2,183.6
Increase/decrease due to changes in the consolidated companies[2]	15.5	0.0	57.5	0.0	73.0
Additions	25.1	7.3	0.0	12.5	44.9
Reclassifications	-0.1	13.9	0.0	-12.7	1.1
Reclassification to assets held for sale	-2.7	0.0	-8.9	0.0	-11.6
Currency adjustments	-10.2	0.0	-0.2	0.0	-10.4
Disposals	-43.9	0.0	0.0	0.0	-43.9
As of 31 December 2007	1,474.8	68.8	676.0	17.1	2,236.7
Accumulated amortisation					
As of 1 January 2007	474.9	12.0	14.0	0.0	500.9
Additions	77.4	8.5	0.0	0.0	85.9
Reclassifications	-0.3	0.3	0.0	0.0	0.0
Reclassification to assets held for sale	-2.3	0.0	0.0	0.0	-2.3
Currency adjustments	-0.9	0.0	0.0	0.0	-0.9
Disposals	-10.9	0.0	0.0	0.0	-10.9
Impairment losses	6.1	0.0	0.0	0.0	6.1
As of 31 December 2007	544.0	20.8	14.0	0.0	578.8
Carrying amounts					
As of 31 December 2007	930.8	48.0	662.0	17.1	1,657.9

[1] Prior-year figures restated.
[2] Including increases in equity holdings.

Finance leases account for € 223.8 million (prior year: € 249.7 million) of the carrying amount of intangible assets. They mainly refer to an electricity procurement right of € 217.5 million (prior year: € 249.7 million). The contract expires in 2015. The carrying amount of intangible assets also includes operating licences for power stations of € 393.1 million (prior year: € 311.2 million) and customer relationships of € 139.7 million (prior year: € 159.6 million).

In 2008, a total of € 28.9 million (prior year: € 32.4 million) was spent on research and development. The recognition criteria required under IFRS were not satisfied.

Goodwill was allocated to the cash-generating units or groups of cash-generating units for impairment test purposes. No impairment losses were recognised on goodwill in 2008.

Goodwill totalled € 673.3 million as of 31 December 2008 (prior year restated: € 662.0 million). Of this figure, 85.7% (prior year restated: 85.6%) is attributable to the cash-generating units or groups of cash-generating units presented in the table below:

Cash-generating unit/group of cash-generating units[1]	Carrying amount of the goodwill allocated to the cash-generating unit/group of cash-generating units in € millions	
	2008	2007
Electricity sales and distribution	196.6	183.9
Gas sales and distribution	97.2	99.5
Stadtwerke Düsseldorf AG subgroup	165.3	165.3
Energiedienst Holding AG subgroup (without EnAlpin AG)	117.8	117.8

[1] Prior-year figures restated.

The goodwill that is allocated to the other cash-generating units or groups of cash-generating units accounted for less than 10% of total goodwill. It amounted to a total of € 96.4 million (prior year: € 95.5 million).

The recoverable amount of the cash-generating unit is determined on the basis of fair value less costs to sell. Using a business valuation model, fair value is derived from the cash flow planning, based on the mid-term planning approved by the Board of Management for a period of three years and valid as of the date of the impairment test. The planning is based on past experience and on estimates concerning the future market development.

The discount rates applied to the cash flows are determined on the basis of market data and range from 4.9% to 7.8% after tax and 7.0% to 10.9% before tax (prior year: 5.1% to 7.8% after tax and 7.0% to 10.9% before tax).

Constant growth rates of 1% and 1.5% (prior year: 1.5%) are used to extrapolate the cash flows beyond the detailed planning period, taking into account the expected price and volume-related growth.

Changes in the value of put options of minority interests in entities that have already been fully consolidated and a subsequent purchase price adjustment were retroactively offset against the associated goodwill for the fiscal year 2007. Offsetting led to an increase in goodwill of € 21.5 million.

Goodwill by segment developed as follows:

€ millions[1]	Electricity	Gas	Energy and environmental services	Total
Carrying amounts as of 1 January 2008	466.3	138.3	57.4	662.0
Increase/decrease due to changes in the consolidated companies[2]	13.0	-2.5	-0.4	10.1
Other changes	2.0	0.0	-0.8	1.2
Carrying amounts as of 31 December 2008	481.3	135.8	56.2	673.3
Carrying amounts as of 1 January 2007	451.0	96.6	66.0	613.6
Increase/decrease due to changes in the consolidated companies[2]	15.5	41.7	0.3	57.5
Reclassification to assets held for sale	0.0	0.0	-8.9	-8.9
Other changes	-0.2	0.0	0.0	-0.2
Carrying amounts as of 31 December 2007	466.3	138.3	57.4	662.0

1 Prior-year figures restated.
2 Including increases in equity holdings.

(11) Property, plant and equipment

€ millions	Land and buildings	Power plants	Distribution plants	Other equipment	Assets under construction	Total
Cost						
As of 1 January 2008	3,558.7	11,602.5	14,414.3	1,506.1	481.1	31,562.7
Increase/decrease due to changes in the consolidated companies	2.0	-12.6	14.3	-1.0	1.8	4.5
Additions	131.0	109.8	308.7	110.9	532.9	1,193.3
Reclassifications	21.1	69.9	94.0	-17.1	-216.3	-48.4
Reclassification to assets held for sale	-1.9	0.0	-7.1	-0.3	0.0	-9.3
Currency adjustments	-0.4	13.9	3.4	1.0	0.2	18.1
Disposals	-36.0	-51.8	-62.7	-83.3	-9.2	-243.0
As of 31 December 2008	3,674.5	11,731.7	14,764.9	1,516.3	790.5	32,477.9
Accumulated depreciation						
As of 1 January 2008	1,351.8	9,564.7	8,261.5	961.5	7.0	20,146.5
Increase/decrease due to changes in the consolidated companies	0.0	-6.4	0.0	-1.6	0.0	-8.0
Additions	59.9	242.7	316.1	91.6	0.0	710.3
Reclassifications	-39.4	18.5	13.4	-19.4	0.0	-26.9
Reclassification to assets held for sale	-1.6	0.0	-6.8	-0.3	0.0	-8.7
Currency adjustments	-0.2	8.3	2.1	0.8	0.0	11.0
Disposals	-14.2	-34.2	-51.4	-75.7	-7.0	-182.5
Impairment losses	5.1	1.1	251.8	0.2	5.4	263.6
Reversal of impairment losses	0.0	-0.3	-0.8	0.0	0.0	-1.1
As of 31 December 2008	1,361.4	9,794.4	8,785.9	957.1	5.4	20,904.2
Carrying amounts						
As of 31 December 2008	2,313.1	1,937.3	5,979.0	559.2	785.1	11,573.7
Cost						
As of 1 January 2007	3,578.0	11,481.8	14,082.2	1,549.2	391.0	31,082.2
Increase/decrease due to changes in the consolidated companies	1.0	14.3	129.3	0.6	0.2	145.4
Additions	33.9	134.4	247.3	91.2	347.7	854.5
Reclassifications	41.6	100.2	47.2	84.3	-253.7	19.6
Reclassification to assets held for sale	-88.2	0.0	0.0	-179.7	-1.9	-269.8
Currency adjustments	1.6	-8.9	3.0	-0.3	0.1	-4.5
Disposals	-9.2	-119.3	-94.7	-39.2	-2.3	-264.7
As of 31 December 2007	3,558.7	11,602.5	14,414.3	1,506.1	481.1	31,562.7
Accumulated depreciation						
As of 1 January 2007	1,313.3	9,365.1	8,028.4	1,032.3	7.0	19,746.1
Increase/decrease due to changes in the consolidated companies	0.0	0.0	0.0	-0.1	0.0	-0.1
Additions	58.0	231.2	304.3	90.3	0.0	683.8
Reclassifications	14.4	-3.2	0.2	0.8	0.0	12.2
Reclassification to assets held for sale	-30.5	0.0	0.0	-125.7	0.0	-156.2
Currency adjustments	0.0	-5.4	0.9	-0.2	0.0	-4.7
Disposals	-3.7	-25.5	-72.3	-36.0	0.0	-137.5
Impairment losses	0.3	4.9	0.0	0.1	0.0	5.3
Reversal of impairment losses	0.0	-2.4	0.0	0.0	0.0	-2.4
As of 31 December 2007	1,351.8	9,564.7	8,261.5	961.5	7.0	20,146.5
Carrying amounts						
As of 31 December 2007	2,206.9	2,037.8	6,152.8	544.6	474.1	11,416.2

Items of property, plant and equipment are encumbered by property liens totalling € 19.5 million (prior year: € 19.7 million).

Land and buildings also include land rights and buildings on third-party land. Other equipment includes waste disposal facilities, other technical facilities as well as furniture and fixtures.

Finance leases account for € 15.7 million (prior year: € 11.0 million) of the carrying amount of property, plant and equipment. These pertain in particular to the powerhouse of the Rheinhafen thermal power station in Karlsruhe. It is highly likely that EnBW will exercise its option to purchase the powerhouse in 2015 when the contract expires.

The carrying amounts of the finance leases recognised as non-current assets are summarised below:

€ millions	31/12/2008	31/12/2007
Franchises, industrial rights and similar rights and assets	223.8	249.7
Land, land rights and buildings including buildings on third-party land	15.7	11.0
Total	**239.5**	**260.7**

Group capital expenditures on intangible assets and property, plant and equipment of € 1,246.0 million (prior year: € 816.1 million) are derived as follows from the statement of changes in non-current assets:

€ millions	31/12/2008	31/12/2007
Additions to intangible assets and property, plant and equipment according to the statement of changes in non-current assets	1,325.4	899.4
Additions to assets recognised under finance leases	-13.8	0.0
Additions to the provision recognised for the decommissioning and dismantling of nuclear power plants	-65.6	-83.3
Capital expenditures on intangible assets and property, plant and equipment[1]	**1,246.0**	**816.1**

[1] From continuing operations.

(12) Investment property

€ millions	
Cost	
As of 1 January 2008	150.1
Additions	0.1
Reclassifications	14.3
Disposals	-14.0
As of 31 December 2008	150.5
Accumulated depreciation	
As of 1 January 2008	62.4
Additions	1.6
Reclassifications	4.3
Disposals	-9.3
Impairment losses	5.6
Reversal of impairment losses	-0.7
As of 31 December 2008	63.9
Carrying amount	
As of 31 December 2008	86.6
Cost	
As of 1 January 2007	200.4
Additions	0.6
Reclassifications	-22.1
Reclassification to assets held for sale	-26.5
Disposals	-2.3
As of 31 December 2007	150.1
Accumulated depreciation	
As of 1 January 2007	85.3
Additions	1.5
Reclassifications	-11.9
Reclassification to assets held for sale	-6.5
Disposals	-1.2
Impairment losses	0.5
Reversal of impairment losses	-5.3
As of 31 December 2007	62.4
Carrying amount	
As of 31 December 2007	87.7

As of the balance sheet date, the market value of the real estate that is classified as investment property was € 103.2 million (prior year: € 96.3 million). The market value was determined either using the discounted cash flow method or from current market prices. About half of the investment property was valued by external valuers. Rent income totalled € 10.9 million (prior year: € 10.7 million). The directly allocable operating expenses amounted to € 1.4 million (prior year: € 0.9 million). Operating expenses that were not offset by rent income totalled € 0.4 million (prior year: € 0.5 million).

As in the prior year, there are no obligations to purchase investment property.

Gains on disposal of € 7.8 million were generated in the fiscal year 2008 from the sale of investment property (prior year: € 21.8 million).

(13) Entities accounted for using the equity method

€ millions	
Cost	
As of 1 January 2008	1,863.3
Increase/decrease due to changes in the consolidated companies	53.6
Increase/decrease due to profits/losses	142.8
Increase/decrease due to amounts recognised directly in equity	22.3
Reclassification to assets held for sale	-43.6
Currency adjustments	-20.0
Decrease due to dividend distributions	-88.6
Other additions/disposals	9.2
As of 31 December 2008	1,939.0
Accumulated impairment	
As of 1 January 2008	6.8
Decrease due to changes in the consolidated companies	0.0
As of 31 December 2008	6.8
Carrying amounts	
As of 31 December 2008	1,932.2
Cost	
As of 1 January 2007	1,765.4
Increase/decrease due to profits/losses	158.9
Increase/decrease due to amounts recognised directly in equity	33.9
Reclassifications	-7.5
Reclassification to assets held for sale	-0.8
Currency adjustments	0.5
Decrease due to dividend distributions	-87.1
As of 31 December 2007	1,863.3
Accumulated impairment	
As of 1 January 2007	6.8
Decrease due to changes in the consolidated companies	0.0
As of 31 December 2007	6.8
Carrying amount	
As of 31 December 2007	1,856.5

The table below shows the key items of the income statements and balance sheets of the entities accounted for using the equity method:

Profit/loss of the entities accounted for using the equity method in € millions	2008	2007
Revenue	8,163.8	6,653.5
Profit for the year	490.1	477.9
Adjustment to EnBW investment and equity measurement	-347.3	-319.0
Share of profit of entities accounted for using the equity method	142.8	158.9

Balance sheet figures of the entities accounted for using the equity method in € millions	31/12/2008	31/12/2007
Assets	11,925.0	11,063.3
Liabilities	6,548.0	5,898.7
Equity	5,377.0	5,164.6
Adjustment to EnBW investment and equity measurement	-3,444.8	-3,308.1
Carrying amount of entities accounted for using the equity method	1,932.2	1,856.5

The EnBW group's share of the contingent liabilities of entities accounted for using the equity method came to € 609.3 million as of 31 December 2008 (prior year: € 423.8 million).

The market price of those investments for which there are published price quotations amounts to € 851.9 million (prior year: € 1,571.4 million). They have a carrying amount of € 1,236.8 million (prior year: € 1,155.4 million).

The following entities accounted for using the equity method have a different balance sheet date and are consolidated using the figures from their financial statements as of 30 September 2008:

- Elektrizitätswerk Rheinau AG, Rheinau/Switzerland
- EVN AG, Maria Enzersdorf/Austria

(14) Other financial assets

€ millions	Shares in affiliated entities	Other investments[1,2]	Long-term investments[3]	Loans	Total
Cost					
As of 1 January 2008	63.6	912.9	4,831.6	145.7	5,953.8
Increase/decrease due to changes in the consolidated companies	1.0	0.0	0.0	0.0	1.0
Additions	14.0	161.8	2,654.5	32.1	2,862.4
Reclassifications	1.6	-2.1	-304.6	-3.1	-308.2
Currency adjustments	0.0	4.5	0.0	1.3	5.8
Disposals	-0.8	-135.9	-3,151.0	-56.7	-3,344.4
As of 31 December 2008	79.4	941.2	4,030.5	119.3	5,170.4
Accumulated impairment					
As of 1 January 2008	8.1	140.4	16.8	54.1	219.4
Increase/decrease due to changes in the consolidated companies	0.3	0.0	0.0	0.0	0.3
Impairment losses	2.5	1.9	89.1	0.0	93.5
Reclassifications	0.0	-0.3	0.3	-0.1	-0.1
Currency adjustments	0.0	0.1	-0.1	0.0	0.0
Disposals	0.0	-56.6	0.0	-45.1	-101.7
Reversal of impairment losses	0.0	0.0	-1.3	0.0	-1.3
As of 31 December 2008	10.9	85.5	104.8	8.9	210.1
Carrying amounts					
As of 31 December 2008	68.5	855.7	3,925.7	110.4	4,960.3
Cost					
As of 1 January 2007	64.1	774.7	5,229.7	187.9	6,256.4
Additions	6.5	168.5	2,919.3	9.1	3,103.4
Reclassifications	0.3	6.9	-445.8	-26.8	-465.4
Reclassification to assets held for sale	-2.1	-9.4	0.0	-0.1	-11.6
Currency adjustments	0.0	-1.2	-0.1	-1.3	-2.6
Disposals	-5.2	-26.6	-2,871.5	-23.1	-2,926.4
As of 31 December 2007	63.6	912.9	4,831.6	145.7	5,953.8
Accumulated impairment					
As of 1 January 2007	15.3	139.2	16.8	53.4	224.7
Impairment losses	0.0	8.6	0.0	0.9	9.5
Reclassification to assets held for sale	-2.6	-7.2	0.0	0.0	-9.8
Currency adjustments	0.0	0.0	0.0	-0.1	-0.1
Disposals	-4.6	-0.2	0.0	-0.1	-4.9
As of 31 December 2007	8.1	140.4	16.8	54.1	219.4
Carrying amounts					
As of 31 December 2007	55.5	772.5	4,814.8	91.6	5,734.4

1 Of the additions, € 1.2 million (prior year: € 67.5 million) stems from market valuation, of the disposals € 3.1 million (prior year: € 0.2 million).
2 Of the carrying amount, € 195.3 million (prior year: € 110.6 million) relates to investments held as financial assets.
3 Of the additions, € 103.2 million (prior year: € 96.8 million) stems from market valuation, of the disposals € 642.2 million (prior year: € 8.5 million).

The investments in affiliated entities disclosed in the financial assets are entities that are not included in the consolidated financial statements due to immateriality.

The non-current securities are mainly fixed-interest securities as well as listed shares. To a large extent, the non-current securities are held in special funds. For consolidation purposes, the individual securities in the special funds are shown separately in the consolidated balance sheet by type of investment.

Loans comprise loans to affiliated entities of € 1.3 million (prior year: € 0.3 million), loans to investees and investors of € 21.0 million (prior year: € 22.4 million) and other loans of € 88.1 million (prior year: € 68.9 million).

Impairment losses of financial assets are recorded on a separate allowance account and presented in the statement of changes in non-current assets.

(15) Trade receivables

€ millions			31/12/2008			31/12/2007
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	3,181.5	400.7	3,582.2	2,108.7	372.6	2,481.3
of which from affiliated entities	(21.9)	(14.5)	(36.4)	(11.3)	(14.2)	(25.5)
of which from equity investments	(48.5)	(4.9)	(53.4)	(36.5)	(4.1)	(40.6)
of which from entities accounted for using the equity method	(12.8)	(0.0)	(12.8)	(9.3)	(0.0)	(9.3)

Non-current trade receivables principally include receivables relating to electricity supplies, whose term to maturity does not match the customary business cycle.

Write-downs on trade receivables break down as follows:

€ millions	2008	2007
As of 1 January	56.1	74.7
Utilisation	-34.6	-52.4
Net additions	25.8	33.8
As of 31 December	**47.3**	**56.1**

The credit risks inherent in trade receivables are presented below:

€ millions	31/12/2008	31/12/2007
Not past due and not impaired	3,471.6	2,353.4
Past due, but not impaired		
≤ 3 months	37.9	65.4
> 3 months ≤ 6 months	3.8	7.8
> 6 months ≤ 1 year	3.7	3.9
> 1 year	7.3	6.0
Impaired	57.9	44.8
Total	**3,582.2**	**2,481.3**

There was no indication as of the balance sheet date that any impairment losses needed to be recognised on the trade receivables recorded as not impaired.

(16) Income tax refund claims

Current and non-current income tax refund claims essentially comprise the corporate income tax credit arising from transition to the half-income method pursuant to the German Tax Reduction Act (StSenkG) from 23 October 2000, on the basis of the revised act on tax measures accompanying the introduction of the European company and the amendment of other tax law provisions (SEStEG) from 7 December 2006.

In addition, this item contains deductible tax on investment income and deductible withholding tax on interest from prior years and the current year.

(17) Other assets

€ millions			31/12/2008			31/12/2007
	Current	Non-current	Total	Current	Non-current	Total
Other tax refund claims	122.4	0.0	122.4	33.7	0.0	33.7
Derivatives	2,732.2	32.8	2,765.0	1,014.0	7.7	1,021.7
of which without hedges	(2,551.0)	(6.2)	(2,557.2)	(836.2)	(1.9)	(838.1)
of which cash flow hedge	(165.5)	(3.0)	(168.5)	(177.8)	(5.8)	(183.6)
of which fair value hedge	(15.7)	(23.6)	(39.3)	(0.0)	(0.0)	(0.0)
Finance lease receivables	7.5	37.6	45.1	7.9	48.3	56.2
Payments on account	280.1	40.5	320.6	253.6	33.8	287.4
Prepaid expenses	25.2	62.3	87.5	18.3	71.0	89.3
Other assets	632.8	30.9	663.7	398.1	19.0	417.1
Total	**3,800.2**	**204.1**	**4,004.3**	**1,725.6**	**179.8**	**1,905.4**

The finance lease receivables arose from supply contracts for various forms of energy such as electricity, heat, cooling and compressed-air under which the economic ownership of the leased technical equipment and machinery is allocable to the lessee. The lease agreements provide for escalation clauses as well as rent extension and purchase price options that can be exercised only by the respective contracting parties. The agreements are based on the following parameters and terms to maturity:

€ millions	31/12/2008	31/12/2007
Total lease instalments	55.9	69.3
Interest portion of outstanding lease instalments	10.8	13.1
Present value of outstanding lease instalments	**45.1**	**56.2**

The terms to maturity of the nominal value of the outstanding lease instalments are as follows:

€ millions	31/12/2008	31/12/2007
Due within 1 year	10.3	10.7
Due in 1 to 5 years	30.8	39.6
Due in more than 5 years	14.8	19.0
Total	**55.9**	**69.3**

The present value of the outstanding lease instalments splits up as follows:

€ millions	31/12/2008	31/12/2007
Due < 1 year	8.8	9.2
Due 1 - 5 years	25.3	32.9
Due > 5 years	11.0	14.1
Total	**45.1**	**56.2**

Bad debt allowances of € 0.0 million have been recognised for outstanding finance lease receivables (prior year: € 0.4 million). In the past fiscal year, write-ups of finance lease receivables amounted to € 0.0 million (prior year: € 6.9 million).

Payments on account contain prepayments for electricity procurement agreements of € 212.1 million (prior year: € 204.9 million). Of the total amount of prepaid expenses, € 33.4 million (prior year: € 38.4 million) relates to deferred lease instalments.

Other assets comprise security deposits for over-the-counter transactions of € 239.5 million (prior year: € 2.5 million).

Bad debt allowances on other assets measured at amortised cost developed as follows:

€ millions	2008	2007
As of 1 January	28.7	52.2
Utilisation	-0.4	-17.1
Net additions	7.2	-6.4
As of 31 December	**35.5**	**28.7**

The credit risks of financial instruments disclosed under other assets break down as follows:

€ millions	31/12/2008	31/12/2007
Not past due and not impaired	3,464.5	1,489.8
Past due, but not impaired		
3 months	0.1	0.1
3 months ≤ 6 months	0.0	0.1
6 months ≤ 1 year	0.0	0.1
1 year	0.1	0.0
Impaired	0.4	0.5
Total	**3,465.1**	**1,490.6**

There was no indication as of the balance sheet date that any impairment losses needed to be recognised on the other assets recorded as not impaired.

(18) Inventories

€ millions	31/12/2008	31/12/2007
Materials and supplies	380.9	289.4
Nuclear fuel rods (incl. payments on account)	386.5	380.6
Work in progress	46.9	29.5
Finished goods and merchandise	34.0	25.1
Payments on account	14.6	8.1
Total	**862.9**	**732.7**

No inventories have been assigned as collateral. There are no significant long-term construction contracts which would require accounting for as long-term construction contracts.

In the reporting year, impairment losses of € 28.3 million (prior year: € 4.6 million) were recorded on inventories.

(19) Financial assets

Current financial assets mainly include profit participation certificates as well as fixed-interest securities. Other current financial assets principally relate to loans issued. Due to the measurement at market value, reversals of impairment losses came to € 3.7 million in the fiscal year (prior year: € 0.0 million) and impairment losses to € 3.1 million (prior year: € 0.8 million).

€ millions	2008	2007
Profit participation rights, funds and shares	502.9	515.3
Other current financial assets	81.8	212.3
Total	**584.7**	**727.6**

Current financial assets totalling € 95.6 million (prior year: € 119.9 million) were provided as collateral. The collateral was mainly provided for stock exchange transactions fluctuating according to the development of the trading volume and the development of market prices. Market interest rates applied to the collateral provided. This collateral will be used by the stock exchanges in the event of non-performance of the obligations undertaken in the transactions.

(20) Cash and cash equivalents

Cash and cash equivalents relate almost exclusively to bank balances, largely in the form of time and call deposits.

Of the cash and cash equivalents, an amount of € 64.2 million (prior year: € 63.1 million) is attributable to proportionately consolidated entities.

Cash was not subject to any significant restrictions on disposal.

(21) Equity

The development of equity and profit for the year is presented separately in the statement of changes in equity.

Subscribed capital

The capital stock of EnBW AG amounts to € 640,015,872.00 (prior year: € 640,015,872.00) and is divided into 250,006,200 (prior year: 250,006,200) registered no-par value shares, all of which have been fully paid in. The no-par value shares each represent an imputed share of € 2.56/share of the subscribed capital (prior year: € 2.56/share).

Electricité de France International SA (EDFI) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW) each directly hold 45.01% of the capital stock of EnBW AG as of 31 December 2008 (prior year: 45.01%).

Capital reserve
The capital reserve contains the amounts received from the issue of shares of EnBW AG which exceed the imputed value of the shares.

Revenue reserves
The revenue reserves contain the pro rata revenue reserves of the parent company and the other companies included in the consolidation after the date of purchase accounting.

Retained earnings of EnBW AG
Taking account of the profit carryforward of € 38.1 million (prior year: € 1.4 million) and after transferring € 576.4 million to other revenue reserves (prior year: € 200.0 million), retained earnings come to € 615.1 million (prior year: € 406.9 million). On 23 April 2009, the Board of Management will propose to the annual general meeting that a dividend of € 2.01 per share (prior year: € 1.51 per share) be distributed from the retained earnings of EnBW AG. As of 31 December 2008, a total of 244,256,523 shares were entitled to dividends (prior year: 244,256,523 shares). If the annual general meeting approves this proposal, the amount distributed by EnBW AG for fiscal 2008 will total € 491.0 million (prior year: € 368.8 million).

The carrying amounts recognised by EnBW AG pursuant to German commercial law for subscribed capital and the capital reserve were included in the statement of group equity pursuant to IFRS. The retained earnings of EnBW AG are disclosed under revenue reserves.

Revaluation reserve in accordance with IFRS 3
The revaluation reserve in accordance with IFRS 3 was set up in relation to the acquisitions achieved in stages of Stadtwerke Düsseldorf AG, Erdgas Südwest GmbH and GSW Gas- und Wärmeservice GmbH. The reserve is determined on the basis of the changes in fair value of assets and liabilities occurring between the dates of acquisition in proportion to the shares held prior to full consolidation.

Treasury shares
As of 31 December 2008, EnBW AG holds 5,749,677 treasury shares that are valued at € 35.79 in the separate financial statements of EnBW AG (prior year: 5,749,677 shares at € 35.79). They account for 2.3% (prior year: 2.3%) of the capital stock.

The company has no rights or dividend entitlements from the directly or indirectly held treasury shares. In accordance with the rulings of IFRS, the treasury shares are not recognised as securities but offset against the revenue reserves on the face of the balance sheet.

Total net income recognised in equity
Total net income recognised in equity comprises changes in the market value of available-for-sale financial assets, changes in the market value of cash flow hedges, amounts recognised directly in equity for accounting for entities using the equity method as well as exchange differences from the translation of financial statements of foreign entities.

For details on the changes recognised directly in equity on available-for-sale financial assets and of cash flow hedges, we refer to the notes on financial instruments.

Minority interests
Minority interests relate to shares in group entities held by third parties. The minority interests relate in particular to ENSO Energie Sachsen Ost AG, the Energiedienst group, Stadtwerke Düsseldorf AG, GasVersorgung Süddeutschland GmbH and Erdgas Südwest GmbH.

(22) Provisions

The provisions disclosed separately by maturity in the balance sheet are combined in the notes to the financial statements.

€ millions[1]			31/12/2008			31/12/2007
	Current	Non-current	Total	Current	Non-current	Total
Provisions for pensions and similar obligations	216.0	3,913.7	4,129.7	203.9	3,871.8	4,075.7
Tax provisions	141.6	127.5	269.1	202.5	40.4	242.9
Provisions for non-contractual nuclear obligations	81.4	3,629.3	3,710.7	18.4	3,280.6	3,299.0
Provisions for contractual nuclear obligations	66.5	1,106.2	1,172.7	108.0	1,199.1	1,307.1
Other provisions	603.6	531.1	1,134.7	598.5	597.2	1,195.7
Other electricity provisions	(221.7)	(24.3)	(246.0)	(227.1)	(27.6)	(254.7)
Personnel provisions	(73.0)	(169.1)	(242.1)	(87.2)	(193.9)	(281.1)
Provisions for onerous contracts	(43.7)	(306.2)	(349.9)	(49.2)	(312.0)	(361.2)
Other provisions	(265.2)	(31.5)	(296.7)	(235.0)	(63.7)	(298.7)
Total	**1,109.1**	**9,307.8**	**10,416.9**	**1,131.3**	**8,989.1**	**10,120.4**

[1] Prior-year figures restated.

Provisions for pensions and similar obligations

The provisions for pensions and similar obligations are recorded on the basis of the existing commitments for future and current post-employment benefits to current and former employees with a pension entitlement as well as their surviving dependants. Most of them are defined benefit plans. In addition, the employees are granted energy price reductions after reaching retirement age.

The commitments are measured above all on the basis of the length of service and remuneration of the employees. In addition, the company pension scheme includes defined benefit obligations under a multi-employer plan. The contributions payable to the supplemental pension plans are made as a certain percentage of the respective employee's compensation subject to the additional benefits.

The amount of the provisions for defined benefit obligations corresponds to the present value of the expected future obligations adjusted for unrecognised actuarial gains and losses. The provisions are calculated using actuarial methods. Plan assets were created in accordance with IAS 19.7 and will be used exclusively to cover pension obligations. They were deducted from the pension obligations.

The main parameters (averages) of the calculation of the defined benefit obligations for the German companies are presented below:

	31/12/2008	31/12/2007
Discount rate	6.00%	5.25%
Future expected wage and salary increases	3.00%	2.50%
Future expected pension increase	2.40%	2.25%
Staff turnover	2.00%	2.00%
Expected return on plan assets	5.50%	5.50%

The calculations are based on the 2005 G mortality tables of Prof. Dr. Klaus Heubeck.

The expense for pensions and similar obligations is comprised as follows:

€ millions[1]	2008	2007
Net benefit expense		
Current service cost	55.4	80.4
Past service cost	0.1	0.1
Actuarial gains (–)/losses (+)	0.7	12.0
Expected return on plan assets	-5.2	-5.3
Interest cost	210.4	200.5
Total	**261.4**	**287.7**

[1] Prior-year figures restated.

The present value of the claims for pension and similar benefit obligations can be reconciled to the carrying amount of the benefit obligations as follows:

€ millions[1]	31/12/2008	31/12/2007
Defined benefit obligation	3,952.0	4,244.7
of which internally funded benefits	(3,748.0)	(4,028.9)
of which externally funded benefits	(204.0)	(215.8)
Fair market value of plan assets	-91.7	-105.4
Plan surplus	1.7	3.5
Unrecognised actuarial gains (+)/losses (–)	267.7	-67.1
Provisions for pensions and similar obligations	**4,129.7**	**4,075.7**

[1] Prior-year figures restated.

Statement of changes in plan assets in € millions	2008	2007
Fair market value of plan assets at the beginning of the fiscal year	105.4	105.6
Expected return on plan assets	5.2	5.3
Transfer of assets	0.2	2.8
Benefits paid	-8.0	-7.5
Actuarial gains (+)/losses (–)	-11.1	-0.8
Fair market value of plan assets at the end of the fiscal year	**91.7**	**105.4**

The actual return on plan assets amounted to € -5.9 million (prior year: € 4.2 million).

Experience adjustments in € millions	2008	2007	2006	2005
Defined benefit obligation	-53.1	-31.9	-22.7	29.6
Fair market value of plan assets	-11.1	-0.8	-1.8	-0.1

The experience adjustments of the defined benefit obligation that were not caused by changes in the underlying assumptions are a component of the actuarial gains and losses arising in the respective period. The experience adjustments of the fair market value of plan assets correspond to the actuarial gains and losses arising in the the respective period.

Composition of plan assets (%)	31/12/2008	31/12/2007
Shares	12.6	22.9
Fixed-interest securities	65.8	57.3
Other assets	21.6	19.8
	100.0	**100.0**

The investment objective for the external plan assets is to cover benefit obligations with a similar term. Plan assets do not include any shares of EnBW group entities or any owner-occupied property. The investment strategy takes into consideration the maturity structure and volume of benefit obligations. The average return was -5.7% (prior year: 4.0%). The expected return was 5.5% (prior year: 5.5%). The expected return is calculated based on the asset forecasts of each asset class as well as negotiations with banks. The forecasts are based on past experience and general economic data.

Development of the present value of the defined benefit obligation in € millions[1]	2008	2007
Defined benefit obligation at the beginning of the fiscal year	4,244.7	4,590.3
Current service cost	55.4	80.4
of which reclassification to assets held for sale	(0.0)	(0.0)
Interest cost	210.4	200.5
of which reclassification to assets held for sale	(0.0)	(0.0)
Benefits paid	-214.6	-208.7
Actuarial gains (–)/losses (+)	-345.2	-420.1
Past service cost	0.0	0.1
Changes in the consolidated companies and currency adjustments	-0.1	0.0
Reclassifications	1.4	13.5
Reclassification to liabilities of discontinued operations	0.0	-11.3
Present value of the defined benefit obligation at the end of the fiscal year	**3,952.0**	**4,244.7**

1 Prior-year figures restated.

The present value of the defined benefit obligation breaks down as follows by asset coverage:

€ millions[1]	31/12/2008	31/12/2007
Benefits covered by assets	204.0	215.8
Full coverage	(92.3)	(98.6)
Partial coverage	(111.7)	(117.2)
Benefits not covered by assets	3,748.0	4,028.9

1 Prior-year figures restated.

The present value of the benefit obligations, the fair market value of plan assets and the plan surplus or deficit have developed as follows since 2005:

€ millions[1]	31/12/2008	31/12/2007	31/12/2006	31/12/2005
Present value of benefit obligations	3,952.0	4,244.7	4,590.3	4,614.0
Fair market value of plan assets	-91.7	-105.4	-105.6	-101.2
Plan surplus or deficit	3,860.3	4,139.3	4,484.7	4,512.8

1 Prior-year figures restated.

Multi-employer plans

Multi-employer plans, which are defined benefit plans, are accounted for as defined contribution plans because it is not possible to accurately break down the obligation or the assets by participating employer. The expenses from defined benefit obligations via multi-employer plans amounted to € 12.7 million (prior year: € 8.3 million). Potential future increases in contributions from unfunded obligations will not have a significant effect on the EnBW group. In 2006, an additional amount of € 18.4 million was paid into the supplemental pension scheme for the period from 2006 to 2015, leading to an additional expense of € 2.2 million for the reporting period (prior year: € 2.4 million).

The employer's contributions to statutory pension insurance amounted to € 89.9 million in 2008 (prior year: € 91.6 million).

The average residual term of the provisions for pensions and similar obligations as well as of the provisions relating to nuclear power is more than ten years.

Tax provisions

The tax provisions principally contain provisions for income taxes such as corporate income tax, including solidarity surcharge, and trade tax.

Provisions relating to nuclear power

The provisions relating to nuclear power have been recorded for the disposal of irradiated fuel rods and radioactive waste as well as for the decommissioning and restoration of contaminated plants.

€ millions	31/12/2008	31/12/2007
Decommissioning and restoration	2,933.9	2,734.3
Disposal of spent fuel rods	1,763.1	1,717.6
Waste	186.4	154.2
Total	**4,883.4**	**4,606.1**

The provisions are all based on public law obligations and requirements in the operating licences.

In those instances where contracts had not been concluded under civil law by the balance sheet date for performance of these public law obligations, the provisions were measured based on external appraisals and cost estimates (non-contractual nuclear obligations). This mainly concerns the anticipated costs relating to decommissioning and post-closure operating of the plants, dismantling and disposal of parts of nuclear power plants, and also the actual costs of ultimate storage. With regard to the disposal of fuel rods, the non-contractual share of costs mostly relates to costs for conditioning in preparation for ultimate storage, transportation costs, costs for the procurement of containers for ultimate storage purposes as well as the costs of actual ultimate storage.

In addition, part of the carrying amount of the provision is substantiated by civil-law contracts (contractual nuclear obligations). On the one hand, these are personnel costs for the company's own staff expected to be dealing with the decommissioning. On the other hand, the disposal of fuel rods mainly comprises costs yet to be incurred for reprocessing spent fuel rods, costs of local interim storage in the vicinity of the plants, central interim storage at the Gorleben and Ahaus interim storage facilities as well as costs for transportation and the procurement of containers.

Statement of changes in provisions in € millions[1]	As of 1/1/2008	Increases	Reversals
Provisions for pensions and similar obligations	4,075.7	54.5	0.0
Tax provisions	242.9	233.6	32.4
Provisions relating to nuclear power	4,606.1	188.1	111.9
Other provisions	1,195.7	287.6	58.0
Other electricity provisions	(254.7)	(91.5)	(20.2)
Personnel provisions	(281.1)	(39.4)	(8.9)
Provisions for onerous contracts	(361.2)	(25.8)	(8.2)
Other provisions	(298.7)	(130.9)	(20.7)
Total	**10,120.4**	**763.8**	**202.3**

[1] Prior-year figures restated.

The provisions for the decommissioning and restoration of contaminated plants are recognised at the discounted settlement amount at the time of commissioning. This is disclosed accordingly under the generating facilities and depreciated systematically. It totals € 246.3 million (prior year: € 229.9 million). Changes in estimates due to changes in assumptions concerning the future development of costs were recognised without effect on profit or loss by adjusting the appropriate balance sheet item. Decommissioning costs are calculated on the basis of the scenario that assumes that the plants will be removed immediately.

The provisions relating to nuclear power are set up in an amount equivalent to the present value of the expected future obligations and increased annually to reflect the passage of time. The discount rate for calculating the provisions is unchanged at 5.5%.

The payments on account made to reprocessing firms and the Federal Office for Radiation Protection, which are taken into account in the provisions relating to nuclear power, amount to € 451.9 million (prior year: € 444.4 million). The payments to the Federal Office for Radiation Protection relate to construction of the Gorleben and Konrad ultimate repositories and are based on the German Final Storage Advance Payments Ordinance (EndlagerVlV).

Increase due to the passage of time	Changes recognised directly in equity	Changes in consolidated companies, currency adjustments, reclassifications	Utilisation	As of 31/12/2008
210.2	0.0	1.3	212.0	4,129.7
0.0	0.0	-3.8	171.2	269.1
254.8	55.2	-1.4	107.5	4,883.4
23.5	-3.4	24.7	335.4	1,134.7
(0.5)	(-3.4)	(-5.7)	(71.4)	(246.0)
(8.4)	(0.0)	(-0.2)	(77.7)	(242.1)
(13.8)	(0.0)	(8.8)	(51.5)	(349.9)
(0.8)	(0.0)	(21.8)	(134.8)	(296.7)
488.5	**51.8**	**20.8**	**826.1**	**10,416.9**

Other provisions

Other electricity provisions relate to obligations from CO_2 emission allowances, the German Renewable Energies Act (EEG), the German Combined Heat and Power Act (KWKG) and the conventional procurement of electricity and fuels.

Personnel provisions concern above all obligations from early retirement arrangements, long-service awards and restructuring measures.

Other provisions are discounted using an average interest rate of 4.50% to 4.75% (prior year: 5.25%).

(23) Deferred taxes

Deferred taxes on measurement differences of continuing operations compared to the tax accounts break down as follows:

€ millions[1]	31/12/2008		31/12/2007	
	Deferred tax assets[2]	Deferred tax liabilities[2]	Deferred tax assets[2]	Deferred tax liabilities[2]
Non-current assets	132.3	2,346.1	68.9	2,394.5
Current assets and non-current assets held for sale	182.5	889.5	294.4	400.2
Non-current liabilities	1,005.5	536.6	904.5	535.2
Current liabilities	931.2	135.7	372.5	78.1
Unused tax losses	53.7		156.9	
Subtotal	**2,305.2**	**3,907.9**	**1,797.2**	**3,408.0**
Netting	-2,276.5	-2,276.5	1,791.2	1,791.2
Total	**28.7**	**1,631.4**	**6.0**	**1,616.8**

[1] Prior-year figures restated. To enhance the presentation in the notes of gross measurement differences between the IFRS consolidated balance sheet and the tax accounts, a consolidation was also performed for the tax balance sheet.
[2] Deferred tax assets and liabilities prior to offsetting.

Deferred tax assets of € 2,276.5 million (prior year restated: € 1,791.2 million) were offset against deferred tax liabilities in 2008.

Deferred tax assets are recognised on unused tax losses only to the extent that it is probable that taxable profit will be available against which the temporary difference can be used. Unused tax losses reduced the current tax burden in the reporting period by € 110.5 million (prior year: € 134.4 million). Unused tax losses for which no deferred tax assets have been recognised in the balance sheet amounted to € 40.7 million for corporate income tax (CIT) and € 71.1 million for trade tax (prior year: € 54.3 million for CIT and € 91.4 million for trade tax). The existing unused tax losses can be carried forward indefinitely. According to the law to reduce tax benefits, from 2004 onwards only 60% of the current taxable income which exceeds € 1 million can be offset against unused tax losses.

The deferred taxes on unused tax losses break down as follows:

€ millions	31/12/2008	31/12/2007
Corporate income tax (or comparable foreign tax)	49.8	107.9
Trade tax	3.9	49.0
Total	**53.7**	**156.9**

Deferred tax assets totalling € 17.8 million (prior year: liabilities of € 28.3 million) were credited directly to equity under total net income recognised in equity.

(24) Liabilities and subsidies

The liabilities and subsidies disclosed separately by maturity in the balance sheet are combined in the notes to the financial statements.

€ millions[1]	31/12/2008	31/12/2007
Non-current liabilities	5,382.7	3,842.1
Current liabilities	8,193.2	5,113.6
Liabilities	**13,575.9**	**8,955.7**
Non-current subsidies	1,634.3	1,649.1
Current subsidies	83.3	84.2
Subsidies	**1,717.6**	**1,733.3**
Non-current liabilities and subsidies	7,017.0	5,491.2
Current liabilities and subsidies	8,276.5	5,197.8
Liabilities and subsidies	**15,293.5**	**10,689.0**

[1] Prior-year figures restated.

Liabilities € millions[1]	31/12/2008	< 1 year	1 – 5 years	> 5 years	31/12/2007
Bonds	4,142.9	0.0	2,232.7	1,910.2	2,478.2
Commercial papers	0.0	0.0	0.0	0.0	199.5
Liabilities to banks	556.4	287.5	114.7	154.2	546.9
Other interest-bearing loans and borrowings	620.5	107.2	349.1	164.2	727.9
Financial liabilities	**5,319.8**	**394.7**	**2,696.5**	**2,228.6**	**3,952.5**
Payments received on account of orders	211.9	103.6	74.9	33.4	165.0
Trade payables	3,409.4	3,400.5	8.9	0.0	2,329.0
of which liabilities to affiliated entities	(12.4)	(12.4)	(0.0)	(0.0)	(8.2)
of which liabilities to investees and investors	(122.8)	(113.9)	(8.9)	(0.0)	(106.9)
of which liabilities to entities accounted for using the equity method	(9.8)	(9.8)	(0.0)	(0.0)	(2.7)
Other deferred income	200.7	57.3	143.4	0.0	173.4
Liabilities from derivatives	2,874.4	2,871.5	2.9	0.0	910.5
of which without hedges	(2,623.7)	(2,620.8)	(2.9)	(0.0)	(811.2)
of which cash flow hedge	(243.6)	(243.6)	(0.0)	(0.0)	(79.1)
of which fair value hedge	(7.1)	(7.1)	(0.0)	(0.0)	(20.2)
Other liabilities	1,559.7	1,365.6	45.0	149.1	1,425.3
of which from income tax	(13.0)	(12.3)	(0.0)	(0.7)	(7.0)
of which interest from back taxes	(1.0)	(0.0)	(1.0)	(0.0)	(20.0)
of which from other taxes	(151.8)	(151.8)	(0.0)	(0.0)	(271.9)
of which relating to social security	(30.7)	(18.3)	(5.9)	(6.5)	(30.4)
Total	**13,575.9**	**8,193.2**	**2,971.6**	**2,411.1**	**8,955.7**

[1] Prior-year figures restated.

Financial liabilities increased by € 1,367.3 million in the fiscal year 2008 (prior year: decrease of € 1,157.6 million).

EnBW International Finance B.V. refinanced CHF 300 million of the CHF 400 million bond, which matured on 25 February 2008. Under the established debt issuance programme, a public bond of € 750 million with a five-year term to maturity and another public bond of € 750 million with a ten-year term to maturity were issued by EnBW International Finance B.V. on 20 November 2008. A private placement of JPY 20 billion was issued on 16 December 2008 with a 30-year term to maturity. Upon closing, it was swapped to euro using a currency swap.

The liabilities to banks, most of which are bilateral credit agreements, were redeemed as scheduled at EnBW AG and its subsidiaries in the course of the year. Overall, however, new borrowings at the subsidiaries led to a minor increase in liabilities to banks in 2008.

The item “other financial liabilities” includes mainly long-term finance leases that were reduced further during the year.

The maturity structure of our financial liabilities is as follows:

€ millions	Due in 2009	Due in 2010	Due in 2011	Due in 2012	Due in 2013	Due after 2013	Total
Bonds	0.0	217.2	0.0	1,074.6	940.9	1,910.2	4,142.9
Liabilities to banks	287.5	49.7	56.3	4.6	4.1	154.2	556.4
Other financial liabilities	107.2	110.0	87.5	78.6	73.0	164.2	620.5
Financial liabilities	**394.7**	**376.9**	**143.8**	**1,157.8**	**1,018.0**	**2,228.6**	**5,319.8**

The structure of the main bonds is as follows:

Issuer	Issue volume	Carrying amounts	Coupon	Maturity
EnBW International Finance B.V.	€ 150 million	€ 149.8 million	5.000%	6/9/2010
EnBW International Finance B.V.	€ 1,000 million	€ 997.4 million	5.875%	28/2/2012
EnBW International Finance B.V.	CHF 300 million	€ 204.1 million[1]	3.125%	25/2/2013
EnBW International Finance B.V.	€ 750 million	€ 746.6 million	6.000%	20/11/2013
EnBW International Finance B.V.	€ 500 million	€ 495.1 million	4.250%	19/10/2016
EnBW International Finance B.V.	€ 750 million	€ 745.3 million	6.875%	20/11/2018
EnBW International Finance B.V.	€ 500 million	€ 510.8 million[1]	4.875%	16/1/2025
EnBW International Finance B.V.	JPY 20 billions	€ 159.2 million	3.880%	16/12/2038
Various		€ 134.6 million		
Total bonds		**€ 4,142.9 million**		

[1] Adjusted for valuation effects from interest-induced hedging transactions.

The majority of the outstanding liabilities to banks are bilateral loan agreements.

As in the prior year, EnBW AG had a fully unused contractually agreed syndicated line of credit of € 2.5 billion as of 31 December 2008. EnBW AG also has a long-term credit line of € 500 million, newly arranged by contract in the fiscal year 2008, for the construction of the RDK 8 hard coal power station, which had not been drawn by 31 December 2008. The group also had further free bilateral lines of credit of € 253 million at its disposal (prior year: € 340 million).

The average interest rates on financial liabilities developed as follows as of 31 December 2008:

Average interest rates (%)	31/12/2008	31/12/2007
Liabilities to banks	4.1	4.1
Bonds	5.5	4.9
Commercial papers	-	4.6
Other interest-bearing loans and borrowings	4.6	4.6
Total financial liabilities	**5.2**	**4.7**

The average interest on financial liabilities increased in 2008 compared to the prior year. The main reason are the bonds placed via the debt issuance programme in 2008, whose interest coupons led to an increase in the average interest rates due to the current situation on the capital markets and the sharp increase in credit spreads.

The large majority of financial liabilities are still subject to long-term fixed interest agreements.

Of the liabilities to banks, € 19.5 million (prior year: € 19.7 million) is secured by property liens.

In fiscal 2008, other financial liabilities primarily include liabilities from finance leases. The minimum payments from such leases have the following maturities:

€ millions	Nominal value		Present value	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Due within 1 year	106.3	103.0	102.4	98.8
Due in 1 to 5 years	417.0	413.3	334.4	329.8
Due in more than 5 years	179.1	283.7	114.9	176.1
Total	**702.4**	**800.0**	**551.7**	**604.7**

Liabilities to affiliated entities relate to non-consolidated affiliated entities. Trade payables include accruals for outstanding invoices amounting to € 2,232.2 million (prior year: € 1,125.1 million). Other liabilities mainly consist of the potential purchase obligations from put options of minority interests of entities that have already been fully consolidated of € 514.4 million (prior year restated: € 428.9 million), liabilities from taxes, including interest from back taxes, of € 165.8 million (prior year: € 298.9 million), security deposits for over-the-counter trading of € 151.9 million (prior year: € 64.9 million) and interest obligations from bonds of € 95.4 million (prior year: € 83.7 million).

Subsidies

Subsidies include investment grants, construction and investment cost subsidies.

€ millions	31/12/2008	31/12/2007
Investment grants	12.8	15.9
Investment cost subsidies	31.5	33.7
Construction cost subsidies	1,673.3	1,683.7
Total	**1,717.6**	**1,733.3**

The investment grants were awarded in accordance with Sec. 4a German Investment Grant Act (InvZulG).

The construction cost subsidies which have not yet been recognised in profit or loss were largely used for capital expenditures in the electricity and gas segments; title to the subsidised assets is retained by the EnBW group companies.

The subsidies are released over the estimated useful life of the subsidised assets. Of the total amount of subsidies, an amount of € 1,634.3 million (prior year: € 1,649.1 million) will be recognised in profit or loss in more than one year.

(25) Non-current assets held for sale and liabilities of discontinued operations

The assets and liabilities disclosed net in the consolidated balance sheet break down as follows:

€ millions	31/12/2008	31/12/2007
Property, plant and equipment held for sale	3.1	0.3
Investment properties held for sale	0.9	3.1
Non-current assets held for sale	**4.0**	**3.4**
Non-current liabilities of discontinued operations	0.0	0.0
Current liabilities of discontinued operations	0.0	7.9
Liabilities of discontinued operations	**0.0**	**7.9**

Non-current assets held for sale concern land, buildings and distribution plants. As of 31 December 2007, the liabilities of discontinued operations included the winding up of operations that had already been sold.

The profit from discontinued operations that is reported separately in the income statement breaks down as follows:

€ millions	2008	2007
Revenue	0.0	97.2
Other income	0.0	98.5
Other expenses	0.0	-97.1
Amortisation and depreciation	0.0	-5.8
Share of profit of entities accounted for using the equity method	0.0	0.0
Other income from investments	0.0	-13.0
Financial revenue	0.0	0.0
Finance costs	0.0	-1.6
Gain/loss on measurement at fair value	0.0	0.0
Gain/loss on the disposal of assets	0.0	32.9
Earnings before tax	0.0	111.1
Income taxes on the profit for the period	0.0	-13.2
Profit from discontinued operations	0.0	97.9
of which profit shares attributable to minority interests	(0.0)	(0.0)
of which profit shares attributable to equity holders of EnBW AG	(0.0)	(97.9)

In the reporting period, cash inflows of € 0.0 million were recorded from the sale of fully consolidated entities (prior year: € 73.6 million).

Accounting for financial instruments

Financial instruments include primary financial instruments and derivatives.

On the assets side, primary financial instruments mainly consist of financial assets, trade receivables, other assets and cash and cash equivalents. On the liabilities side, they consist of financial liabilities, trade payables and other liabilities.

Fair value and carrying amounts of financial instruments by measurement category

The table below shows the fair values and carrying amounts of the financial assets and financial liabilities contained in the individual balance sheet items:

Assets as of 31 December 2008

€ millions		Carrying amounts by measurement category			
	Fair value	Held for trading	Available for sale	Held to maturity	Loans and receivables
Financial assets[1]	5,566.8	152.4	4,097.7	1,102.8	192.1
Trade receivables	3,582.2				3,582.2
Other assets	3,465.1	2,557.2			655.0
Cash and cash equivalents	3,084.5				3,084.5
Total	**15,698.6**	**2,709.6**	**4,097.7**	**1,102.8**	**7,513.8**

Liabilities as of 31 December 2008

€ millions		Carrying amounts by measurement category	
	Fair value	Held for trading	Financial liabilities measured at amortised cost
Financial liabilities	5,433.5		4,768.1
Trade payables	594.0		594.0
Other liabilities and subsidies	3,544.5	2,623.7	670.1
Total	**9,572.0**	**2,623.7**	**6,032.2**

[1] The carrying amount of equity instruments measured at cost is € 604.8 million as of the balance sheet date.

Derivatives designated as hedging instruments	Carrying amount in accordance with IAS 17	Not within the scope of IFRS 7	Balance sheet Total	Non-current	Current
			5,545.0	4,960.3	584.7
			3,582.2	400.7	3,181.5
207.8	45.1	539.2	4,004.3	204.1	3,800.2
			3,084.5		3,084.5
207.8	**45.1**	**539.2**	**16,216.0**	**5,565.1**	**10,650.9**

Derivatives designated as hedging instruments	Carrying amount in accordance with IAS 17	Not within the scope of IFRS 7	Balance sheet Total	Non-current	Current
	551.7		5,319.8	4,925.1	394.7
		2,815.4	3,409.4	8.9	3,400.5
250.7		3,006.8	6,551.3	2,082.3	4,469.0
250.7	**551.7**	**5,822.2**	**15,280.5**	**7,016.3**	**8,264.2**

Assets as of 31 December 2007

€ millions	Fair value	Carrying amounts by measurement category: Held for trading	Available for sale	Held to maturity	Loans and receivables
Financial assets[1]	6,434.0	171.5	4,875.9	1,110.7	303.9
Trade receivables	2,481.3				2,481.3
Other assets	1,490.6	838.1			412.7
Cash and cash equivalents	1,317.8				1,317.8
Total	**11,723.7**	**1,009.6**	**4,875.9**	**1,110.7**	**4,515.7**

Liabilities as of 31 December 2007

€ millions[2]	Fair value	Carrying amounts by measurement category: Held for trading	Financial liabilities measured at amortised cost
Financial liabilities	3,946.1		3,347.8
Trade payables	649.1		649.1
Other liabilities and subsidies	1,421.4	811.2	510.9
Total	**6,016.6**	**811.2**	**4,507.8**

1 The carrying amount of equity instruments measured at cost is € 470.3 million as of the balance sheet date.
2 Prior-year figures restated.

The fair values were determined based on the market values published as of the balance sheet date and the methods and underlying assumptions described below.

Financial assets

The fair value of primary financial instruments in the “held for trading” category equals the quoted price as of the balance sheet date.

The fair value of financial instruments in the “available for sale” category is generally determined based on quoted prices. Certain equity instruments that are not traded in an active market and whose fair value therefore cannot be determined reliably are measured at cost.

Derivatives designated as hedging instruments	Carrying amount in accordance with IAS 17	Not within the scope of IFRS 7	Total	Non-current	Current
					Balance sheet
			6,462.0	5,734.4	727.6
			2,481.3	372.6	2,108.7
183.6	56.2	414.8	1,905.4	179.8	1,725.6
			1,317.8		1,317.8
183.6	**56.2**	**414.8**	**12,166.5**	**6,286.8**	**5,879.7**

Derivatives designated as hedging instruments	Carrying amount in accordance with IAS 17	Not within the scope of IFRS 7	Total	Non-current	Current
					Balance sheet
	604.7		3,952.5	3,364.2	588.3
		1,679.9	2,329.0	5.7	2,323.3
99.3		2,979.1	4,400.5	2,120.6	2,279.9
99.3	**604.7**	**4,659.0**	**10,682.0**	**5,490.5**	**5,191.5**

The financial instruments in the “held to maturity” category are securities listed on the stock exchange. The fair value derived from the market price as of the balance sheet date totalled € 1,124.6 million as of 31 December 2008 (prior year: € 1,082.7 million).

There are no liquid markets for loans measured at amortised cost. For short-term loans, it is assumed that fair value approximates the carrying amount. For long-term loans, the market value is determined by discounting the expected future cash flows. If these loans are subject to floating interest rates, the carrying amount corresponds to fair value.

Trade receivables

Trade receivables primarily have short terms to maturity. Consequently, their carrying amounts as of the balance sheet date approximate their fair value. Receivables that bear off-market interest with remaining terms to maturity of more than one year are disclosed in the balance sheet at present value.

Other assets

For derivatives, fair values are determined based on market prices or generally accepted valuation methods:

€ millions	31/12/2008	31/12/2007
Derivatives with a positive market value	2,765.0	1,021.7
of which derived from market prices	(0.0)	(15.3)
of which determined using generally accepted valuation methods	(2,765.0)	(1,006.4)

The fair value of finance lease receivables is determined by discounting the expected future cash flows.

For short-term sundry other assets, it is assumed that fair value approximates the carrying amount. For long-term sundry other assets, the market value is determined by discounting the expected future cash flows. If these assets are subject to floating interest rates, the carrying amount corresponds to fair value.

Cash and cash equivalents

Cash and cash equivalents have short terms to maturity. Consequently, their carrying amounts as of the balance sheet date approximate their fair value.

Financial liabilities

The fair value of bonds listed on the capital market is the nominal value multiplied by the quoted price as of the balance sheet date.

For short-term financial liabilities, it is assumed that fair value approximates the carrying amount. For long-term financial liabilities, the market value is determined by discounting the expected future cash outflows. If these financial liabilities are subject to floating interest rates, the carrying amount corresponds to fair value. The fair market value of the bonds as of 31 December 2008 amounts to € 4,245.0 million (prior year: € 2,470.6 million), while the fair market value of the liabilities to banks comes to € 568.0 million (prior year: € 548.1 million).

Trade payables

Trade payables primarily have short terms to maturity. Consequently, their carrying amounts as of the balance sheet date approximate their fair value.

Other liabilities and subsidies

For derivatives, fair values are determined based on market prices or generally accepted valuation methods:

€ millions	31/12/2008	31/12/2007
Derivatives with a negative market value	2,874.4	910.5
of which derived from market prices	(91.5)	(51.5)
of which determined using generally accepted valuation methods	(2,782.9)	(859.0)

For short-term liabilities, it is assumed that fair value approximates the carrying amount. For long-term liabilities, the market value is determined by discounting the expected future cash outflows. If these liabilities are subject to floating interest rates, the carrying amount corresponds to fair value.

The fair value of lease liabilities is determined by discounting the expected future cash flows.

Net gains or losses by measurement category

€ millions	2008	2007
Financial assets and liabilities held for trading	-9.0	176.4
Available-for-sale financial assets	-29.5	3.3
Held-to-maturity investments	0.0	0.0
Loans and receivables	-35.8	-30.5
Financial liabilities measured at amortised cost	0.0	0.3

The presentation of net gains and losses does not include derivatives that are used as hedging instruments. Stand-alone derivatives are included in the “financial assets and liabilities held for trading” measurement category.

The net loss (prior year: net gain) posted in the “financial assets and liabilities held for trading” measurement category includes gains from marking to market as well as interest and currency effects.

The net loss (prior year: net gain) recorded in the “available-for-sale financial assets” measurement category includes impairment losses as well as realised gains on disposal and currency effects.

The net loss in the “loans and receivables” measurement category principally concerns currency effects, impairment losses and reversals of impairment losses.

The net gains disclosed in the prior year on financial liabilities measured at amortised cost were attributable to currency effects.

Losses of € 539.5 million from changes in the market value of available-for-sale financial assets were recognised directly in equity in the fiscal year 2008 (prior year: € 155.6 million). An amount of € 7.6 million (prior year: € 4.8 million) of these changes in market value recognised directly in equity was reclassified to the income statement where it reduced the profit.

Impairment losses recognised on financial assets classified as “available for sale” and “loans and receivables” came to € 93.5 million (prior year: € 8.6 million) and € 0.0 million (prior year: € 0.9 million) respectively. Trade receivables were written down by € 32.9 million (prior year: € 40.7 million). In the fiscal year 2008, impairment losses of € 13.0 million (prior year: € 0.6 million) were recorded on other assets measured at amortised cost.

Total interest income and expenses

€ millions	2008	2007
Total interest income	330.4	359.9
Total interest expenses	-240.4	-277.5

The total interest income and expenses arose from financial instruments that are not measured at fair value through profit or loss. The main items here are interest received from loans and bank balances as well as interest and dividends received from financial assets classified as “available for sale”. The interest expenses were incurred on bonds, bank liabilities and finance lease liabilities.

The total interest income includes interest of € 0.1 million received on impaired financial assets (prior year: € 2.4 million).

Derivatives

Both physical and financial options and forward transactions are entered into to hedge risks in the commodity area, while forward transactions are used almost exclusively in the foreign exchange area. In the area of financing, swap transactions were concluded to minimise risks.

All derivatives held for trading are accounted for as assets or liabilities. Derivative financial instruments are measured at market value. The market values are derived from market prices or using generally accepted valuation methods.

Changes in the fair value of derivatives which are neither intended for own use nor qualify as cash flow hedges are recorded in the income statement.

Hedge accounting in accordance with IAS 39 is applied in the finance area mainly for currency hedges for investments with a foreign functional currency and for interest rate hedges for non-current liabilities. In the commodity area, fluctuations of future cash flows from planned procurement and sales transactions are hedged.

Cash flow hedges

Cash flow hedges have been entered into in particular in the commodity area to cover price risks from future sales and procurement transactions, to limit the currency risk from liabilities denominated in foreign currency as well as to limit the risk of interest rate fluctuation of floating-rate liabilities.

Changes in fair value of the hedges used – above all forward contracts and futures – are thus effectively recorded directly in total net income recognised in equity (measurement of financial instruments at market value) until termination of the hedge. The ineffective portion of the gain or loss on the hedging instrument is immediately recognised in profit or loss.

As of 31 December 2008, unrealised losses from derivatives came to € 206.2 million (prior year: gains of € 109.0 million). The effective portion of the cash flow hedges of € -224.0 million (prior year: € -53.2 million) was recognised directly in equity in the reporting period. The ineffective portion of cash flow hedges resulted in expenses of € 6.9 million as of 31 December 2008 (prior year: € 1.1 million) and reclassifications from total net income recognised in equity resulted in expenses of € 27.3 million (prior year: € 261.8 million). The reclassifications were made to revenue (decrease of € 123.5 million, prior year: increase of € 6.9 million), cost of materials (decrease of € 121.9 million, prior year: increase of € 264.8 million), other operating income (decrease of € 25.7 million, prior year: € 0.0 million) and other operating expenses (€ 0.0 million, prior year increase of € 3.9 million).

The amounts reclassified include the dedesignation of cash flow hedges of € 25.7 million (prior year: € 0.0 million), as the forecast transaction is no longer highly probable.

An amount of € 118.1 million (prior year: € 20.4 million) was reclassified from total net income recognised in equity for the decrease in costs of purchase of inventories.

As of 31 December 2008, existing hedged transactions are covered by cash flow hedges for foreign currencies and interest hedges with terms of up to 30 years and one year respectively (prior year: up to four and two years respectively). In the commodity area, the terms of hedged forecast transactions are no more than three years (prior year: up to three years).

For optimisation purposes, hedging relationships are redesignated and dedesignated as is customary in the industry.

Fair value hedges

Fair value hedges are entered into above all to hedge fixed-interest liabilities against market price risks. Interest swaps are used as hedging instruments. With a fair value hedge, both the hedged transaction and the hedge for an exposure are measured at fair value through profit or loss. The change in the fair value of hedging instruments of € 52.4 million was recognised in profit or loss in the reporting period (prior year: € -22.0 million). For hedged liabilities, the fluctuation in market values arising from the hedged risk is also recognised in profit or loss. Changes in market value from hedged transactions of € -54.2 million were recognised in the reporting year (prior year: € 21.0 million).

Hedges of net investments in foreign entities
Primary foreign currency bonds are used to hedge against foreign exchange risks from investments with a foreign functional currency. As of 31 December 2008, an amount of € 2.4 million (prior year: € 18.0 million) arising from exchange rate changes in the hedges is disclosed in the currency translation item under equity.

Contracts that have been concluded to meet the company's expected usage requirements are not recorded in the balance sheet pursuant to the provisions of IAS 39.

Regular way purchases or sales (cash purchases/sales) of primary financial instruments are generally recognised as of the settlement date. Derivative financial assets are recognised as of the trading date. Derivative and primary financial instruments are recognised in the balance sheet when EnBW becomes party to the contract.

Purchases and sales of fuels are made in euros, US dollars or pounds sterling.

Counterparty risks are assessed taking into account the term of the current replacement and selling risk. In addition, these risks are analysed with reference to the current rating by the rating agency Moody's. An internal rating procedure is used for trading partners that do not have such an external rating.

The counterparty risk is based on replacement and selling risks resulting from the market value of the item in question with the individual trading partner as of the balance sheet date. Netting options agreed in master agreements concluded with the trading partner are also taken into account when determining the counterparty risk. If there is a netting agreement, positive and negative market values are netted for each trading partner. Otherwise, only positive market values are taken into consideration.

As part of the credit risk management, bilateral margin agreements have been concluded with individual trading partners. Margin payments based on such agreements are considered in the assessment of the counterparty risk.

Counterparty risk in € millions		31/12/2008		31/12/2007
Moody's	1 year	1 – 5 years	1 year	1 – 5 years
up to A1	380.0	26.3	68.7	39.6
up to A3	168.9	65.7	37.2	23.2
Baa1	25.0	7.0	23.1	10
up to Baa3	51.8	11.1	2.7	0.3
Total	**625.7**	**110.1**	**131.7**	**73.1**

The nominal volume of the derivatives presented below is stated net. It represents the sum of all purchase and sale amounts underlying the transactions. The amount of the nominal volume allows conclusions to be drawn about the extent to which derivatives have been used. However, it does not reflect the risk of the group as the derivative transactions are counterbalanced by underlyings with risks that run counter to that of the derivative. Collateral is provided or obtained for derivatives that are traded on the stock exchange.

€ millions	Derivatives designated as hedging instruments			
	Nominal volume		Market value	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Forward exchange transactions				
< 1 year	300.6	171.3	2.6	-17.3
1 – 5 years	665.4	286.7	14.9	-8.8
> 5 years	159.2	0.0	3.0	0.0
Electricity options and futures				
< 1 year	1,822.4	1,600.7	-0.9	0.0
1 – 5 years	2,125.0	1,341.4	-39.7	-47.8
Forward electricity transactions				
< 1 year	0.0	0.0	0.0	0.0
1 – 5 years	0.0	0.0	0.0	0.0
Forward gas transactions and swaps				
< 1 year	0.0	0.0	0.0	0.0
1 – 5 years	0.0	0.0	0.0	0.0
Forward coal transactions and swaps				
< 1 year	330.6	316.1	94.9	99.0
1 – 5 years	664.8	273.2	-149.3	73.6
Derivatives for emission rights				
< 1 year	0.0	0.0	0.0	0.0
1 – 5 years	0.0	0.0	0.0	0.0
Interest rate swaps				
Fixed interest paying				
< 1 year	190.0	35.0	-0.6	0.0
> 1 year	0.0	190.0	0.0	5.8
Fixed interest bearing				
< 1 year	0.0	0.0	-3.6	0.0
> 1 year	495.2	300.0	36.8	-20.2
Other futures and derivatives				
< 1 year	33.8	0.0	-1.0	0.0
1 – 5 years	0.0	0.0	0.0	0.0
Total	**6,787.0**	**4,514.4**	**-42.9**	**84.3**
of which derivatives with a positive fair value			(207.8)	(183.6)
of which derivatives with a negative fair value			(250.7)	(99.3)

Derivatives that are not part of a hedge				Total derivatives			
Nominal volume		Market value		Nominal volume		Market value	
31/12/2008	**31/12/2007**	**31/12/2008**	**31/12/2007**	**31/12/2008**	**31/12/2007**	**31/12/2008**	**31/12/2007**
700.5	508.6	0.5	-7.2	1,001.1	679.9	3.1	-24.5
459.3	232.8	-20.0	-2.1	1,124.8	519.5	-5.1	-10.9
0.0	0.0	0.0	0.0	159.2	0.0	3.0	0.0
578.3	449.8	-1.4	5.7	2,400.7	2,050.5	-2.3	5.7
760.3	199.9	-2.1	-0.3	2,885.3	1,541.3	-41.8	-48.1
18,960.7	11,898.2	40.5	-6.8	18,960.7	11,898.2	40.5	-6.8
4,859.5	3,236.2	-69.6	-8.0	4,859.5	3,236.2	-69.6	-8.0
145.3	136.2	-13.0	-0.2	145.3	136.2	-13.0	-0.2
1.6	0.0	0.0	0.0	1.6	0.0	0.0	0.0
1,612.2	713.7	-37.3	25.5	1,942.8	1,029.8	57.6	124.5
993.8	218.0	17.8	-0.1	1,658.6	491.2	-131.5	73.5
856.4	468.1	26.9	13.8	856.4	468.1	26.9	13.8
703.5	373.3	-34.0	7.3	703.5	373.3	-34.0	7.3
44.8	28.8	-0.5	-0.1	234.8	63.8	-1.1	-0.1
3.8	0.0	-0.1	0.0	3.8	190.0	-0.1	5.8
0.0	30.2	0.0	0.0	0.0	30.2	-3.6	0.0
0.0	5.3	0.0	-0.1	495.2	305.3	36.8	-20.3
97.1	52.9	30.3	-0.7	130.9	52.9	29.3	-0.7
24.3	16.1	-4.5	0.2	24.3	16.1	-4.5	0.2
30,801.4	**18,568.1**	**-66.5**	**26.9**	**37,588.5**	**23,082.5**	**-109.4**	**111.2**
		(2,557.2)	(838.1)			(2,765.0)	(1,021.7)
		(2,623.7)	(811.2)			(2,874.4)	(910.5)

Reconciliation of derivatives used for hedging purposes to total net income recognised directly in equity (cash flow hedge)

€ millions	31/12/2008	31/12/2007	Variance
Derivatives used in cash flow hedges with a positive fair value	168.5	183.6	-15.1
Derivatives used in cash flow hedges with a negative fair value	243.6	79.1	164.5
	-75.1	**104.5**	**-179.6**
Deferred tax on changes recognised directly in equity in derivatives used in cash flow hedges	20.6	-31.3	51.9
Hedge ineffectiveness	7.2	2.3	4.9
Cascading effects	-137.6	2.2	-139.8
Minority interests	0.2	-2.1	2.3
Cash flow hedge (recognised in equity)	**-184.7**	**75.6**	**-260.3**

The cascading effects concern the changes in market value of the futures that are part of hedges accumulated until the time of cascading.

In cascading, annual and quarterly futures are settled by other futures instead of in cash.

Reconciliation of the changes in carrying amounts of stand-alone derivatives to the income statement

€ millions	31/12/2008	31/12/2007	Variance
Derivatives with a positive fair market value	2,557.2	838.1	1,719.1
Derivatives with a negative fair market value	2,623.7	811.2	1,812.5
Changes in the consolidated companies and hedge accounting designation	-4.0	0.0	-4.0
Option premium paid	-4.0	0.0	-4.0
Change in fair value of the derivatives			**-101.4**

The loss from derivatives disclosed in the income statement breaks down as follows:

€ millions	2008	2007
Fair value adjustment	-101.4	-21.4
Income recognised	96.7	206.2
Hedge ineffectiveness	-6.9	1.1
Loss from derivatives	**-11.6**	**185.9**
of which other operating income	(99.1)	(213.7)
of which other operating expenses	(138.2)	(26.7)
of which finance revenue	(49.7)	(0.3)
of which finance costs	(22.2)	(1.4)

When the derivatives are sold the income/loss recognised reverses the previous market valuation of economically secured stand-alone derivatives. As a result of previously marking the derivatives to market, the hedged transactions are not carried out at the price hedged by the derivative, but at the current spot price.

In the interest of transparency, we have disclosed the effects from marking to market as well as the income/loss recognised.

Risk management system

Risk management principles at EnBW

As an energy company, EnBW is exposed to financial price risks in the currency, interest and commodity areas in the course of its operating activities, investments and financing transactions. In addition, there are credit and liquidity risks. It is company policy to eliminate or limit these risks by systematic risk management.

Exchange rate fluctuation between the euro and other currencies, fluctuation in interest rates on international money and capital markets as well as fluctuating prices on the markets for electricity, coal, gas and emission allowances are the main price risks for EnBW. The hedging policy used to limit these risks is set forth by the Board of Management and is documented in internal group guidelines. They also provide for the use of derivatives.

The derivatives used to hedge against financial risks are subject to the assessment criteria defined in the risk management guidelines. These include value at risk ratios and position limit and loss limit. The segregation of duties between trading and back-office processing and control are a further key element of our risk management.

The corresponding financial transactions are only concluded with counterparties with excellent credit ratings. Using suitable hedging instruments, it is possible to make use of market opportunities while hedging the risk position.

The risks arising from financial instruments as well as the methods used to assess and manage them have not been changed significantly since the prior year.

For further details on EnBW's risk management system, we refer to our explanations given in the risk report contained in the management report.

Credit risks

EnBW is exposed to credit risks from the counterparties not performing under contractual agreements. EnBW manages its credit risks by generally demanding a high credit rating of its counterparties and limiting the credit risk with counterparties. The credit ratings of counterparties are continually monitored by EnBW's system for managing credit ratings. Commodity and energy transactions are generally made under master agreements such as EFET, ISDA or IETA. These master agreements are generally only entered into following careful scrutiny of the counterparty's creditworthiness. Exceptions to this business policy can be made only if it is in the justified interest of the company, e.g. in order to penetrate new markets. In terms of the customer structure, the receivables from individual counterparties are not high enough to give rise to a significant concentration of risks.

Financial investments are only made with the investment limits and counterparties defined in the treasury guidelines. Compliance with these guidelines is constantly monitored by the internal control system.

The maximum credit risk from financial assets (including derivatives with positive market value) is equivalent to the carrying amounts recognised in the balance sheet. The maximum credit risk amounts to € 15,676.8 million as of the balance sheet date (prior year: € 11,751.7 million).

Liquidity risk

Liquidity risks arise for EnBW from the obligation to repay liabilities completely and in time. The purpose of EnBW's cash and liquidity management is to secure the company's solvency.

Cash management determines any cash requirements and surpluses on a central basis. By offsetting cash requirements and excess cash, the number of banking transactions is reduced to a minimum. The offsetting is carried out by cash pooling. Cash management has implemented standardised processes and systems to manage bank accounts and internal clearing accounts and perform automated payment transactions.

For liquidity management purposes, a finance plan based on cash flows is prepared centrally. As they arise, finance needs are covered by suitable liquidity management instruments. In addition to ensuring that liquidity is available on a daily basis, EnBW maintains further liquidity reserves of € 3.3 billion (prior year: € 2.8 billion) that are available in the short term. The amount of liquidity reserves is based on strategic liquidity planning taking into account defined worst case parameters. The liquidity reserve is made up of contractually agreed, syndicated and free credit lines with various terms to maturity. In view of the liquidity available and existing credit lines, EnBW does not consider there to be any concentration of risk.

Further details on financial liabilities are presented in note 24, "Liabilities and subsidies".

The tables below show future undiscounted cash flows from financial liabilities and derivative financial instruments that affect the future liquidity situation of the EnBW group.

The analysis includes all contractual obligations as of the balance sheet date 31 December 2008 that are disclosed in the balance sheet.

Interest and redemption payments are taken into consideration for debt instruments issued and liabilities to banks.

The interest payments on fixed-interest financial instruments are based on the contractually agreed interest rates. For financial instruments subject to floating interest, the interest rates last fixed prior to 31 December 2008 were used.

Financial instruments denominated in foreign currency are translated using the spot rate as of 31 December 2008.

Where derivatives are concerned, positive or negative market values are generally included, provided they give rise to a net outflow of resources. Undiscounted cash flows are based on the following terms and conditions:

- Swap transactions are only included in the liquidity analysis provided they give rise to a net outflow of resources.
- Forward exchange transactions are taken into account, provided they give rise to an outflow of resources.
- In the case of forward transactions, all calls are taken into account. The future cash flows are equivalent to the quantities measured at the contractually agreed price.
- Future transactions are not included in the liquidity analysis because they are settled by daily variation margins and there is thus no liquidity risk.

Undiscounted cash flows as of 31 December 2008

€ millions	Total	2009	2010	2011	2012	Cash flows > 2012
Non-derivative financial liabilities						
Debt instruments issued	5,946.7	225.4	441.9	215.4	1,280.9	3,783.1
Liabilities to banks	608.2	294.4	40.2	58.5	24.8	190.3
Finance lease liabilities	702.5	106.3	106.8	106.4	102.9	280.1
Other interest-bearing loans and borrowings	112.0	7.9	7.0	7.0	6.6	83.5
Trade payables	594.0	585.1	8.9	0.0	0.0	0.0
Other financial obligations	670.1	530.2	0.0	0.0	0.0	139.9
Derivative financial assets	950.5	749.1	178.9	21.1	1.1	0.3
Derivative financial liabilities	9,916.8	6,968.4	2,457.1	418.0	64.0	9.3
Total	**19,500.8**	**9,466.8**	**3,240.8**	**826.4**	**1,480.3**	**4,486.5**

Undiscounted cash flows as of 31 December 2007

€ millions	Total	2008	2009	2010	2011	Cash flows > 2011
Non-derivative financial liabilities						
Debt instruments issued	3,677.8	563.4	115.9	325.6	106.2	2,566.7
Liabilities to banks	656.7	109.7	267.6	43.6	59.0	176.8
Finance lease liabilities	796.2	103.0	102.9	102.9	102.8	384.6
Other interest-bearing loans and borrowings	207.8	13.7	12.0	11.0	10.8	160.3
Trade payables	649.1	645.2	3.9	0.0	0.0	0.0
Other financial obligations	510.9	360.8	5.8	0.0	0.0	144.3
Derivative financial assets	6,807.0	4,826.1	1,702.8	277.9	0.1	0.1
Derivative financial liabilities	528.3	445.0	51.5	9.4	1.1	21.3
Total	**13,833.8**	**7,066.9**	**2,262.4**	**770.4**	**280.0**	**3,454.1**

The increase recorded for derivative financial assets and liabilities compared to the prior year is essentially due to a considerably higher volume of forward transactions to purchase electricity in trading for own account and an increase in average prices over the year. The volume of sales, which also increased as a result, is not taken into account here. Instead, a one-sided overview is presented of all derivatives causing an outflow of resources. The netting agreements concluded with numerous trading partners are not included here either, which means that the derivatives do not directly reflect the company's actual liquidity risk.

Market risks

Currency risks

EnBW has exposure to foreign currency risk from procurement and hedging of prices for fuel needs, as well as gas and oil trading. In addition, EnBW has currency risks arising from liabilities denominated in foreign currency. The currency risk is hedged with the help of appropriate financial instruments – in the reporting period forward exchange contracts in particular – on the basis of continuously monitored exchange rate forecasts. Foreign exchange risks are hedged centrally. EnBW principally has exposure to risks from US dollars and Swiss francs.

The net assets tied up at foreign group entities outside the euro zone and the translation risks are only hedged against exchange rate fluctuation in exceptional cases.

The effects of changes in exchange rates on the profit for the year and on equity are analysed below. The analysis was made assuming that all other parameters, such as interest rates, remain unchanged. The analysis includes financial instruments whose exchange rate exposure might affect equity or the profit for the year. These mainly are hedging instruments from cash flow hedges and from hedges of net investments in foreign operations, stand-alone derivatives and receivables and liabilities denominated in foreign currency.

Revaluation (devaluation) of the euro by 10% against all other currencies as of the balance sheet date 31 December 2008 would reduce (increase) the profit for the year by € 21.9 million (prior year: € 20.5 million). This hypothetical change in profit is attributable to the EUR/USD and EUR/CHF currency sensitivities (€ 16.1 million and € 5.8 million respectively; prior year: € 14.5 million and € 6.0 million respectively).

Equity would decrease (increase) by € 40.5 million as of 31 December 2008 (prior year: € 9.9 million) in the event of a 10% revaluation (devaluation). This hypothetical change in equity is attributable to the EUR/USD and EUR/CHF currency sensitivities (€ 70.9 million and € -30.4 million respectively; prior year: € 45.8 million and € -35.9 million respectively).

Interest rate risks

EnBW uses a multitude of interest-sensitive financial instruments in order to meet the requirements of operational and strategic liquidity management. Interest rate risks therefore only stem from floating-rate instruments here.

Interest-induced changes in the market value of interest-bearing securities in the “available for sale” measurement category are presented under other price risks for shares, share-based investment funds and interest-bearing securities.

On the assets side, there is interest exposure from bank balances and on the liabilities side from floating-rate liabilities to banks. In addition, there are interest rate risks from derivatives in the form of swap transactions. EnBW mainly has interest rate risks in the euro zone.

The effects of changes in interest rates on the profit for the year and on equity are analysed below. The analysis was made assuming that all other parameters, such as exchange rates, remain unchanged. The analysis includes only financial instruments whose interest rate exposure might affect equity or the profit for the year. For analysis purposes, the average change in yield over the last ten years was used.

Changes in the level of interest rates in the euro zone by 70 base points as of the balance sheet date 31 December 2008 in relation to the nominal volume (prior year: 60 base points) would increase (reduce) the profit for the year by € 4.5 million (prior year: € 1.8 million). The hypothetical change in profit comprises potential effects from interest derivatives of € -2.2 million (prior year: € -0.5 million), floating-rate bank balances of € 8.4 million (prior year: € 4.9 million) and primary financial liabilities subject to floating-rate interest of € -1.7 million (prior year: € -2.6 million).

Commodity price risks
In the context of our energy trading activities, energy trading contracts are entered into to manage price risks, optimise power stations, offset burdens and optimise margins. Trading for own account is only permitted within narrow, clearly defined limits.

The price risks mostly arise from the procurement and sale of electricity, the procurement of coal, gas and oil as fuels and the procurement of emission allowances. Furthermore, EnBW is exposed to price risks from speculative items entered into in own-account trading. The price risks are hedged using appropriate financial instruments on the basis of continuously monitored forecasts of market prices. The hedging instruments used in the reporting period were forwards, futures, swaps and options.

The sensitivity of the measurement of derivatives to the price of electricity, coal, oil, gas and emission allowances is analysed below. The analysis was made assuming that all other parameters remain unchanged. It includes only derivatives whose changes in market value affect equity or the profit for the year. These are derivatives that are accounted for as stand-alone derivatives as well as derivatives used as hedging instruments in cash flow hedges. The analysis does not include any derivatives that are intended for the purpose of receipt or delivery of a non-financial item in accordance with the entity’s expected purchase, sale or usage requirements (own use) and are not required to be accounted for in accordance with IAS 39. Likewise, our generation and distribution positions are not included in the analysis either. The sensitivities presented below therefore do not represent the actual economic risks that the EnBW group is exposed to and serve solely to satisfy the disclosure requirements of IFRS 7.

Sensitivity to the electricity price
A decrease (increase) in the market price by 25% as of the balance sheet date 31 December 2008 (prior year: 15%) would raise (reduce) the profit for the year by € 73.3 million (prior year: € 65.8 million).

A decrease (increase) in the market price by 25% as of the balance sheet date 31 December 2008 (prior year: 15%) would raise (reduce) equity by € 10.8 million (prior year: € 131.4 million).

Sensitivity to the coal price
A decrease (increase) in the market price by 45% as of the balance sheet date 31 December 2008 (prior year: 15%) would reduce (raise) the profit for the year by € 36.8 million (prior year: € 7.9 million).

A decrease (increase) in the market price by 45% as of the balance sheet date 31 December 2008 (prior year: 15%) would reduce (raise) equity by € 252.9 million (prior year: € 62.3 million).

Sensitivity to the oil price
A decrease (increase) in the market price by 40% as of the balance sheet date 31 December 2008 would reduce (raise) the profit for the year by € 16.6 million. In the prior year, a decrease (increase) in the market price by 20% would have raised (reduced) the profit for the year by € 2.6 million.

Sensitivity to the gas price
A decrease (increase) in the market price by 30% as of the balance sheet date 31 December 2008 (prior year: 25%) would reduce (raise) the profit for the year by € 6.0 million (prior year: € 6.0 million).

Sensitivity to the price for emission allowances
A decrease (increase) in the market price by 40% as of the balance sheet date 31 December 2008 (prior year: 50%) would reduce (raise) the profit for the year by € 37.3 million (prior year: € 52.0 million).

Other price risks for shares, share-based investment funds and interest-bearing securities
EnBW has investments in shares and share-based investment funds and fixed-interest securities which pose price risks for the company.

When selecting securities, the company always attaches particular importance to high marketability and good credit rating. As of the balance sheet date 31 December 2008, shares, share-based investment funds and fixed-interest securities of € 3,645.3 million (prior year: € 4,538.4 million) were exposed to market price risks.

The effects of price risks from shares and share-based investment funds as well as interest-bearing securities on the profit for the year and on equity are analysed below. The analysis was made assuming that all other parameters, such as currency, remain unchanged. The analysis includes financial instruments whose price risks might affect equity or the profit for the year.

The analysis of the market price risk of shares and share-based investment funds was carried out based on historical volatility. A standard deviation was assumed as a realistic scenario. The market risk of fixed-interest securities was analysed by modified duration. Taking into account the changes in interest rates assumed (see interest rate risk) in relation to the fair value of fixed-interest securities, earnings are determined in absolute figures.

The assumptions underlying the sensitivity analysis are 15% (prior year: 10%) for shares and share-based investment funds and 3% (prior year: 3%) for interest-bearing securities.

With the risk scenario given, the profit for the year would increase (decrease) by € 5.6 million (prior year: € 3.6 million). The hypothetical change in profit for the year is primarily due to fixed-interest securities.

With the risk scenario given, equity would increase (decrease) by € 273.8 million (prior year: € 285.5 million). Of the hypothetical change in equity, an amount of € 211.3 million (prior year: € 218.5 million) is attributable to shares and share-based investment funds and € 62.5 million (prior year: € 67.0 million) to fixed-interest securities.

Other notes

Earnings per share

		2008	2007
Profit from continuing operations	€ millions	900.6	1,416.1
of which profit shares attributable to equity holders of EnBW AG	€ millions	(871.8)	(1,266.2)
Group net profit	€ millions	900.6	1,514.0
of which profit shares attributable to equity holders of EnBW AG	€ millions	(871.8)	(1,364.1)
Number of shares outstanding (weighted average)	thousand shares	244,257	244,257
Earnings per share from continuing operations[1]	€	3.57	5.18
Earnings per share from continuing operations before amortisation of goodwill from capital consolidation[1]	€	3.57	5.18
Earnings per share from discontinued operations[1]	€	0.00	0.40
Earnings per share from group net profit[1]	€	3.57	5.58
Dividends per share for fiscal year 2007 of EnBW AG	€	-	1.51
Proposed dividends per share for fiscal year 2008 of EnBW AG	€	2.01	-

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

Earnings per share is determined by dividing the profit shares attributable to the equity holders of EnBW AG by the average number of shares outstanding. The indicator may be diluted by potential shares on account of share options or convertible bonds. As EnBW does not have any potential shares, the basic earnings per share is identical to the diluted earnings per share.

Contingent liabilities and other financial commitments

The disclosures on contingent liabilities and other financial commitments relate to the nominal values.

Contingent liabilities

After the amended German Atomic Power Act (AtG) and the amended Directive on the Coverage Provisions in the Nuclear Power Industry (AtDeckV) came into force on 27 April 2002, the German nuclear power plant operators are required to provide evidence of coverage provision up to a maximum amount of € 2.5 billion per case of damage. Of this provision, € 255.6 million is covered by uniform third-party liability insurance. Nuklear Haftpflicht GbR is now restricted to a solidarity agreement to cover claims in connection with evacuation measures ordered by the authorities of between € 0.5 million and € 15 million. In proportion to their shares in nuclear power plants, group companies have undertaken to equip their operating companies with sufficient resources so that they can meet their obligations from the membership in Nuklear Haftpflicht GbR at all times.

To fulfil the subsequent coverage provision of € 2,244.4 million per case of damage, EnBW and the other ultimate parent companies of the German nuclear power plant operators agreed by contract dated 11 July/27 July/ 21 August/28 August 2001 to provide financial assistance to the liable nuclear power plant operator in case of damage after exhausting its own possibilities and those of its parent company – so that it can meet its payment obligations (solidarity agreement). According to the agreement, EnBW has to bear a 24.921% share of the liability as of 31 December 2008 and 1 January 2009 respectively, plus 5% for loss settlement costs. Sufficient liquidity has been provided for in the liquidity plan.

In addition, the EnBW group has the following other contingent liabilities.

€ millions	31/12/2008			of which due in	31/12/2007
		< 1 year	1 – 5 years	> 5 years	
Guarantees and collateral	138.0	121.4	13.7	2.9	133.4
Guarantees for third-party services	122.3	74.5	17.9	29.9	137.8
Financial commitments from pending litigation	166.4	166.0	0.4	0.0	159.8
Total	**426.7**	**361.9**	**32.0**	**32.8**	**431.0**

Guarantees and collateral, guarantees for third-party services and other financial commitments include an amount of € 4.2 million (prior year: € 4.1 million) from joint ventures. No provisions were set up for pending litigation on account of the unlikelihood of the counterparty winning the case. In addition, various court cases, investigations by authorities or proceedings and other claims are pending against EnBW. The chances of their being successful is, however, remote and they are therefore not reported under contingent liabilities.

Other financial commitments

The EnBW group has long-term purchase commitments for natural gas, coal and other fossil fuels as well as electricity. In addition, there are commitments from long-term agreements for the purchase, conversion, enrichment, production and disposal of uranium. The energy and environmental services segment also has long-term commitments under disposal agreements. The total volume of these commitments amounts to € 23.1 billion (prior year restated: € 21.2 billion). Long-term sales-based gas procurement agreements with redistributors were recognised for the first time in the reporting year based on anticipated sales. The prior-year figure was restated accordingly.

Sundry other financial commitments break down as follows:

€ millions	31/12/2008			of which due in	31/12/2007
		< 1 year	1 – 5 years	> 5 years	
Financial commitments from rent and lease agreements	199.9	49.8	94.9	55.2	269.7
Purchase commitment	425.9	316.6	104.1	5.2	246.3
Capital commitments	1,475.1	905.6	569.5	0.0	433.7
Financial commitments from business acquisitions	2,758.2	2,180.7	326.1	251.4	274.4
Other financial commitments	93.7	34.4	56.3	3.0	111.4
Total	**4,952.8**	**3,487.1**	**1,150.9**	**314.8**	**1,335.5**

The financial commitments from business acquisitions include the acquisition of a 26% shareholding in EWE AG, Oldenburg. The acquisition is still subject to the approval of the Federal Anti-Trust Office.

Audit fees

The group audit fees recorded as an expense break down as follows:

€ millions	2008	2007
Statutory audit	2.7	2.5
Other attest services	1.0	0.7
Tax advisory services	0.5	1.1
Other services	0.2	0.6
Total	**4.4**	**4.9**

Exemption pursuant to Sec. 264 (3) HGB and Sec. 264b HGB

In the reporting period 2008 the following German subsidiaries made use of the exemption afforded by Sec. 264 (3) No. 1 German Commercial Code (HGB) and Sec. 264b German Commercial Code regarding the duty to publish financial statements in accordance with Secs. 325 to 329 German Commercial Code:

Exemption pursuant to Sec. 264 (3) HGB

- EnBW Akademie Gesellschaft für Personal und Managemententwicklung mbH, Stuttgart
- EnBW EnHol Beteiligungsgesellschaft mbH, Karlsruhe
- EnBW Gas GmbH, Stuttgart
- EnBW Gasnetz GmbH, Stuttgart
- EnBW Kernkraft GmbH, Obrigheim
- EnBW Kommunale Beteiligungen GmbH, Stuttgart
- EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH, Stuttgart
- EnBW Kraftwerke AG, Stuttgart
- EnBW REG Beteiligungsgesellschaft mbH, Stuttgart
- EnBW Regional AG, Stuttgart
- EnBW Systeme Infrastruktur Support GmbH, Karlsruhe
- EnBW Trading GmbH, Karlsruhe
- EnBW Technische Dienste und kaufmännische Leistungen GmbH, Karlsruhe (formerly: TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH, Karlsruhe)
- EnBW Transportnetze AG, Stuttgart
- EnBW Vertriebs- und Servicegesellschaft mbH, Stuttgart
- EnBW Waste Management GmbH, Stuttgart
- Kernkraftwerk Obrigheim GmbH, Obrigheim
- MSE Mobile Schlammentwässerungs GmbH, Karlsbad-Ittersbach
- Neckarwerke Stuttgart GmbH, Stuttgart
- NWS Energiehandel GmbH, Stuttgart
- NWS REG Beteiligungsgesellschaft mbH, Stuttgart
- Objektschutzdienst Schäfer GmbH, Karlsruhe
- Teweratio GmbH, Stuttgart
- T-plus GmbH, Karlsruhe
- TWS Kernkraft GmbH, Gemmrigheim
- U-plus Umweltservice AG, Karlsruhe
- Yello Strom GmbH, Cologne
- Yello Strom Verwaltungs-GmbH, Karlsruhe

Exemption pursuant to Sec. 264b HGB

- EnBW City GmbH & Co. KG, Stuttgart
- EnBW Grundstücks- und Gebäudemanagement GmbH & Co. KG Karlsruhe, Karlsruhe
- EnBW Grundstücks- und Gebäudemanagement GmbH & Co. KG Stuttgart, Stuttgart
- EnSüdWest Energiebeteiligungen AG & Co. KG, Karlsruhe
- EVGA Grundstücks- und Gebäudemanagement GmbH & Co. KG, Obrigheim (formerly: EVGA Grundstücks- und Gebäudemanagement GmbH & Co. KG, Stuttgart)
- Facilma Grundbesitzmanagement und -service GmbH & Co. Besitz KG, Obrigheim (formerly: Facilma Grundbesitzmanagement und -service GmbH & Co. Besitz KG, Karlsruhe)
- KMS Kraftwerke Grundbesitzmanagement und -service GmbH & Co. Besitz KG, Karlsruhe
- NWS Grundstücksmanagement GmbH & Co. KG, Obrigheim (formerly: NWS Grundstücksmanagement GmbH & Co. KG, Stuttgart)
- Salamander Marken GmbH & Co. KG, Kornwestheim

Declaration of compliance with the German Corporate Governance Code

The Board of Management and Supervisory Board of EnBW Energie Baden-Württemberg AG issued the declaration of compliance with the German Corporate Governance Code required by Sec. 161 German Stock Corporations Act (AktG) on 11 December 2008 and made it permanently available to the shareholders on the internet at www.enbw.com/declarationofcompliance.

The declaration of compliance of the listed subsidiary ZEAG Energie AG is available on the internet at www.zeag-energie.de.

Remuneration of the Board of Management

The remuneration system of the Board of Management is presented in the remuneration report, which is part of the combined management report.

Total remuneration paid to the Board of Management for the fiscal year 2008 amounted to € 10.1 million (prior year: € 11.1 million). Short-term benefits amount to € 9.0 million (prior year: € 9.0 million) and long-term benefits to € 1.1 million (prior year: € 2.0 million).

The addition to the pension obligations for this group of persons came to € 1.1 million in the fiscal year 2008 (prior year: € 2.2 million) including service and interest cost.

There are pension obligations in accordance with IFRS of € 5.3 million (prior year: € 9.6 million) for the current members of the Board of Management (defined benefit obligation).

Former members of the Board of Management and their surviving dependants received € 5.1 million (prior year: € 4.2 million). There are defined benefit obligations to former members of the Board of Management and their surviving dependants in accordance with IFRS of € 47.6 million (prior year: € 46.7 million).

There were no loans to members of the Board of Management in the fiscal year 2008; advances of € 1.2 million were granted (prior year: € 0.0 million).

Remuneration of the Supervisory Board

The remuneration system of the Supervisory Board is presented in the remuneration report, which is part of the combined management report.

The members of the Supervisory Board will receive total remuneration of € 1.1 million (prior year: € 0.6 million) for the fiscal year 2008. The remuneration includes fixed and variable components, attendance fees and board remuneration of subsidiaries.

No loans or advances were granted to members of the Supervisory Board in the fiscal year 2008.

Share deals and shareholdings of key management personnel

The company did not receive any notices in the fiscal year 2008 on transactions with EnBW shares or related financial instruments of persons in managerial positions and persons closely related to them in accordance with Sec. 15a German Securities Trading Act (Wertpapierhandelsgesetz). The total EnBW shares held by all members of the Board of Management and the Supervisory Board amount to less than 1% of the company's shares outstanding.

Cash flow statement

The cash flow statement is split up into cash flows from operating, investing and financing activities. The balance of the cash flow statement represents the change in cash and cash equivalents during the fiscal year 2008 of € 1,756.1 million (prior year: € -609.5 million).

Cash and cash equivalents relate almost exclusively to bank balances, largely in the form of time and call deposits, and correspond to the amount disclosed in the balance sheet as cash and cash equivalents.

Additions, reversals and the utilisation of provisions for pensions and similar obligations as well as of the provisions relating to nuclear energy are disclosed as changes in non-current provisions in the cash flow statement.

The cash flows of discontinued operations are contained in the cash flows from operating, investing and financing activities pursuant to IFRS 5.33c and disclosed separately.

In the fiscal year 2008, the cash flow from operating activities was € 1,523.9 million (prior year: € 1,558.7 million).

Other non-cash expenses and income break down as follows:

€ millions[1]	2008	2007
Income from the release of construction cost subsidies	-90.3	-88.1
Income and expenses from changes in specific bad debt allowances	33.0	27.4
Reversal of impairment losses on property, plant and equipment and on intangible assets	-1.8	-7.7
Fair value adjustment from derivatives[2]	69.8	41.0
Other	6.9	-1.0
Total	**17.6**	**-28.4**

[1] Prior-year figures restated.
[2] Derivatives that are not offset by cash receipts or payments from variation margins; disclosed under changes in assets and liabilities from operations in the prior year.

In the fiscal year 2008, € 67.7 million was distributed to minority interests of group entities (prior year: € 80.5 million).

Purchase prices for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method totalled € 107.6 million in the reporting year (prior year: € 204.5 million). In the reporting year, cash and cash equivalents of € 3.6 million were acquired in the course of share purchases (prior year: € 14.0 million). The purchase prices were paid in cash and are primarily attributable to the increase of our share in Elektrownia Rybnik S.A. and Prazská energetiká a.s. and the acquisition of a shareholding of 49.9% in Stadtwerke Hilden GmbH.

The cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method totalled € 62.4 million (prior year: € 74.1 million). The cash transferred upon the sale of fully and proportionately consolidated entities and entities accounted for using the equity method totalled € 2.2 million (prior year: € 0.0 million). The cash received in the fiscal year 2008 was mainly attributable to the sale of DIW AG and of regelmatic GmbH. The cash received in the prior year principally related to discontinued operations.

We also refer to the explanations given in the management report on the financial position of EnBW.

Funds from operations (FFO)

Funds from operations (FFO) before tax and financing improved in the reporting year by € 166.2 million to € 2,325.6 million (prior year restated: € 2,159.4 million). The reason for this is the increase in earnings power in the group. FFO after tax and financing increased by € 702.8 million to € 2,216.6 million (prior year restated: € 1,513.8 million), mainly as a result of the significant decrease in income tax payments.

Funds from operations (FFO) in € millions[1]	2008	2007
FFO before taxes and financing	**2,325.6**	**2,159.4**
Income tax paid	-265.6	-691.5
Interest and dividends received	413.2	449.1
Interest paid	-256.6	-403.2
FFO after taxes and financing	**2,216.6**	**1,513.8**

[1] Prior-year figures restated.

Additional disclosures on capital management

EnBW's capital management covers the management of liabilities as well as of financial assets.

All deliberations on the long-term capital management at EnBW are based on a theoretical analysis of the capital market in order to determine the best possible capital structure. Both debt capital and equity are included in these deliberations. An optimum capital structure aims to minimise the total cost of capital, taking into consideration a premium for retaining financial flexibility. For EnBW, an A category rating implies that it has achieved an optimum capital structure. The analysis is performed on an ongoing basis.

Based on the mid-term planning, EnBW analyses the financial headroom for a given rating target. This determines the scope for strategic leverage. The Board of Management addresses this topic at least once a year.

Acquisitions and divestitures are key factors for the company's financial headroom. The acquisitions and divestitures planned and performed are reviewed regularly and compared against the headroom determined.

EnBW uses a rolling planning horizon of three months for the short-term management of liquidity. EnBW also uses tools which allow forecasts to be made about liquidity requirements over a medium-term period.

EnBW's capital management also extends to the active management of financial assets based on appraisals of the pension provisions as well as appraisals on the nuclear power provisions. EnBW uses a cash-flow-based model to determine the effects of the next 30 years. This model forms the basis for the management of the financial assets. It allows simulations of various alternative return and provision scenarios.

EnBW manages the financial assets in such a way that the pensions and nuclear obligations are covered up to 2032.

The group's net debt splits up as follows:

Net debt in € millions[1]	31/12/2008	31/12/2007
Cash[2]	-2,216.3	-829.2
Short-term investments[2]	-152.4	-171.5
Cash and cash equivalents[2]	**-2,368.7**	**-1,000.7**
Bonds[3]	4,110.3	2,698.2
Liabilities to banks	556.4	546.9
Other financiel liabilities	620.5	727.9
Financial liabilities[3]	**5,287.2**	**3,973.0**
Net financial liabilities[2,3]	**2,918.5**	**2,972.3**
Pension and nuclear power provisions	9,013.1	8,681.8
Long-term investments and loans	-4,231.4	-5,017.0
Cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions	-1,218.7	-832.4
Liabilities from put options	514.4	428.9
Other	-162.4	-289.1
Net debt[3]	**6,833.5**	**5,944.5**

[1] Prior-year figures restated.
[2] Without cash and cash equivalents of the special funds and short-term investments to cover pension and nuclear power provisions.
[3] Adjusted for valuation effects from interest-induced hedging transactions.

Segment reporting

by business segment	Electricity		Gas		Energy and environmental services	
€ millions[1]	2008	2007	2008	2007	2008	2007
Revenue						
External revenue	12,736.4	11,539.7	2,881.2	2,479.3	687.8	693.2
Internal revenue	131.9	206.5	136.3	108.6	715.3	617.3
Total revenue	12,868.3	11,746.2	3,017.5	2,587.9	1,403.1	1,310.5
Earnings indicators						
Adjusted EBITDA	2,207.4	1,942.9	291.9	270.2	232.3	253.3
EBITDA	2,132.8	1,927.0	285.6	274.5	227.5	256.8
Amortisation and depreciation	-568.4	-546.5	-99.2	-95.8	-132.2	-123.0
Impairment losses	-24.9	-2.6	-236.3	-7.2	-9.0	-2.1
Adjusted EBIT	1,639.0	1,396.4	192.7	174.4	100.1	130.3
EBIT	1,539.5	1,377.9	-49.9	171.5	86.3	131.7
Share of profit of entities accounted for using the equity method	156.4	147.6	2.9	3.0	-16.5	8.3
Assets and liabilities						
Segment assets	16,383.7	13,112.8	2,825.8	2,860.3	2,345.1	2,139.6
Segment liabilities	13,445.5	10,117.5	773.3	665.0	1,073.5	992.7
Carrying amount of entities accounted for using the equity method	1,771.8	1,630.1	36.5	34.6	123.9	191.8
Other segment information						
Capital expenditures on intangible assets and property, plant and equipment	927.6	568.9	65.3	71.7	253.1	175.5
Cash flow from operating activities	1,238.9	1,205.4	70.9	295.1	192.0	136.5
Goodwill	481.3	466.3	135.8	138.3	56.2	57.4
Number of employees as of 31 December	11,676	11,632	923	891	7,282	7,187

[1] Prior-year figures restated.

The objective of the segment reporting is to provide information about the main business operations of the group. At the same time, it is designed to give an insight into the risk and opportunity structure of a diversified group. The segmentation of the business areas and regions in the EnBW group follows the internal reporting. The structure and content of the internal reporting provides a view of the risk and opportunity structure of the various business segments.

From 2008 we extended our segment reporting to include the ratios “adjusted EBITDA” and “adjusted EBIT”. Adjusted EBIT is an earnings ratio adjusted for non-operating effects, which reflects the development of results of operations. The management report describes the development of segments on the basis of adjusted EBIT. EBITDA is also presented on an adjusted basis in order to better reflect the results of operations.

The segment figures have been determined in accordance with the accounting policies used in the consolidated financial statements.

Holding/ consolidation		Continuing operations		Discontinued operations		Total	
2008	2007	2008	2007	2008	2007	2008	2007
0.0	0.0	16,305.4	14,712.2	0.0	97.2	16,305.4	14,809.4
-983.5	-932.4	0.0	0.0	0.0	0.0	0.0	0.0
-983.5	-932.4	16,305.4	14,712.2	0.0	97.2	16,305.4	14,809.4
-136.0	-138.1	2,595.6	2,328.3	0.0	0.8	2,595.6	2,329.1
-105.8	-121.9	2,540.1	2,336.4	0.0	131.5	2,540.1	2,467.9
-1.9	0.0	-801.7	-765.3	0.0	-5.8	-801.7	-771.1
0.0	0.0	-270.2	-11.9	0.0	0.0	-270.2	-11.9
-137.9	-138.1	1,793.9	1,563.0	0.0	-5.0	1,793.9	1,558.0
-107.7	-121.9	1,468.2	1,559.2	0.0	125.7	1,468.2	1,684.9
0.0	0.0	142.8	158.9	0.0	0.0	142.8	158.9
210.5	146.4	21,765.1	18,259.1				
4,291.5	4,407.7	19,583.8	16,182.9				
0.0	0.0	1,932.2	1,856.5				
0.0	0.0	1,246.0	816.1	0.0	0.8	1,246.0	816.9
22.1	-44.5	1,523.9	1,592.5	0.0	-33.8	1,523.9	1,558.7
0.0	0.0	673.3	662.0				
620	555	20,501	20,265	0	0	20,501	20,265

The segment reporting comprises the electricity, gas as well as energy and environmental services segments.

The electricity segment comprises the value added stages generation, trading/procurement, transmission and 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 and distribution as well as sales. The energy and environmental services segment includes the areas thermal disposal, non-thermal disposal, water and other services.

Assets, liabilities, revenue and expenses allocable to EnBW AG and to other activities not allocable to the segments presented separately are disclosed in the holding/consolidation column together with eliminations. Direct costs of EnBW AG are allocated between the individual segments using an allocation key.

Segment assets contain all assets used to generate the EBIT of the respective segment. These principally include intangible assets and property, plant and equipment, trade receivables and inventories.

Segment liabilities comprise obligations from operations, i.e. above all provisions (except for income tax provisions) as well as trade payables.

Internal revenue shows the level of sales between group companies. Intersegment sales were made at market prices. The segmentation of capital expenditures, assets and gross liabilities was performed within the EnBW group itself. Reconciliation of the segment assets and segment liabilities to gross assets and gross liabilities is as follows:

€ millions[1]	31/12/2008	31/12/2007
Gross assets pursuant to the balance sheet	**32,925.1**	**28,435.8**
Non-current financial assets (without investment properties)	-6,892.5	-7,590.9
Non-current receivables from affiliated entities	-14.5	-14.2
Deferred taxes	-28.7	-6.0
Current financial assets	-584.7	-727.6
Current receivables from affiliated entities	-21.9	-11.3
Income tax refund claims	-533.2	-508.9
Cash and cash equivalents	-3,084.5	-1,317.8
Assets of discontinued operations	0.0	0.0
Segment assets	**21,765.1**	**18,259.1**
Gross liabilities pursuant to the balance sheet	**27,341.8**	**22,434.1**
Non-current financial liabilities	-4,925.1	-3,364.2
Potential purchase price commitments from put options	-514.4	-428.9
Deferred taxes	-1,631.4	-1,616.8
Current financial liabilities	-394.7	-588.3
Current liabilities to affiliated entities	-12.4	-8.2
Income tax provisions/liabilities	-280.0	-236.9
Liabilities of discontinued operations	0.0	-7.9
Segment liabilities	**19,583.8**	**16,182.9**

[1] Prior-year figures restated.

In accordance with the risk and opportunities structure, the segment reporting by region comprises the regions Germany, the European Economic and Monetary Union without Germany and the rest of Europe.

by region in € millions	2008	2007
External revenue		
Germany	14,640.9	13,602.5
Economic and Monetary Union without Germany	1,165.7	721.3
Rest of Europe	498.8	388.4
	16,305.4	**14,712.2**
Segment assets		
Germany	19,956.9	16,600.5
Rest of Europe	1,808.2	1,658.6
	21,765.1	**18,259.1**
Capital expenditures[1]		
Germany	1,157.7	712.6
Rest of Europe	88.3	103.5
	1,246.0	**816.1**

[1] From continuing operations.

Related parties

Related parties include above all Electricité de France (EDF) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW). The financial statements of EnBW AG are included in the consolidated financial statements of EDF on a proportionate basis.

The business transacted with EDF during the reporting year had the following impact on the consolidated financial statements of EnBW:

Income statement in € millions	2008	2007
Revenue	903.9	819.6
Cost of materials	-1,052.6	-765.9

Balance sheet in € millions	31/12/2008	31/12/2007
Receivables	120.7	111.6
Payments on account	44.6	37.7
Liabilities	43.3	90.1
Payments on account received	38.7	44.4

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

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

Income statement in € millions	2008	2007
Revenue	37.1	43.3
Cost of materials	-9.7	-36.3

Balance sheet in € millions	31/12/2008	31/12/2007
Other loans	6.1	7.4
Receivables	3.5	7.4
Payments on account	0.0	1.4
Liabilities	2.7	5.1
Payments on account received	0.0	1.3

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. Transactions with these entities took place at arm's length and had the following impact on the balance sheet and the income statement of the EnBW group:

Income statement in € millions	2008	2007
Revenue	190.4	130.2
Cost of materials	-72.3	-35.8

Balance sheet in € millions	31/12/2008	31/12/2007
Receivables	12.8	9.3
Liabilities	9.8	4.8
Payments on account received	0.0	0.4

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

The basic principles of the remuneration system and amount of remuneration for the Board of Management, the Supervisory Board and former members of the Board of Management are presented in the remuneration report. No loans or advances were granted to members of the Board of Management or Supervisory Board in the reporting year.

Disclosures concerning franchises

Franchise agreements in the areas electricity, gas, district heating and water are in place between the individual entities in the EnBW group and the municipalities. The majority of the franchise agreements have a term of 20 years. There are obligations governed by law to connect to the supply networks. Under the franchise agreements, the EnBW group is obliged to provide and maintain the facilities required to satisfy the general supply needs. In addition, it is required to pay a franchise fee to the municipalities. Upon expiry of a franchise agreement, the facilities must be returned or transferred to the municipalities or the successor network operator in return for reasonable compensation, unless the franchise agreement is extended.

Subsequent events

There were no events after 31 December 2008 which would be significant for assessing the net assets, financial position and results of operations of EnBW.

Future-oriented statements

This report contains statements relating to the future that are based on current assumptions and projections of the management of EnBW. Such statements are subject to risks and uncertainties. These and other factors mean that the actual results, financial position, development or performance of the company may diverge materially from the estimates made here. EnBW assumes no obligation of any kind to update future-oriented statements or to adjust them to reflect future events or developments.

Karlsruhe, 9 February 2009

EnBW Energie Baden-Württemberg AG

Villis | Dr. Beck

Buchel | Dr. Schulten

Dr. Zimmer

Audit opinion

We have audited the consolidated financial statements prepared by EnBW Energie Baden-Württemberg AG, Karlsruhe, comprising the income statement, the balance sheet, the cash flow statement, the statement of changes in equity as well as the notes to the financial statements, together with the group management report which has been combined with the management report of the company, for the fiscal year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) as well as the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Stuttgart, 9 February 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Prof. Dr. Wollmert
Wirtschaftsprüfer
[German Public Auditor]

Benzenhöfer
Wirtschaftsprüferin
[German Public Auditor]

Declaration of the legal representatives

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

Karlsruhe, 9 February 2009

EnBW Energie Baden-Württemberg AG

Villis

Dr. Beck

Buchel

Dr. Schulten

Dr. Zimmer

Major shareholdings

		Footnote	Registered office	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)	Revenue[2] (in € thousands)
Holding							
EnBW Energie Baden-Württemberg AG			Karlsruhe		2,610,883	1,153,366	0
Neckarwerke Stuttgart GmbH			Stuttgart	100.00	1,006,859	122,556	0

		Footnote	Registered office	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)	Revenue[2] (in € thousands)
Electricity segment							
Fully consolidated entities							
1	EnAlpin AG		Visp/Switzerland	100.00	35,017	14,193	85,791
2	EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH		Stuttgart	100.00	297,640	-[4]	74,852
3	EnBW Kraftwerke AG		Stuttgart	100.00	1,063,141	-[4]	2,551,268
4	EnBW Regional AG		Stuttgart	100.00	413,925	-[4]	2,024,779
5	EnBW Trading GmbH		Karlsruhe	100.00	2,560	-[4]	13,544,798
6	EnBW Transportnetze AG		Stuttgart	100.00	177,791	-[4]	2,506,418
7	EnBW Vertriebs- und Servicegesellschaft mbH		Stuttgart	100.00	15,164	-[4]	5,316,332
8	ENSO Netz GmbH		Dresden	100.00	98	-[4]	359,258
9	EVGA Grundstücks- und Gebäude-management GmbH & Co, KG		Obrigheim	100.00	60,827	-19,949	36,352
10	Facilma Grundbesitzmanagement und -service GmbH & Co, Besitz KG		Obrigheim	100.00	123,977	10,851	17,818
11	GESO Beteiligungs- und Beratungs-AG		Dresden	100.00	112,484	-[4]	907
12	Kernkraftwerk Obrigheim GmbH		Obrigheim	100.00	51,130	-[4]	0
13	KMS Kraftwerke Grundbesitzmanagement und -service GmbH & Co, Besitz KG		Karlsruhe	100.00	236,884	25,100	11,222
14	Netzgesellschaft Ostwürttemberg GmbH		Ellwangen	100.00	135	-[4]	192,520
15	NWS Grundstücksmanagement GmbH & Co, KG		Obrigheim	100.00	328,194	74,540	66,636
16	SWD Netz GmbH		Düsseldorf	100.00	1,000	-[4]	324,025
17	TWS Kernkraft GmbH		Gemmrigheim	100.00	149,297	-[4]	274,063
18	Watt Deutschland GmbH		Frankfurt am Main	100.00	4,943	569	263,826
19	Yello Strom GmbH		Cologne	100.00	500	-[4]	913,208
20	EnBW Kernkraft GmbH		Obrigheim	99.80	10,000	-[4]	821,887
21	EnBW Ostwürttemberg DonauRies AG		Ellwangen	99.73	105,442	-[4]	429,909
22	ZEAG Energie AG		Heilbronn	98.26	133,642	26,226	124,111
23	Energiedienst Holding AG	3	Laufenburg/ Switzerland	81.72[8]	974,841	69,438	612,184
24	Kraftwerk Bexbach Verwaltungs-gesellschaft mbH		Bexbach an der Saar	66.66	23,010	1,151	2,917
25	Stadtwerke Düsseldorf AG	6	Düsseldorf	54.95	366,902	57,730	1,792,412
26	ENSO Energie Sachsen Ost AG		Dresden	50.10	331,313	58,855	1,314,064

		Footnote	Registered office	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)	Revenue[2] (in € thousands)
Proportionately consolidated entities							
27	Energotrans a.s.	6	Prague/ Czech Republic	100.00	152,911	30,477	115,450
28	Prazská energetiká a.s.	6	Prague/ Czech Republic	58.03	384,362	53,459	600,372
29	Fernwärme Ulm GmbH	5	Ulm/Donau	50.00	20,710	1,698	46,768
30	Prazská teplárenská a.s.	6	Prague/ Czech Republic	48.45	305,860	61,360	183,264
Entities accounted for using the equity method							
31	EVN AG	3.5	Maria Enzersdorf/ Austria	35.72	3,208,460	229,843	2,397,002
32	DREWAG-Stadtwerke Dresden GmbH	6	Dresden	35.00	301,902	-[9]	945,986
33	Elektrownia Rybnik S.A.	6	Rybnik/Poland	32.37	193,719	19,781	348,761
34	Grosskraftwerk Mannheim AG	6	Mannheim	32.00	114,142	6,647	385,303
35	Budapesti Elektromos Müvek Nyrt. (ELMÜ)	6	Budapest/Hungary	27.25	999,736	768,595	1,083,621
36	Eszak-Magyarországi Áramszolgáltató Nyrt. (EMASZ)	6	Miskolc/Hungary	26.83	347,728	231,269	390,077
37	FairEnergie GmbH	6	Reutlingen	24.90	90,766	-[9]	239,495
38	Mátrai Erömü ZRt. (MATRA)	6	Visonta/Hungary	21.71	200,264	46,994	277,232
39	Stadtwerke Karlsruhe GmbH	6	Karlsruhe	20.00	165,710	-[9]	592,267
Equity investments							
40	e.wa riss GmbH & Co. KG	6	Biberach	50.00	12,954	5,007	43,546
41	Schluchseewerk Aktiengesellschaft	6	Laufenburg/Baden	50.00	59,339	2,809	75,797
42	Energie- und Wasserwerke Bautzen GmbH	6	Bautzen	49.00	16,630	-[9]	41,098
43	Stadtwerke Weinheim GmbH	6	Weinheim	39.32	26,441	2,264	49,784
44	Kraftwerk Ryburg-Schwörstadt AG	5.6	Rheinfelden/ Switzerland	38.00	23,370	1,114	8,807
45	Elektrizitätswerk Mittelbaden AG & Co. KG	6	Lahr	34.74	40,054	12,271	167,290
46	Stadtwerke Elbtal GmbH	6	Radebeul	30.00	7,417	-[9]	47,180
47	Albwerk GmbH & Co. KG	6	Geislingen an der Steige	25.10	14,179	7,209	70,944
48	Energie- und Wasserversorgung Bruchsal GmbH	6	Bruchsal	25.10	21,993	-[9]	45,365
49	ENRW Energieversorgung Rottweil GmbH & Co. KG	6	Rottweil	25.10	22,598	1,975	66,842
50	Stadtwerke Schwäbisch Gmünd GmbH	6	Schwäbisch Gmünd	25.10	22,701	-[9]	67,539
51	Stadtwerke Sindelfingen GmbH	6	Sindelfingen	25.10	24,255	3,780	73,776
52	Stadtwerke Nürtingen GmbH	6	Nürtingen	25.00	29,305	1,669	37,554
53	Zespół Elektrociepłowni Wrocławskich Kogeneracja S.A.	6	Wroclaw/Poland	15.59	209,200	15,867	102,352
54	MVV Energie AG	5	Mannheim	15.07	856,760	93,457	1,351,690

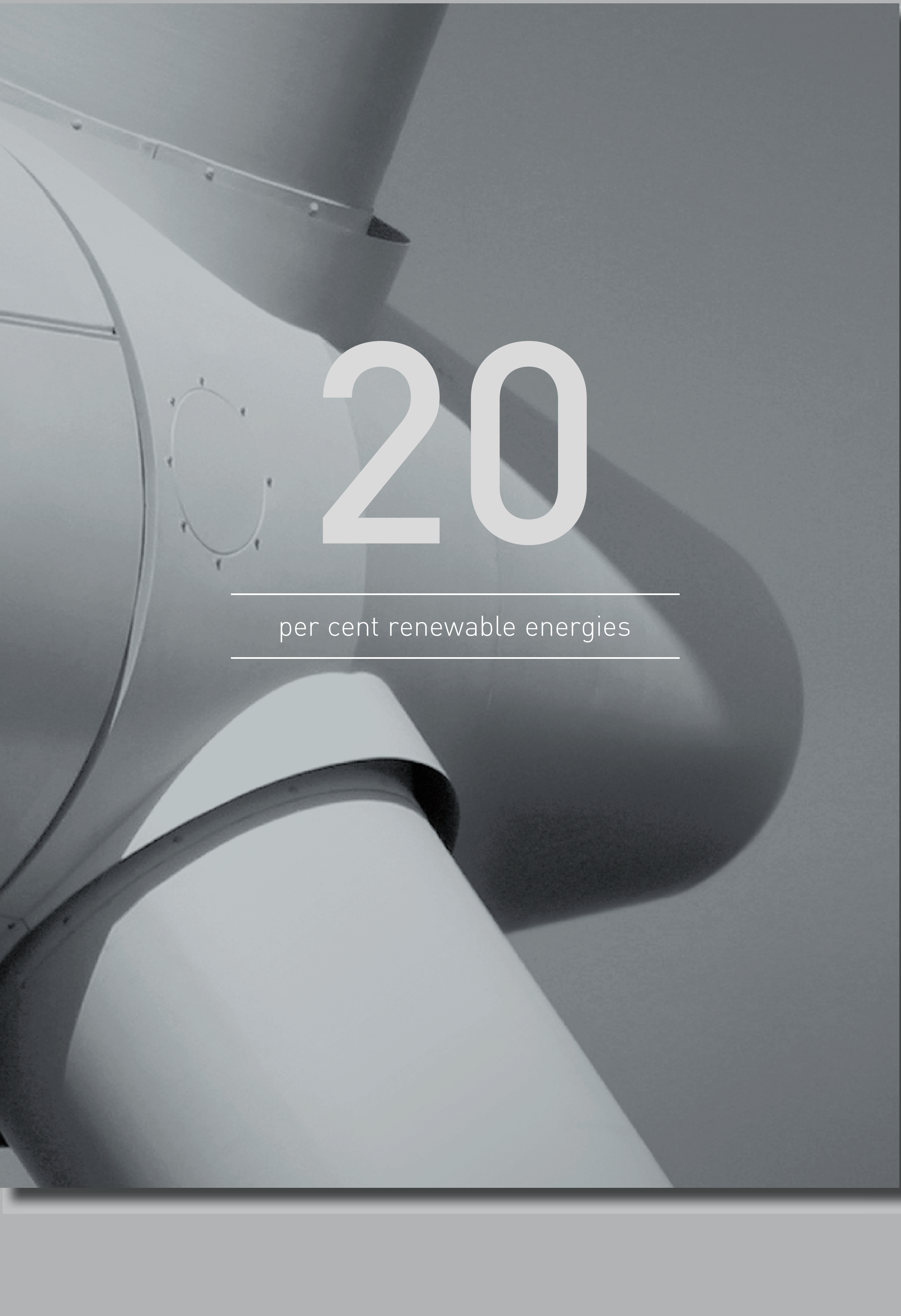
		Footnote	Registered office	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)	Revenue[2] (in € thousands)
Gas segment							
Fully consolidated entities							
55	EnBW Gas GmbH		Stuttgart	100.00	133,970	-[4]	848,801
56	GasVersorgung Süddeutschland GmbH	7	Stuttgart	100.00	76,694	-[4]	2,068,032
57	GSW Gas- und Wärmeservice GmbH		Dresden	100.00	1,303	-[4]	22,034
58	Erdgas Südwest GmbH		Karlsruhe	79.00	40,447	10,053	195,344
Entities accounted for using the equity method							
59	Stadtwerke Esslingen am Neckar GmbH & Co. KG	6	Esslingen am Neckar	49.98	55,819	3,143	69,172
Equity investments							
60	Heilbronner Versorgungs GmbH	6	Heilbronn	25.10	36,375	-[9]	93,027
61	Technische Werke Schussental GmbH & Co. KG	6	Ravensburg	25.10	22,924	4,328	56,904

		Footnote	Registered office	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)	Revenue[2] (in € thousands)
Energy and environmental services segment							
Fully consolidated entities							
62	EnBW Beteiligungen AG		Kornwestheim	100.00	376,652	132,892	0
63	EnBW City GmbH & Co. KG		Stuttgart	100.00	11,299	56	0
64	EnBW Energy Solutions GmbH		Stuttgart	100.00	44,187	4,918	69,196
65	EnBW Grundstücks- und Gebäude-management GmbH & Co. KG Karlsruhe		Karlsruhe	100.00	137,390	3,593	13,186
66	EnBW Grundstücks- und Gebäude-management GmbH & Co. KG Stuttgart		Stuttgart	100.00	46,090	1,833	5,713
67	EnBW Kommunale Beteiligungen GmbH		Stuttgart	100.00	995,226	-[4]	2,261
68	EnBW Systeme Infrastruktur Support GmbH		Karlsruhe	100.00	16,500	-[4]	329,925
69	T-plus GmbH		Karlsruhe	100.00	15,000	-[4]	54,426
70	U-plus Umweltservice AG		Karlsruhe	100.00	159,898	1,677	0
71	AWISTA Gesellschaft für Abfallwirtschaft und Stadtreinigung mbH	6	Düsseldorf	51.00	36,577	6,050	161,870

		Footnote	Registered office	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)	Revenue[2] (in € thousands)
Proportionately consolidated entities							
72	Industriekraftwerke Oberschwaben beschränkt haftende OHG		Baienfurt	50.00	3,653	6,068	40,603
Entities accounted for using the equity method							
73	Gegenbauer Holding SA & Co, KG	6	Berlin	49.00	19,641	10,904	14,661
74	Zweckverband Landeswasserversorgung	6	Stuttgart	27.89	148,216	-250	40,366
75	Zweckverband Bodensee-Wasserversorgung	6	Stuttgart	22.33	191,587	-1,307	50,910

1 Shares of the respective parent company calculated pursuant to Sec. 313 (2) German Commercial Code (HGB) (as of 31 December 2008).
2 In the case of separate entities, the figures stem from financial statements prepared pursuant to local principles and do not show the contributions of each company to the consolidated financial statements. For financial statements in foreign currency, equity is translated at the mean rate on the balance sheet date, while earnings and revenue are translated at average annual rates.
3 Disclosures for the sub-group in accordance with IFRS.
4 Profit and loss transfer agreement and/or domination agreement.
5 Diverging fiscal year.
6 Prior-year figures.
7 Held via EnBW Eni Verwaltungsgesellschaft mbH, Karlsruhe (EnBW shareholding: 50%), which is fully consolidated by virtue of the casting vote regulation.
8 Before taking treasury shares of the company into account.
9 Profit and loss transfer agreement with third parties.

CORPORATE GOVERNANCE


20
per cent renewable energies

OFFSHORE WIND POWER

Facilities on the open sea generate around 40% more energy than those inland. EnBW intends to tap into this wind power potential. In 2008 we secured access to four offshore wind farms off the German coast of the North Sea and Baltic Sea and plan to build and put into operation facilities with a total output of around 1,200 MW by 2015.

ENERGY MIX

EnBW plans to increase the share of CO_2-free renewable energies in its generation portfolio. It will not be possible for these to fully meet energy demands, however. An energy mix combining conventional and renewable energies is required. We plan to generate some 20% of our electricity from renewable energies by 2020. At the same time, we aim to reduce pollutant emissions through the use of state-of-the-art conventional power stations.

Report of the Supervisory Board

In the fiscal year 2008, the Supervisory Board performed the tasks required of it by law and the articles of incorporation and bylaws. It monitored the company's management, advised the Board of Management on corporate governance and was involved in all major decisions. The Board of Management informed the Supervisory Board regularly, without delay and comprehensively, of all significant aspects of business development, of group strategy and planning, the group's economic situation as well as of the risk situation, risk management and compliance. Variation between the actual business development and previously formulated plans and targets were explained in detail in each case.

Key topics of the board meetings

At eight ordinary meetings held on 18 February, 24 and 25 April, 3 June, 10 July, 25 September, 6 November and 11 December 2008 and two extraordinary meetings on 17 June and 30 July 2008, as well as the five circular resolutions, the Supervisory Board dealt in depth with oral reports and written draft resolutions of the Board of Management. In addition, it requested reports and details from the Board of Management on specific topics. These were provided immediately and comprehensively in each case. Discussions and the resolutions focused on the following issues:

- Regular in-depth reports of the Board of Management on the current development of sales and earnings as well as the financial position of the group
- Discussions with the Board of Management on EnBW's strategic focus
- Approval of the acquisition of a 26% shareholding in EWE AG, with registered offices in Oldenburg
- Approval of contribution of EnAlpin AG to Energiedienst Holding AG in order to bundle EnBW's activities in Switzerland
- Approval of Stadtwerke Düsseldorf's participation in the contract award proceedings for Stadtwerke Hilden GmbH and the public street lighting of the state capital Düsseldorf
- Approval of the acquisition of the German offshore wind power projects of WPD Offshore GmbH through the acquisition of 100% of the shares in the project companies Offshore Ostsee Wind AG and EOS Offshore AG and approval of the decision to invest in and develop the first offshore wind farm Baltic 1
- Approval for the construction and operation of a substitute fuel industrial CHP by EnBW Energy Solutions GmbH
- Progress of the construction work on the new hard coal power station RDK 8 in Karlsruhe and development of further power station projects in Stade, Mannheim, Düsseldorf and Iffezheim
- Current topics relating to the generation of nuclear power and how to proceed in connection with the Federal Ministry for the Environment's rejection of EnBW's petition for the transfer of residual electricity quantities to the GKN I nuclear power plant
- Current status of the expansion of the gas segment in the midstream area
- Current developments in the area of network user charges, discussions about the creation of a German national grid holding company and cooperation by EnBW Transportnetze AG with swissgrid ag
- Approval to cover long-term financing needs using various debt financing instruments and regular reports on the impact of the financial crisis on EnBW
- Presentation of statutorily required amendments to EnBW's articles of incorporation and bylaws prior to voting on the resolution at the annual general meeting on 25 April 2008
- Suggestions made to the annual general meeting on 25 April 2008 for the re-election of the shareholder representatives on the company's Supervisory Board
- Election of the chairman of the Supervisory Board, deputy chairman of the Supervisory Board and the members of the Supervisory Board committees
- Future composition of the Board of Management through the appointment of two new board members
- Dissolution of the ad-hoc committee for the review of board liability claims against former members of the Board of Management as of the end of 2008

Dr. Claus Dieter Hoffmann, chairman of the Supervisory Board

- The passing of new rules of procedure for the Supervisory Board including in particular a new version of the list of transactions and measures subject to approval
- Status of major legal disputes which include legal action following EnBW's annual general meetings on 26 April 2007 and 25 April 2008 filed for the provision of information, contesting resolutions passed by the annual general meeting and petitions for declaratory judgment of the invalidity of the 2006 and 2007 separate and consolidated financial statements
- Approval of the budget for the 2009 fiscal year and acknowledgement of the mid-term planning PR0911 consisting of income statement, balance sheet and cash flow statement

Between the meetings, the Board of Management informed the members of the Supervisory Board in writing about all business events of particular importance for the company. In addition, there was constant communication between the Supervisory Board chairman and the Board of Management, in particular the CEO, to discuss issues relating to the strategic orientation, business development, risk management and important individual transactions.

The Supervisory Board meetings were all well attended. Only the Supervisory Board member Dr. Daniel Camus attended less than half of the Supervisory Board meetings in fiscal 2008.

Prof. Joachim Bitterlich, Executive Vice President International Affairs at Veolia Environnement SA, was a member of EnBW's Supervisory Board until 25 April 2008. One of Veolia's business units participated in the tender process for the acquisition of an equity investment in Stadtwerke Saarbrücken AG in competition to EnBW and in the contract award proceedings for Stadtwerke Hilden GmbH in competition to Stadtwerke Düsseldorf AG. In order to prevent any conflict of interests arising temporarily in the course of these proceedings, Prof. Bitterlich declared that he would not participate in the Supervisory Board meetings or resolutions on these topics or their preparation and asked not to be sent any draft resolutions, reports or the relevant sections of minutes of meetings. This procedure was adopted.

Work of the committees

The committees created to satisfy the Supervisory Board's duties in the best possible way met once again in the past fiscal year on a regular basis. The composition of the committees can be found on page 211 of the annual report. Reports on the work of the committees were made at the start of each Supervisory Board meeting.

The personnel committee met eight times over the reporting period. This committee dealt in particular with the board remuneration system and the future composition of the Board of Management. In this context, it prepared a basis for the Supervisory Board's appointment decisions for the positions of Chief Financial Officer (CFO) and the Chief Operating Officer (COO) and adopted the relevant resolutions for the conclusion of the respective service contracts for members of the Board of Management.

The finance and investment committee discussed EnBW's financial, liquidity and earnings situation as well as the budget and mid-term planning in detail at its five meetings. In addition, it reviewed current investment plans and prepared decisions on these matters for the Supervisory Board.

At its three meetings, the audit committee primarily considered accounting and risk management and compliance issues. After obtaining the independence declaration required by No. 7.2.1 of the German Corporate Governance Code from the auditor, it engaged the auditor to audit the financial statements, negotiated the fee volume and determined the focal points of the audit. In the presence of the auditor, the audit committee took an in-depth look at the six-monthly financial report as well as the nine-monthly financial report as of 30 September 2008 and discussed them with the Board of Management. It also made an in-depth analysis of the annual and consolidated financial statements in preparation of the balance sheet meeting.

The nomination committee met twice in the past fiscal year. It prepared the Supervisory Board's nomination proposals to the annual general meeting on 25 April 2008 and passed various resolutions on the exercising of ownership rights within in the EnBW group as part of the duties assigned to it by the shareholder representatives on the Supervisory Board pursuant to Sec. 32 German Co-determination Act (MitbestG).

The ad-hoc committee for the review of board liability claims against former members of the Board of Management met five times in the fiscal year 2008. This committee was set up in March 2005 in order to examine whether the former member of the Board of Management Gerhard Jochum had contravened a Supervisory Board resolution in connection with the acquisition of shares in Stadtwerke Düsseldorf AG in 2001 which would grant EnBW the right to claim damages. In June 2006, an action for declaratory judgment was filed against Jochum to prevent any possible claim from becoming statute-barred. An expertise obtained from an auditor in 2008 came to the conclusion that EnBW had not incurred any loss as a consequence of the share acquisition. The court then notified EnBW that the action would be dismissed if no loss had been incurred. The action was withdrawn on 24 October 2008 and the ad-hoc committee was dissolved as of the end of fiscal 2008.

The mediation committee created in accordance with Sec. 27 (3) German Co-determination Act (MitbestG) did not have to be convened in the reporting period.

Corporate governance

The Supervisory Board once again scrutinised corporate governance issues in fiscal 2008. The corporate governance report details these issues on pages 200 – 209 of the annual report.

The annual efficiency inspection of the Supervisory Board was held at the meeting on 10 July 2008 that was not attended by members of the Board of Management. This inspection identified valuable ways of further optimising the board and committee work which were then implemented.

The Supervisory Board dealt with the amendments to the German Corporate Governance Code dated 6 June 2008 at its December meeting. Following the new recommendations it was decided, among other things, that pursuant to No. 4.2.2 (1) of the Code the Supervisory Board will decide on the remuneration system for the Board of Management at the proposal of the personnel committee and will review it on a regular basis and that, pursuant to No. 4.2.3 (4) of the Code, severance payment caps would be provided for whenever management board contracts were concluded or extended in future.

At its meeting on 11 December 2008, the Supervisory Board received the report of the corporate governance officer and issued the declaration of compliance with the German Corporate Governance Code in accordance with Sec. 161 German Stock Corporations Act (AktG). The Board of Management had previously issued an identical declaration at its meeting on 25 November 2008. In fiscal 2008, EnBW complied with all the recommendations of the amended Code in full and intends to continue to do so in future.

The current declaration of compliance was made permanently accessible to the shareholders on EnBW's website, along with the declarations from prior years. The current declaration is reprinted in full on page 209 of the corporate governance report.

Audit of the separate and consolidated financial statements

Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart, was elected once again by the annual general meeting held on 25 April 2008 as auditor for the separate financial statements and the consolidated financial statements and as independent auditor for the review of the condensed financial statements contained in the six-monthly financial report. The audit committee engaged the independent auditor in writing to audit the separate and the consolidated financial statements as well as to review the condensed financial statements and interim management report contained in the six-monthly financial report and determined the focal points for the audit of the separate financial statements and the consolidated financial statements.

As requested, Ernst & Young AG reviewed the condensed financial statements and interim management report contained in the six-monthly financial report as of 30 June 2008, and issued an unqualified review report thereon in accordance with the provisions of the German Securities Trading Act (WpHG). The auditor reported on the audit work and the results of the audit to the members of the audit committee at their meeting on 30 July 2008 and was available to answer questions. No objections to the report were raised by the committee members.

Based on the audit focus defined by the audit committee and including the accounting records, Ernst & Young AG audited the financial statements of EnBW Energie Baden-Württemberg AG as of 31 December 2008 prepared by the Board of Management in accordance with the German Commercial Code (HGB) and the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as well as the combined management report for fiscal 2008. The audits did not give rise to any objections and an unqualified opinion was rendered in each case. The auditor also subjected the monitoring system established by the Board of Management for the early detection of risks to a thorough review in accordance with Sec. 91 (2) German Stock Corporations Act (AktG) and confirmed that it fulfills its purpose.

The draft audit reports issued by the independent auditor on the separate financial statements and on the consolidated financial statements (including the combined management report) – each containing a copy of the financial statements – as well as the proposal put forward by the Board of Management for the appropriation of profits were sent to the members of the audit committee in good time in advance of the committee meeting on 9 February 2009. At that meeting, the auditor reported on the main results of its audit and was available to answer questions from committee members. The audit committee examined in detail the audit documents and drafts of the audit reports and did not have any objections. It recommended the Supervisory Board to approve the financial statements and the combined management report and the proposal from the Board of Management for the appropriation of profit.

Following the detailed examination by the audit committee, the audit reports issued and related documents as well as the proposal for the appropriation of profits were made available to all Supervisory Board members in good time before the Supervisory Board's closing meeting on 26 February 2009. At the meeting, the auditor reported on the main results of its audit and was available to answer questions from board members. In addition, the chair of the audit committee gave a detailed report on the deliberations and outcome of the audit committee meeting. He was also available to answer any questions from the other board members. The Supervisory Board took the findings of the auditor and the audit committee into account in its subsequent work.

The Supervisory Board then in turn reviewed in depth the annual and consolidated financial statements as of 31 December 2008, the combined management report for fiscal 2008 and the Board of Management's proposal for the appropriation of net profit for fiscal 2008. The Supervisory Board did not have any reservations following its own review. It agreed with the audit results presented by the independent auditor, approved the separate financial statements prepared by the Board of Management as of 31 December 2008 – which have thus been ratified – and the consolidated financial statements as of 31 December 2008 and agreed with the Board of Management's proposal for the appropriation of profits.

The report prepared by the Board of Management pursuant to Sec. 312 German Stock Corporations Act (AktG) on the relations of the company to affiliated companies (dependent company report) was reviewed by Ernst & Young AG, which issued the following audit opinion

"Based on our audit and assessment in accordance with professional standards, we confirm that

1. the actual disclosures contained in the report are correct,
2. the payments made by the company in connection with transactions detailed in the report were not unreasonably high."

The draft dependent company report was sent to the members of the audit committee together with the other audit documents and drafts of the audit report in good time before their meeting on 9 February 2009. At that meeting, the audit committee discussed the draft dependent company report in detail. The independent auditor provided information on the main results of the audit and was available to answer questions from committee members. Having conducted its own careful review, the audit committee did not raise any objections to the dependent company report. The dependent company report was then made available for inspection by the Supervisory Board members in good time. The auditor also participated in the discussion of the report, which took place at the closing meeting on 26 February 2009, and reported on any significant audit findings. In addition, the chair of the audit committee gave a report on the review of the dependent company report by the audit committee.

Based on the auditor's and the audit committee's findings, the Supervisory Board reviewed in depth the dependent company report for completeness and accuracy, approved the result of the audit and came to the conclusion that no objections have to be made to the declaration of the Board of Management made at the end of the report on the relations to affiliated companies.

Personnel changes on the Board of Management and the Supervisory Board

Board of Management

There were various personnel changes on the Board of Management in the course of the past fiscal year. The previous CFO, Dr. Christian Holzherr, who had been a member of EnBW's Board of Management since 1 January 2005, stepped down effective as of 30 April 2008. CEO Hans-Peter Villis assumed responsibility for the finance portfolio in addition to his other duties. At its meeting on 30 July 2008, the Supervisory Board appointed Dr. Rudolf Schulten to EnBW's Board of Management, at the recommendation of the personnel committee, for a term of five years commencing 1 January 2009. Dr. Schulten had previously been CEO of MVV Energie AG and assumed the position of CFO on EnBW's Board of Management.

Dr. h.c. Detlef Schmidt, who had been a member of the Board of Management since 1 July 2003, most recently heading the marketing and sales portfolio, retired as of 30 June 2008. Following his retirement, the Board of Management was reduced to five portfolios. Since then, the marketing and sales segment has been headed by a senior vice president, who reports to the CEO but is assigned to the COO.

Pierre Lederer, member of the Board of Management since 1 June 2000 and deputy chairman since 1 October 2007, resigned effective as of 31 January 2009 to take up a new position as Senior Executive Vice President, Customers, at Electricité de France (EDF). At its meeting on 6 November 2008, the Supervisory Board appointed Christian Buchel to EnBW's Board of Management, at the recommendation of the personnel committee, for a term of three years commencing 1 February 2009. Mr. Buchel had previously been director general of Electricité de Strasbourg and has assumed the position of COO on EnBW's Board of Management.

The Supervisory Board would like to express their thanks to Dr. Christian Holzherr, Dr. h. c. Detlef Schmidt and Pierre Lederer for their great personal commitment and their successful work to the benefit of the company.

Supervisory Board

The term of office of the shareholder representatives on the Supervisory Board ended with the annual general meeting held on 25 April 2008. This annual general meeting re-elected Marc Boudier, Dr. Daniel Camus, Dirk Gaerte, Dr. Claus Dieter Hoffmann, Gérard Roth, Heinz Seiffert, Gerhard Stratthaus, Kurt Widmaier and Dr.-Ing. Gérard Wolf to the Supervisory Board. Prof. Joachim Bitterlich left the Supervisory Board. The Supervisory Board would like to thank him for his valuable and constructive service to the company. Laurent Stricker, advisor to the president of EDF, was elected for the first time.

At the founding meeting of the Supervisory Board on 25 April 2008, Dr. Claus Dieter Hoffmann was re-elected chairman of the Supervisory Board and Dietrich Herd was re-elected deputy chairman of the Supervisory Board.

The Supervisory Board expresses its thanks to the members of the Board of Management and all employees in acknowledgement of their personal commitment and dedicated work in fiscal 2008.

Karlsruhe, 26 February 2009

The Supervisory Board

Dr. Claus Dieter Hoffmann
Chairman

Corporate governance report

Good corporate governance is an important component of the corporate culture at EnBW. We are convinced that responsible and transparent management builds the trust placed in the company by investors, customers, employees and the general public and leads to sustainable added value. EnBW is therefore in compliance with all recommendations of German Corporate Governance Code as amended on 6 June 2008.

The company's corporate governance officer, Board of Management member Dr. Bernhard Beck, monitored compliance with the German Corporate Governance Code at EnBW, as he has done in past years. He submitted in-depth reports to the Board of Management and the Supervisory Board on current corporate governance topics, following which both boards issued unconditional declarations of compliance. These are reprinted in full at the end of this report.

Management and control structure

It is a matter of course for the Board of Management and the Supervisory Board of EnBW to cooperate closely and in a trusting relationship in the interest of the company. In line with the dual management and control structure prescribed by the German Stock Corporations Act, the Board of Management has sole responsibility for steering the company and in regular, in-depth reports keeps the Supervisory Board up to date with current business developments as well as all issues relevant to the planning, performance, compliance, risk situation and risk management. The basic duty of the Supervisory Board is to advise and monitor the Board of Management in its management of the company on an ongoing basis. The Supervisory Board provides detailed information about the focus of its work and deliberations in fiscal 2008 in its report on pages 194 – 199.

In fiscal 2008, the Supervisory Board gave itself new rules of procedure, which, on the one hand, take into account the requirements of statute and case law as well as corporate governance and, on the other, facilitate responsible cooperation between the Board of Management and Supervisory Board centred on the business operations of EnBW. Specifically, the list of transactions and measures subject to approval was reworked and reworded from a best practice perspective.

The Supervisory Board has formed qualified committees to boost the efficiency of its work and to enable it to debate complex matters in detail. A list of the Supervisory Board committees and their members can be found on page 211. In addition to the mediation committee, the personnel committee (until 31 December 2008 called committee for management board matters), the nomination committee and the finance and investment committee, EnBW has an audit committee. This committee is chaired by Dr. Daniel Camus who, as the CFO of EDF and acknowledged finance expert, possesses specific knowledge and experience with the application of accounting principles and internal control systems. The ad-hoc committee for the review of board liability claims against former members of the Board of Management brought its work to a conclusion as of the end of the year. The details of this can be found on page 196 in the report of the Supervisory Board.

The term of office of the previous shareholder representatives on the Supervisory Board ended with the annual general meeting held on 25 April 2008. In the run-up to the annual general meeting, the nomination committee had proposed suitable candidates to the Supervisory Board for its election nominations for the annual general meeting. For its nominations, the Supervisory Board paid attention that candidates were no older than 70 at the time of their election. The members of the Supervisory Board were elected individually at the annual general meeting. Dr. Claus Dieter Hoffmann was presented to the shareholders prior to the voting as the candidate for the post of Supervisory Board chairman. He was also elected at the founding meeting of the Supervisory Board immediately following the annual general meeting.

In the light of there having been changes to its composition, the Supervisory Board dealt once again with the independence criteria of the German Corporate Governance Code. It reached the conclusion that these are satisfied as in the past. Importantly, EnBW does not have any former members of the Board of Management on the Supervisory Board. In addition, there were no consulting or other service agreements between members of the Supervisory Board and the company in the reporting year.

There is an age limit of 63 years for the members of the Board of Management. As a rule, persons being appointed to EnBW's Board of Management for the first time are appointed for less than the maximum term of office of five years. In fiscal 2008, the Supervisory Board appointed Dr. Rudolf Schulten as Chief Financial Officer for five years and Christian Buchel as Chief Operating Officer for three years following preparatory work by the committee for management board matters.

Our actions are governed by compliance with the provisions of the law and regulations as well as voluntary principles and group policy (compliance), which makes an important contribution to the success of the company. For example, the impact of the German Accounting Law Modernisation Act (BilMoG) on EnBW's internal control and compliance system is currently being reviewed as part of a group-wide project. Over the past year, the Board of Management debated compliance issues on an ongoing basis and discussed them in depth with the Supervisory Board and the audit committee.

Prior to the annual general meeting, EnBW publishes the agenda and all reports and documents of relevance for an assessment, including the current annual report, in readily accessible form on its internet pages at www.enbw.com. Countermotions to the annual general meeting's agenda received before the deadline are also made available on the website together with a statement by management. Our shareholders also have the possibility of delegating their rights to proxies appointed by the company if they are not able to attend the annual general meeting in person. In the past few years, the annual general meeting has been broadcast live via the internet until the end of the CEO's speech.

Remuneration report

The remuneration report summarises the principles applied in determining the remuneration of members of the Board of Management and explains the structure and amount of the remuneration of the Board of Management and of the Supervisory Board.

The remuneration report takes into consideration the recommendations of the German Corporate Governance Code and the requirements of the German Accounting Standard (GAS) 17. It further contains the disclosures required by German commercial law and the supplementary provisions of the German Directors Remuneration Disclosure Act (VorstOG) in the notes to the financial statements in accordance with Sec. 314 German Commercial Code (HGB) and the management report in accordance with Sec. 315 HGB.

The remuneration report is included in the management report and is reprinted in the annual report as part of the corporate governance report.

Remuneration of the Board of Management

At the proposal of the committee for management board matters, the Supervisory Board passes a resolution on the remuneration of the Board of Management including the main contract elements and reviews it on a regular basis. The criteria for determining appropriate remuneration include the responsibilities and performance of the members of the Board of Management, the economic situation, the company's performance and its sustainable development.

The Board of Management's remuneration comprises three main components:

- **Fixed remuneration**
  This comprises a fixed basic annual salary payable in equal monthly instalments, of which only a part counts towards pension claims, as well as remuneration in kind and the minimum bonus (30% of the basic annual salary) agreed as part of the short-term incentive (STI). In addition to this, Dr. Holzherr and Dr. h. c. Schmidt received lump-sum compensation for committee work in the interest of the group and, in return, handed over to the group all payments actually received for committee work.

- **Variable remuneration**
  The variable component of the STI is disclosed as variable remuneration. The STI depends on the extent to which annual targets are met. These include financial targets at group level measured using the performance indicators EBITDA (prior year: adjusted EBITDA) and ROCE in addition to individual targets. The committee for management board matters performs a weighting of these targets at the beginning of the year. The STI may not exceed 200% of the fixed annual basic remuneration.

- **Long-term incentive (LTI)**
  The LTI depends on the relative increase in value of the group. This is determined by reference to the increase in value of net equity, which, in turn, is determined by comparing the mean averages of net equity for two three-year periods. The LTI can range between 0% and 85% of a member of the Board of Management's fixed annual basic remuneration and between 0% and 100% for the chairman of the Board of Management. This is supplemented by a component that measures the relative performance of the group against a peer group of competitors based on the net equity. This can lead to a change of ±20% on the LTI determined by reference to the net equity value.

The remuneration of the members of the Board of Management in fiscal year (prior-year figures in brackets):

Remuneration of the members of the Board of Management of EnBW AG in 2008

in €	Fixed remuneration		STI				
	Basic remuneration	Other remuneration[2]	Minimum bonus	Variable remuneration	Fixed and variable remuneration	Long-term incentive (LTI) [1]	Total
Hans-Peter Villis, CEO[3]	912,500[4]	56,807	228,750	1,181,875	2,379,932	778,750	3,158,682
	(187,500)	(788,771)	(56,250)	(318,750)	(1,351,271)	(187,500)	(1,538,771)
Pierre Lederer, deputy chairman	550,000	2,126	165,000	852,500	1,569,626	461,509	2,031,135
	(544,338)	(62,922)	(124,200)	(703,800)	(1,435,260)	(296,426)	(1,731,686)
Dr. Bernhard Beck, LL.M.	500,000	1,128	150,000	775,000	1,426,128	447,343	1,873,471
	(412,206)	(57,689)	(124,200)	(703,800)	(1,297,895)	(296,426)	(1,594,321)
Dr. Christian Holzherr (until 30 April 2008)	148,333	30,805	44,500	252,167	475,805	88,926	564,731
	(412,206)	(67,305)	(124,200)	(703,800)	(1,307,511)	(296,426)	(1,603,937)
Dr. h.c. Detlef Schmidt (until 30 June 2008)	222,500	45,056	66,750	344,875	679,181	256,801	935,982
	(465,059)	(81,514)	(124,200)	(703,800)	(1,374,573)	(296,426)	(1,670,999)
Dr. Hans-Josef Zimmer[3]	412,500	26,188	123,750	639,375	1,201,813	357,000	1,558,813
	(100,000)	(4,054)	(30,000)	(170,000)	(304,054)	(85,000)	(389,054)
Total[5]	**2,745,833**	**162,110**	**778,750**	**4,045,792**	**7,732,485**	**2,390,329**	**10,122,814**
	(2,121,309)	**(1,062,255)**	**(583,050)**	**(3,303,950)**	**(7,070,564)**	**(1,458,204)**	**(8,528,768)**

[1] Since the data were not yet available, it was assumed that the competition component would not lead to any changes in the LTI. Differences between the amounts included in prior years and the amounts actually expected from the calculation of the competition component are also included in the total remuneration for 2008.

[2] Other remuneration includes fringe benefits, specifically from company cars of € 62,529 (prior year: € 55,891) and from expense allowances of € 52,713 (prior year: € 24,255). In addition, this includes lump-sum compensation for committee work in the interest of the group of € 46,868 (prior year: € 273,317) (this only concerns Dr. Holzherr and Dr. h.c. Schmidt).

[3] Member of the Board of Management from 1 October 2007.

[4] This figure includes a one-time additional payment not eligible for pension entitlements for the assumption of the finance portfolio from 1 May 2008 to 31 December 2008.

[5] Adjusted prior-year value: the former members of the Board of Management who left before 31 December 2007 are no longer included.

Compensation agreed with the Board of Management in the event of termination of service

The members of the Board of Management are covered by a comprehensive benefit arrangement. For members of the Board of Management whose service agreement was concluded prior to 2007, it includes a pension entitlement according to which the board members have a claim for payment upon termination of their employment agreement. The payment amount is based on the percentage of pensionable annual basic salary that they have reached upon termination (maximum of 60%). In fiscal 2008, the pensionable basic annual salary in these agreements amounts to € 335 thousand.

The post-employment benefits rise annually; the rate of increase is generally set such that the maximum post-employment benefit is reached at the same time as the contractually agreed age limit. Other remuneration is credited until they reach the retirement age of 63. After that, any other pension benefits acquired are credited once the maximum pension benefit has been exceeded. When the benefit obligations become due for payment, the payments are indexed to the percentage change in remuneration under the collective bargaining agreement.

The employment contracts of the members of the Board of Management provide for survivors' pensions. In the event that a member of the Board of Management dies, the surviving dependants are entitled to continued payment of the remuneration or pension of the deceased for three months. After that period, they receive widows' or orphans' pensions in accordance with the provisions applicable for civil servants in the state of Baden-Württemberg.

A modified benefit arrangement has been agreed for those members of the Board of Management who joined the Board of Management after 2007.

During their first term of office, these members of the Board of Management have a reduced benefit entitlement compared to the old-age pension should they become permanently disabled, or upon reaching the age of 63. For Dr. Zimmer, the amount of his benefit entitlement is derived from his employment in the group to date. In the case of Mr. Villis, it is a fixed annual amount of € 130 thousand. For Mr. Villis, it was also agreed that this fixed amount be paid if the contractual relationship is terminated or not extended before he reaches the age of 63, provided the reason for the termination or non-extension is not related to his person. Half of any other remuneration is credited until the retiring age is reached.

From the second term of office onwards, the benefit entitlements (from the age of 63) are as follows: The vested benefits rise in proportion to the term of office on the Board of Management and are capped at 60% of the pensionable basic annual salary. The rates of increase are generally set such that the maximum post-employment benefit is reached at the same time as the contractually agreed age limit. Other company pension entitlements acquired are credited once the maximum pensionable basic annual salary has been exceeded.

When the benefit obligations become due for payment, the payments are indexed in accordance with the German Company Pensions Act (BetrAVG).

In the event that a member of the Board of Management dies, the surviving dependants are entitled to continued payment of the remuneration for three months. For as long as they live, widows receive 60% of the benefits that the member of the Board of Management received or would have received on the day they died if the pensions had been due for payment on that day. Children of the member of the Board of Management receive an orphan's allowance until they reach the age of 25 (20% if they have lost both parents, 12% if they have lost one parent). The surviving dependants' benefits are limited to 100% of the pension entitlements.

The disclosures for the fiscal year 2008 concerning post-employment benefits (prior-year figures in brackets) are as follows:

in €	Percentage of pensionable basic remuneration acquired (%)	Addition to pension provision (€)
Hans-Peter Villis, CEO[3]	0.0	138,822
	(0.0)	(–)
Pierre Lederer, deputy chairman	1.0	401,774 [1]
	(1.0)	(398,691)
Dr. Bernhard Beck, LL.M.	1.0	280,712 [2]
	(1.0)	(287,168)
Dr. Christian Holzherr (until 30 April 2008)	0.0	50,929
	(1.0)	(165,301)
Dr. h.c. Detlef Schmidt (until 30 June 2008)	0.0	89,203
	(3.0)	(929,149)
Dr. Hans-Josef Zimmer [3]	1.5	92,602
	(0.4)	(25,373)
Total[4]		**1,054,042**
		(1,805,682)

[1] Including an addition to capital for pension benefits of € 18,139 (prior year: € 16,751). This is deferred compensation.
[2] Including an addition to capital for pension benefits of € 18,499 (prior year: € 17,544). This is deferred compensation.
[3] From the second term of office, the percentage of pensionable basic salary acquired each year is 2.5%, retroactively to the beginning of the service agreement.
[4] Adjusted prior-year value: the former members of the Board of Management who left before 31 December 2007 are no longer included.

All benefit entitlements are vested.

The addition to the pension provision includes the service cost as well as interest cost. There are pension obligations in accordance with IFRS of € 5.3 million (prior year: € 9.6 million) for the current members of the Board of Management (defined benefit obligation).

There are no termination benefit obligations in the event of premature termination of service. However, termination benefits may be payable on the basis of a cancellation agreement made with the individual. In concluding management board contracts, care is taken to ensure that payments made to a member of the Board of Management on premature termination of his contract without serious cause do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract.

Individual cancellation agreements were concluded in the course of the early termination as of 30 April 2008 of the board offices held by Dr. Christian Holzherr. As a result, he will receive remuneration in line with the entitlements under his service agreement until 30 April 2008. Following his retirement from the Board, he will receive a one-off payment of € 28 thousand for his committee work within the EnBW group.

Effective 1 May 2008, Dr. Holzherr has a right to termination benefits of € 141 thousand per year in accordance with the regulations contained in his service agreement unless he receives other remuneration in future that is deducted under the contractual agreements.

A cancellation agreement was concluded with Mr. Lederer with effect as of 31 January 2009. As a result, he will receive remuneration in line with the entitlements under his service agreement until his retirement from the Board. Effective as of 1 February 2009, Mr. Lederer has a right to termination benefits of € 192 thousand per year in accordance with the regulations contained in his service agreement unless he receives other remuneration in future that is deducted under the contractual agreements.

Dr. h.c. Schmidt left the group upon expiry of his service agreement as of 30 June 2008. For the duration of the restraint on competition of twelve months, he will receive a waiting allowance of € 289 thousand. He will further receive a one-off payment of € 28 thousand for his committee work within the EnBW group.

The remuneration of former members of the Board of Management and their surviving dependants amounted to € 5.1 million (prior year: € 4.2 million). These pension payments are indexed to the percentage change in remuneration according to the collective bargaining agreement.

There are defined benefit obligations to former members of the Board of Management of EnBW AG and their surviving dependants in accordance with IFRS of €47.6 million (prior year: € 46.7 million).

In fiscal 2008, members of the Board of Management were granted advances of € 1.2 million (prior year: € 0.0 million). No loans were granted.

Remuneration of the Supervisory Board

A resolution of the annual general meeting on 25 April 2008 amended the regulations on the remuneration of the Supervisory Board. These regulations stipulate that the Supervisory Board members receive fixed remuneration of € 15,000 payable at the end of a fiscal year in addition to reimbursement of their expenses. They also receive variable remuneration each fiscal year based on the respective EBITDA generated by the EnBW group each fiscal year. For each full € 10 million that the EBITDA achieved in the respective fiscal year exceeds the assessment base of € 1,500 million, each member of the Supervisory Board receives remuneration of € 250. The amount of the variable remuneration is limited, however, to the maximum amount of € 20,000 per annum. The payment of the variable remuneration is made following the annual general meeting at which the resolution is passed on exoneration of the members of the Board of Management for the past fiscal year. The chairman of the Supervisory Board receives twice the above amounts and the deputy chairman of the Supervisory Board receives one and a half times the above amounts.

Members of the Supervisory Board receive fixed remuneration of € 5,000 per fiscal year to offset the additional work involved in any activities in one or more Supervisory Board committees. The chairman of one or more committees receives twice the amount of the remuneration for the committee work, unless the respective committee has not met in the fiscal year concerned.

Supervisory Board members who belong to the Supervisory Board or a committee or acted as chairman for only part of the fiscal year are paid remuneration proportionately to the duration of their office or their position in that fiscal year.

In addition, the Supervisory Board members receive an attendance fee of € 500 for Supervisory Board meetings and committee meetings. Attendance at preliminary meetings is remunerated with € 250 per meeting; this remuneration is however only paid for one preliminary meeting per Supervisory Board meeting.

According to this remuneration system, the members of the Supervisory Board will receive the following total remuneration for fiscal 2008 (including attendance fees and remuneration for offices held in subsidiaries):

Remuneration of the members of the Supervisory Board of EnBW AG in 2008

in € (prior-year figures in brackets)	Fixed remuneration incl. attendance fees	Variable remuneration[1]	Board remuneration of subsidiaries	Total
Dr. Claus Dieter Hoffmann, chairman	50,500 (15,400)	40,000 (20,000)	0 (0)	90,500 (35,400)
Dietrich Herd, deputy chairman	42,150 (14,250)	30,000 (15,000)	12,500 (12,100)	84,650 (41,350)
Prof. Joachim Bitterlich (until 25 April 2008)	7,239 (8,050)	8,240 (12,500)	0 (0)	15,479 (20,550)
Marc Boudier[2]	31,200 (11,950)	20,000 (12,500)	0 (0)	51,200 (24,450)
Dr. Daniel Camus[2]	29,200 (10,500)	20,000 (15,000)	0 (0)	49,200 (25,500)
Dirk Gaerte[3]	23,529 (1,615)	20,000 (7,969)	0 (0)	43,529 (9,584)
Josef Götz	30,900 (11,950)	20,000 (12,500)	9,203 (9,510)	60,103 (33,960)
Reiner Koch[4]	21,350 (7,700)	20,000 (10,000)	2,147 (920)	43,497 (18,620)
Marianne Kugler-Wendt[4]	27,050 (9,850)	20,000 (12,500)	9,000 (8,600)	56,050 (30,950)
Wolfgang Lang	27,200 (10,000)	20,000 (12,500)	7,472 (8,283)	54,672 (30,783)
Gérard Roth[2]	27,400 (7,100)	20,000 (10,000)	0 (0)	47,400 (17,100)
Klaus Schörnich[4]	20,900 (4,717)	20,000 (12,233)	3,528 (2,631)	44,428 (19,581)
Heinz Seiffert[3]	26,200 (6,081)	20,000 (14,469)	0 (0)	46,200 (20,550)
Gerhard Stratthaus[5]	18,600 (5,900)	20,000 (10,000)	0 (0)	38,600 (15,900)
Laurent Stricker[2] (from 25 April 2008)	12,287 (0)	17,831 (0)	933 (0)	31,051 (0)
Werner Vorderwülbecke[4]	28,500 (5,465)	20,000 (15,685)	18,990 (8,447)	67,490 (29,597)
Christoph Walther	27,700 (10,300)	20,000 (12,500)	8,880 (11,360)	56,580 (34,160)
Dietmar Weber	27,650 (10,000)	20,000 (12,500)	9,050 (8,900)	56,700 (31,400)
Kurt Widmaier[3]	29,100 (9,550)	20,000 (12,500)	0 (0)	49,100 (22,050)
Dr.-Ing. Gérard Wolf[2]	18,100 (5,900)	20,000 (10,000)	0 (0)	38,100 (15,900)
Dr. Bernd-Michael Zinow	30,800 (11,200)	20,000 (12,500)	0 (0)	50,800 (23,700)
Total[6]	**557,555**	**436,071**	**81,703**	**1,075,329**
	(177,478)	**(252,856)**	**(70,751)**	**(501,085)**

[1] The variable remuneration for the fiscal year 2008 is not paid out until the annual general meeting has passed a resolution on exoneration of the members of the Supervisory Board in fiscal 2009.
[2] The remuneration is transferred to EDF.
[3] Pursuant to Secs. 82 – 88 Civil Service Act (LBG) in conjunction with Sec. 5 Ancillary Activities Ordinance (LNTVO), remuneration is transferred to the district.
[4] In accordance with the regulations of the German Federation of Trade Unions (DGB) on the transfer of supervisory board remuneration, the remuneration is transferred to the Hans-Böckler-Stiftung foundation.
[5] Applying Sec. 5 Ancillary Activities Ordinance (LNTVO) mutatis mutandis, remuneration was transferred to the German state of Baden-Württemberg until 4 June 2008.
[6] Prior-year value restated: the former members of the Board of Management who left before 31 December 2007 are not included.

The fixed remuneration includes attendance fees of the members of the Supervisory Board amounting to € 150,000 (prior year: € 70,950) and the board remuneration of subsidiaries includes attendance fees totalling € 17,416 (prior year: € 13,339).

No other remuneration or benefits for services rendered personally, in particular consulting or mediation services, were paid to members of the Supervisory Board. They did not receive any loans or advances in the reporting year.

The members of the Board of Management and the Supervisory Board are covered by adequate D&O insurance taken out in the interest of EnBW. An appropriate deductible has been arranged for this D&O insurance – three basic monthly salaries for members of the Board of Management and half of the annual remuneration for members of the Supervisory Board.

Transparency

EnBW ensures that the transparency required by the German Corporate Governance Code is in place at all times by informing its shareholders, the capital market, financial analysts, shareholder associations and interested members of the general public promptly about any major business changes in the company. We mainly use the internet to ensure that all interested parties are informed on an equal and timely basis.

Information on EnBW's business development is mainly provided in the annual report, the quarterly, six-monthly and nine-monthly reports and the quarterly financial reports, at the press briefing on annual results, in conference calls in connection with the results for the quarter and for the year as well as at events with analysts. The financial calendar published on our website contains all the dates of important regular publications.

If details of unexpected events become known between the regular reporting dates that relate to the EnBW share and could potentially have a material influence on the quoted market price of the EnBW share, such insider information is announced in ad-hoc reports. Four ad-hoc announcements were made in the past fiscal year in connection with personnel changes on the Board of Management and the acquisition of 26% of the shares in EWE AG.

EnBW did not receive any notices on directors' dealings in fiscal 2008 from persons in managerial positions or persons closely related to them on transactions with EnBW shares or related financial instruments. There were similarly no notifiable shareholdings of members of the Board of Management or the Supervisory Board.

Financial reporting and annual audit

The financial reporting of EnBW is prepared according to International Financial Reporting Standards (IFRS). After the annual general meeting elected Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Stuttgart as independent auditor for the separate financial statements and the consolidated financial statements for the fiscal year 2008, and as independent auditor for the review of the condensed financial statements contained in the six-monthly financial report, the audit committee, or as the case may be its chairman, engaged the audit firm accordingly. The committee satisfied itself in the run-up to the annual general meeting that there were no doubts as to the independence of the audit firm being engaged.

The audit committee discusses the quarterly six-monthly and nine-monthly financial reports with the Board of Management prior to their publication as recommended by a new provision of the German Corporate Governance Code.

There are currently no stock option plans or similar securities-based incentive programmes at EnBW.

Declaration of compliance

The Board of Management and Supervisory Board of EnBW Energie Baden-Württemberg AG declare in accordance with Sec. 161 German Stock Corporations Act (AktG):

Since its last declaration of compliance on 6 December 2007, EnBW Energie Baden-Württemberg AG has without exception complied with the recommendations made by the government commission on the German Corporate Governance Code as amended on 6 June 2008 and published in the Electronic German Federal Gazette ("elektronischer Bundesanzeiger") and will continue to comply with them without exception.

Comments on the suggestions of the Corporate Governance Code

Pursuant to No. 3.10 Sentence 3 of the German Corporate Governance Code, the Board of Management and Supervisory Board state the two exceptions with which EnBW complied with the suggestions of the Code in the past year and with which it will in future comply with them:

No. 2.3.4 of the Code: Transmission of the annual general meeting via modern communication media

In accordance with widespread practice, EnBW transmits the annual general meeting via the internet until the end of the report of the CEO. In view of the small free float of the EnBW share and the fact that a large number of shareholders are usually present, the additional expense involved in broadcasting the entire annual general meeting would not be justified.

No. 5.4.6 of the Code: Components of the remuneration of the Supervisory Board based on the long-term performance of the company

The incentive-based remuneration of the Supervisory Board members does not include any components based on the long-term performance of the company. In contrast to the remuneration system for the Board of Management, such components would make the remuneration system for the Supervisory Board excessively complex.

The listed subsidiary ZEAG Energie AG also implements the German Corporate Governance Code. Deviations from the recommendations of the Code are set forth in ZEAG Energie AG's declaration of compliance, which can be viewed on its website (www.zeag-energie.de).

Karlsruhe, 11 December 2008
EnBW Energie Baden-Württemberg AG

The Board of Management The Supervisory Board

Supervisory Board

Members

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

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

Marc Boudier, Sèvres
Directeur Europe
at Electricité de France SA

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

Dirk Gaerte, Sigmaringendorf
District administrator of the
Sigmaringen district

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

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

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

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

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

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

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

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

Laurent Stricker, Paris
Advisor to the president
at Electricité de France SA
Member since 25 April 2008

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

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

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

Kurt Widmaier, Ravensburg
District administrator
of the Ravensburg district

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

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

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

Committees

Personnel committee

- Dr. Claus Dieter Hoffmann
  Chairman
- Marc Boudier
- Josef Götz
- Dietrich Herd

Finance and investment committee

- Dr. Claus Dieter Hoffmann
  Chairman
- Marc Boudier
- Dr. Daniel Camus
- Josef Götz
- Dietrich Herd
- Werner Vorderwülbecke
- Kurt Widmaier
- Dr. Bernd-Michael Zinow

Audit committee

- Dr. Daniel Camus
  Chairman
- Marc Boudier
- Marianne Kugler-Wendt
- Wolfgang Lang
- Heinz Seiffert
- Christoph Walther
- Dietmar Weber
- Kurt Widmaier

Nomination committee

- Dr. Claus Dieter Hoffmann
  Chairman
- Marc Boudier
- Dr. Daniel Camus
- Gérard Roth
- Heinz Seiffert
- Kurt Widmaier

Ad-hoc committee for the review of board liability claims against former members of the Board of Management (until 31 December 2008)

- Prof. Joachim Bitterlich
  Member until 25 April 2008
- Dirk Gaerte
  Member since 25 April 2008
- Dietrich Herd
- Gérard Roth
  Member since 25 April 2008
- Kurt Widmaier
  Member until 25 April 2008
- Dr. Bernd-Michael Zinow

Mediation committee (committee pursuant to Sec. 27 (3) German Co-determination Act (MitbestG))

- Dr. Claus Dieter Hoffmann
  Chairman
- Marc Boudier
- Dietrich Herd
- Klaus Schörnich

Offices held by members of the Board of Management

Hans-Peter Villis

- DREWAG – Stadtwerke Dresden GmbH (since 28 May 2008)
- EnBW Vertriebs- und Servicegesellschaft mbH (since 14 July 2008, chairman since 31 July 2008)
- ENSO Energie Sachsen Ost AG, formerly: ENSO Strom AG (member and chairman since 16 July 2008)
- EVN AG (since 17 January 2008)
- GESO Beteiligungs- und Beratungs-AG (member and chairman since 16 July 2008)
- Stadtwerke Düsseldorf AG (chairman)

Dr. Bernhard Beck

- DREWAG – Stadtwerke Dresden GmbH (until 28 May 2008)
- EnBW Beteiligungen AG (chairman)
- EnBW Kraftwerke AG
- EnBW Systeme Infrastruktur Support GmbH (chairman)
- EnBW Vertriebs- und Servicegesellschaft mbH
- Energiedienst AG
- ENSO Energie Sachsen Ost AG, formerly: ENSO Strom AG
- GESO Beteiligungs- und Beratungs-AG
- SOMENTEC Software AG (chairman)
- Stadtwerke Düsseldorf AG
- □ BKK VerbundPlus, Körperschaft des öffentlichen Rechts (chairman)
- □ EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (chairman)
- □ EnBW Technische Dienste und kaufmännische Leistungen GmbH (chairman)
- □ EnBW Trading GmbH
- □ Energiedienst Holding AG
- □ Gasversorgung Süddeutschland GmbH
- □ Teweratio GmbH (chairman)

Christian Buchel

(Member of the Board of Management since 1 February 2009, list of offices held since then)

- EnBW Regional AG (since 1 February 2009)
- EnBW Transportnetze AG (since 1 February 2009, chairman since 2 February 2009)
- EnBW Vertriebs- und Servicegesellschaft mbH (since 1 February 2009)
- □ EnBW Energy Solutions GmbH (since 1 February 2009, chairman since 6 February 2009)
- □ EnBW Gas GmbH (since 1 February 2009)
- □ EnBW Trading GmbH (since 1 February 2009, chairman since 4 February 2009)

Dr. Rudolf Schulten
(Member of the Board of Management since 1 February 2009, list of offices held since then)
- ■ EnBW Transportnetze AG (since 20 January 2009)
- ■ Stadtwerke Düsseldorf AG (since 1 February 2009)
- □ EnBW Trading GmbH (since 23 January 2009)

Dr. Hans-Josef Zimmer
- ■ EnBW Kernkraft GmbH (chairman)
- ■ EnBW Kraftwerke AG (chairman)
- ■ Energiedienst AG (since 4 April 2008)
- ■ Stadtwerke Düsseldorf AG (since 1 August 2009)
- □ EnBW Trading GmbH (since July 2008)
- □ Energiedienst Holding AG (since 4 April 2008)
- □ Gesellschaft für Nuklear-Service mbH

Dr. Christian Holzherr
(Member of the Board of Management until 30 April 2008)
- ■ EnBW Vertriebs- und Servicegesellschaft mbH (until 30 April 2008)
- □ EnBW Trading GmbH (until 25 March 2008)

Pierre Lederer
(Member of the Board of Management until 31 January 2009)
- ■ EnBW Kraftwerke AG (until 31 January 2009)
- ■ EnBW Regional AG (chairman, until 31 January 2009)
- ■ EnBW Transportnetze AG (chairman; until 31 January 2009)
- ■ EnBW Vertriebs- und Servicegesellschaft mbH (from 14 July 2008 until 31 January 2009)
- ■ Energiedienst AG (until 31 January 2009)
- ■ Stadtwerke Düsseldorf AG (from 1 August 2008 until 31 January 2009)
- □ EnBW Energy Solutions GmbH (chairman, until 31 January 2009)
- □ EnBW Gas GmbH (chairman, until 31 January 2009)
- □ EnBW Trading GmbH (chairman, until 31 January 2009)
- □ Energiedienst Holding AG (until 31 January 2009)
- □ Gasversorgung Süddeutschland GmbH (chairman, until 31 January 2009)

Dr. h. c. Detlef Schmidt
(Member of the Board of Management until 30 June 2008)
- ■ EnBW Regional AG (until 30 June 2008)
- ■ EnBW Vertriebs- und Servicegesellschaft mbH (chairman, until 30 June 2008)
- ■ ENSO Energie Sachsen Ost AG, formerly: ENSO Strom AG (chairman, until 15 July 2008)
- ■ GESO Beteiligungs- und Beratungs-AG (chairman, until 15 July 2008)
- ■ Stadtwerke Düsseldorf AG (until 15 July 2008)
- □ EnBW Energy Solutions GmbH (until 30 June 2008)
- □ EnBW Trading GmbH (until 30 June 2008)
- □ EnSO Energie Sachsen Ost GmbH (chairman, until 14 May 2008)
- □ ENSO Erdgas GmbH (until 14 May 2008)
- □ SüdBest GmbH (chairman, until 30 June 2008)
- □ VfB Stuttgart 1893 e. V.

■ Membership in statutory supervisory boards
□ Membership in comparable domestic and foreign control bodies of business organisations.

As of 9 February 2009

Other offices held by members of the Supervisory Board

Dr. Claus Dieter Hoffmann
(chairman)
- ■ Bauerfeind AG (until 30 April 2008)
- □ C. A. Leuze GmbH + Co. KG (since 15 July 2008)
- □ De Boer Holding NV
- □ ING Group NV

Dietrich Herd
(Deputy chairman)
- ■ EnBW Kernkraft GmbH
- ■ EnBW Kraftwerke AG
- □ BKK VerbundPlus, Körperschaft des öffentlichen Rechts

Marc Boudier
- □ Aar et Tessin SA d´Electricité (until 27 January 2009)
- □ ALPIQ Holding AG, formerly: Atel Holding AG
- □ EDF Belgium SA (chairman)
- □ EDF International SA
- □ EDF Peninsula Ibérica SLU (chairman)
- □ Edison spa
- □ Transalpina di Energia SRL

Dr. Daniel Camus
- ■ Morphosys AG
- ■ SGL Carbon AG (since 25 April 2008)
- □ Dalkia Holding SA
- □ EDF Energy plc (chairman)
- □ EDF International SA (chairman)
- □ Edison spa
- □ Transalpina di Energia SRL
- □ Valeo SA

Dirk Gaerte
- ■ Hohenzollerische Landesbahn AG
- □ Flugplatz Mengen-Hohentengen GmbH (chairman)
- □ Hohenzollerische Landesbank Kreissparkasse Sigmaringen, Anstalt des öffentlichen Rechts (chairman)
- □ Kliniken Landkreis Sigmaringen GmbH (chairman)
- □ Regionales Technologie- und Innovationszentrum Pfullendorf GmbH
- □ Verkehrsverbund Neckar-Donau (Naldo) GmbH
- □ Zweckverband Oberschwäbische Elektrizitätswerke
- □ Zweckverband Thermische Abfallverwertung Donautal

Josef Götz
- ■ EnBW Regional AG
- □ Zweckverband Bodensee-Wasserversorgung

Reiner Koch
- ■ Stadtwerke Düsseldorf AG

Marianne Kugler-Wendt
- ■ Bausparkasse Schwäbisch-Hall AG
- ■ EnBW Kernkraft GmbH
- ■ EnBW Kraftwerke AG
- ■ SLK-Kliniken Heilbronn GmbH
- □ Heilbronner Versorgungs GmbH
- □ Kreissparkasse Heilbronn, Anstalt des öffentlichen Rechts (deputy member)
- □ Stadtwerke Heilbronn GmbH

Wolfgang Lang
- ■ EnBW Systeme Infrastruktur Support GmbH
- □ EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH
- □ EnBW Technische Dienste und kaufmännische Leistungen GmbH
- □ Teweratio GmbH

Gérard Roth
- □ Elektrownia Rybnik SA

Klaus Schörnich
- ■ Stadtwerke Düsseldorf AG

Heinz Seiffert
- ■ Krankenhaus GmbH Alb-Donau-Kreis (chairman)
- □ ADK GmbH für Gesundheit und Soziales (chairman)
- □ Donau-Iller-Nahverkehrs-GmbH
- □ Fernwärme Ulm GmbH
- □ Kreisbau GmbH Alb-Donau (chairman)
- □ Pflegeheim GmbH Alb-Donau-Kreis (chairman)
- □ Sparkasse Ulm, Anstalt des öffentlichen Rechts (chairman)
- □ Zweckverband Oberschwäbische Elektrizitätswerke
- □ Zweckverband Thermische Abfallverwertung Donautal (chairman)

Gerhard Stratthaus
- ■ Badische Staatsbrauerei Rothaus AG (chairman)
- □ Landesbank Baden-Württemberg, Anstalt des öffentlichen Rechts (until 23 October 2008)
- □ Landeskreditbank Baden-Württemberg – Förderbank (chairman until 4 June 2008)
- □ Landesstiftung Baden-Württemberg gGmbH (until 1 July 2008)
- □ Zentrum für Europäische Wirtschaftsforschung GmbH (chairman)

Laurent Stricker
- ■ EnBW Kernkraft GmbH (until 14 May 2008)
- □ Commissariat à l'Energie Atomique
- □ Groupe Ortec
- □ World Nuclear Association

Werner Vorderwülbecke
- ■ EnBW Kraftwerke AG
- ■ EnBW Regional AG
- ■ EnBW Vertriebs- und Servicegesellschaft mbH
- ■ LBBW Immobilien GmbH

Christoph Walther
- ■ ENSO Energie Sachsen Ost AG, formerly: ENSO Strom AG
- □ ENSO Energie Sachsen Ost GmbH (until 14 May 2008)

Dietmar Weber
- ■ EnBW Vertriebs- und Servicegesellschaft mbH
- □ EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH

Kurt Widmaier
- □ Bodensee-Oberschwaben-Bahn GmbH & Co. KG
- □ Bodensee-Oberschwaben Verkehrsverbundgesellschaft mbH
- □ Kreissparkasse Ravensburg (chairman)
- □ Landesbank Baden-Württemberg, Anstalt des öffentlichen Rechts
- □ Oberschwaben Klinik gGmbH (chairman)
- □ Ravensburger Entsorgungsanlagen GmbH (chairman)
- □ WIR– Wirtschafts- und Innovationsförderungsgesellschaft Landkreis Ravensburg GmbH (chairman)
- □ Zentrum für Psychiatrie Weissenau, Anstalt des öffentlichen Rechts
- □ Zweckverband Oberschwäbische Elektrizitätswerke (chairman)
- □ Zweckverband Tierkörperbeseitigung Warthausen

Dr.-Ing. Gérard Wolf
- □ Dalkia International SA
- □ Dalkia SA
- □ Dunkerque LNG SAS
- □ EDF International SA
- □ EDF Trading Limited
- □ Edison spa
- □ Lake Acquisitions Limited (since 5 June 2008)
- □ Transalpina di Energia SRL

Dr. Bernd-Michael Zinow
- ■ EnBW Transportnetze AG (since 16 January 2008)

Prof. Joachim Bitterlich
- □ DEKRA e. V.
- □ Veolia Propreté SA
- □ Veolia Transport SA

■ Membership in statutory supervisory boards.
□ Membership in comparable domestic and foreign control bodies of business organisations.

As of 9 February 2009

Advisory Board

Dr. Wolfgang Schürle
Former chairman of the Supervisory Board of EnBW, former district administrator of the Alb Donau district, Ulm
Chairman

Dr.-Ing. e.h. Heinz Dürr
Chairman of the supervisory board of Dürr AG, Berlin
Deputy chairman

Jean-Pierre Benqué,
Directeur Général Adjoint Activités Nord Américaines at Electricité de France SA, Paris

Marc Boudier
Directeur Europe at Electricité de France SA, Paris

Dr. rer. nat. Joachim Dreyer
Former chairman of the management board of debitel AG, Stuttgart

Joachim Erwin †
Lord Mayor of Düsseldorf
Member until 20 May 2008

Dr. Andreas Fabritius
Lawyer at Freshfields Bruckhaus Deringer, Frankfurt

Walter Frey
Chairman of the management board of Emil Frey AG, Zurich

Dr. Monika Gommolla
Chairwoman of the supervisory board of Maritim Hotelgesellschaft mbH, Bad Salzuflen

Dipl.-Ing. Karl Haase
General manager of Deutsche Edelstahlwerke GmbH, Siegen

Dr. Burkhard Hofer
General director, spokesman of the management board, EVN AG, Maria Enzersdorf
Member since 1 November 2008

Dr. Franz Wilhelm Hopp
Former member of the management board of ERGO Versicherungsgruppe AG, Düsseldorf

Dr. Klaus Kinkel
Former vice chancellor, St. Augustin

Dr. Rolf Linkohr
President of the Centre for European Energy Strategy, Brussels

Roland Mack
Managing partner of Europa Park, Rust

Dr. Klaus Mangold
Chairman of the supervisory board of Rothschild GmbH, Frankfurt

Gerhard Mayer-Vorfelder
Former finance minister of the state of Baden-Württemberg, vice president of UEFA, Stuttgart

Dr.-Ing. e. h. Hartmut Mehdorn
Chairman of the management board of Deutsche Bahn AG, Berlin

Dr.-Ing. e. h. Peter Mihatsch
Former member of the management board of Mannesmann AG, Sindelfingen

Jean-Pierre Mustier
Chief Executive Officer at Société Générale Corporate & Investment Banking, Paris
Member until 31 March 2008

Dr. Wolf Hartmut Prellwitz
Honorary chairman of the supervisory board of KUKA Aktiengesellschaft, Karlsruhe

Urs B. Rinderknecht
Former general director of UBS AG, Zurich

Dr. Sieghardt Rometsch
Chairman of the supervisory board of HSBC Trinkaus & Burkhardt AG, Düsseldorf

Hans-Joerg Rudloff
Chairman of the Executive Committee of Barclays Capital, London

Hans Dietmar Sauer
Chairman of the supervisory board of Wüstenrot & Württembergische AG, Karlsruhe

Rezzo Schlauch
Former parliamentary state secretary, lawyer, Stuttgart

Dr. Wolfgang Schuster
Lord Mayor of Stuttgart

Prof. Dr. Dr. h. c. Bernhard Servatius
Lawyer at Treubesitz GmbH, Hamburg

Dr. Joachim-Heinrich Stamer
Former chairman of the management board of EnBW Transportnetze AG, Freiberg

Karl Starzacher
President of Fresenius University of Applied Sciences, Idstein

Erwin Staudt
President of VfB Stuttgart 1893 e. V., Stuttgart

Shimon Stein
Former Israeli ambassador to Germany, Tel Aviv

Dr. Willi Steul
Deputy director of the radio station SWR, regional broadcasting director for Baden-Württemberg, Stuttgart

Hans-Joachim Strüder
Member of the management board of Landesbank Baden-Württemberg, Stuttgart

Prof. Dr. Dr. h. c. mult. Rita Süssmuth
Former president of the German parliament, Berlin

Willem G. van Agtmael
Managing partner of E. Breuninger GmbH & Co., Stuttgart

Dr. Theo Waigel
Former government minister, lawyer at GSK Stockmann und Kollegen, Munich

Prof. Dr.-Ing. Hartmut Weule
Professor emeritus at the University of Karlsruhe, Institute of Production Science, Karlsruhe

Matthias Wissmann
Former government minister, president of Verband der Automobilindustrie e.V., Berlin

As of 9 February 2009

SERVICE


7.9
per cent trainees and apprentices

EMPLOYEES

The EnBW Academy and knowledge management provide EnBW's employees and executives with training enabling them to systematically develop their know-how.

SOCIAL RESPONSIBILITY

EnBW currently has 20,501 employees, each and every one of them making their important contribution to ensuring reliable electricity and gas supplies to our customers, as well as providing them with energy-related services. We are convinced that investing in our employees' development pays off for all concerned. In September 334 trainees began their courses. As of 31 December 2008, the ratio of trainees to the total workforce in EnBW's core companies in Baden-Württemberg came to 7.9%.

Our locations

The major locations of the EnBW group, our power stations, distribution plants, regional and district centres as well as sales offices and processing centres are spread over the whole of Baden-Württemberg. We also have sales offices throughout Germany. In addition, EnBW has shareholdings in Germany, Switzerland, Austria, Hungary, the Czech Republic and Poland.

EUROPE

Wroclaw
Rybnik
Warsaw

Berlin
Dresden
Düsseldorf

Karlsruhe
Stuttgart
Biberach

Rheinfelden
Visp

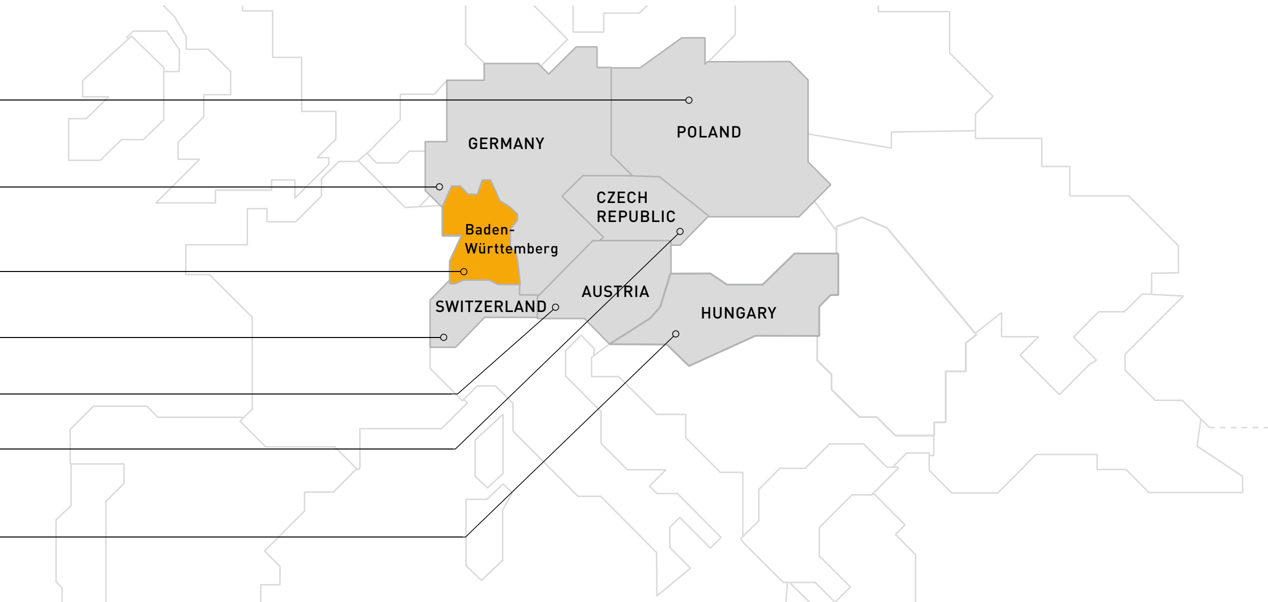
Maria Enzersdorf

Prague

Budapest
Miskolc
Visonta

GERMANY

- Conventional power station operated by EnBW
- Nuclear power plant operated by EnBW
- Conventional power station (investments, purchase or supply agreements)
- Nuclear power plant (investments, purchase or supply agreements)
- Hydro-electric power station operated by EnBW
- Hydro-electric power station (investments, purchase or supply agreements)
- Regional centre and sales office
- Sales office
- Regional centre



BADEN-WÜRTTEMBERG

[1] Operations ceased on 11 May 2005
as a result of the nuclear energy consensus.

Glossary

Balancing energy, 53, 85
Ensures that consumers are supplied with sufficient electrical energy of an adequate quality even if unforeseen events occur in the electricity grid. Adjustments in the output can be made at short notice at power stations capable of generating balancing energy; these are power stations that can be started up quickly (such as gas turbine power stations) or pumped storage plants. The term balancing energy is frequently used for the energy purchased by the transmission system operators to provide system-related services.

Balancing zones, 53, 85, 95
The task of German transmission system operators (TSO) is to maintain at all times a supply balance between power generation and consumption in the balancing zone, and to provide balancing grids (electricity generators and customers) with balancing energy from the secondary balancing energy reserve and the minutes reserve. The close cooperation between the German TSOs makes a contribution to keeping total demand for → balancing energy to a minimum.

Base, 44f.
Base load product. Constant purchase/supply throughout the period.

Biomass, 41, 79
Biomass is defined as being all vegetable and animal substances as well as the products, residual substances and waste arising through their use. These include wood, cereal plants and vegetable oils as well as organic waste and residual materials from forestry (bark), agriculture (liquid manure), industry (pomace), and commerce (biological waste).

Carbonate looping, 78
Method of capturing CO_2 from power station flue gases. Lime is used to bind CO_2. It is an interesting alternative to other methods as it requires a comparatively low amount of energy.

Cash pooling, 60, 167
Part of cash management. Serves to balance liquidity between members of a group by taking excess liquidity away from group entities and meeting liquidity deficits with loans.

CCS – Carbon dioxide capture and storage, 50f.
Technology for capturing and storing CO_2; expected by many players to make a considerable contribution to climate protection.

CDM – Clean Development Mechanism, 49, 76, 83, 97
CDM projects are aimed at reducing emissions of greenhouse gases. Pursuant to the → Kyoto Protocol these are implemented in developing countries by investors from industrialised countries. The reductions in emissions achieved are credited to the investor in the form of → CER. CER can be used by companies to meet the obligation to return allowances under the European emissions trading system (→ emissions trading).

CER – Certified Emission Reductions, 48, 97
Certified emission reductions from → CDM projects. Industrialised countries generate these in developing countries with CDM emission reduction projects pursuant to the Kyoto Protocol.

CHP – Combined Heat and Power 16, 39, 41
The waste heat of a power plant can be used as process heat or to heat buildings in the surrounding area. In this case, additional output of energy is obtained with the same amount of fuel. A power plant that generates both electricity and heat from a single source is called a CHP station.

Commodity, 161f., 167, 171
Designation of goods such as electricity, gas, coal or CO_2 allowances.

Compliance, 35, 194, 196, 200f.
Covers all organisational measures aimed at ensuring compliance with laws, ordinances and company policies as well as contractual obligations and voluntary commitments in the most important divisions and processes.

Contracting, 39, 98
Outsourcing, for a specific period and for a specific area, tasks relating to energy optimisation and the supply of usable energy to an external third party (contractor) acting on its own behalf and on its own account. Forms of energy are, for example, cooling, heating, electricity and compressed air. The services of EnBW Energy Solutions GmbH (ESG) include as a rule energy supply contracting. This is when a contractor erects or takes over and operates an energy generation facility for supplying usable energy on the basis of long-term contracts. The aim is to achieve significant economic and ecological advantages through optimisation processes.

Contradirectional (non-harmonised) use of balancing energy, 53, 85
Simultaneous use of → balancing energy in opposing directions. In a → balancing zone, negative balancing energy is used to balance out excess electricity being fed in while, in another balancing zone, positive balancing energy is used to balance out a shortfall. An intelligent cooperation model between the three transmission system operators EnBW Transportnetze AG, E.ON Netz GmbH and Vattenfall Europe Transmission GmbH to optimise the use of balancing energy has been in use since December 2008 to prevent the occurrence of such situations. This significantly reduces the need for balancing energy and the associated costs.

Corporate governance, 197f., 200f.
Principles and rules geared to the interests of the shareholders on organisation, conduct and transparency which, while preserving the decision-making ability and efficiency of the management, strive at achieving a balance of management and control at the top level of the company.

Derivatives, 84f., 123f., 156ff., 161ff.
Financial instruments, such as options, futures and forwards, interest rate swaps and currency swaps, which create rights and obligations that have the effect of transferring between the parties to the instrument one or more of the financial risks inherent in an underlying primary financial instrument. Derivative financial instruments do not result in a transfer of the underlying primary financial instrument on inception of the contract and such a transfer does not necessarily take place on maturity of the contract.

Deutsche Netz AG, 53, 95
A grid holding company proposed by several electricity supply companies that might assume responsibility for the extra-high-voltage networks in Germany. No specific model has been put forward so far, however. EnBW does not have any interest in selling its grids as they are an integral part of its core business.

Downstream, 33, 97
Designates business activities in connection with distribution, sales and marketing of natural gas.

EEG – German Renewable Energies Act, 44, 51, 85f.
The aim of the act is to increase the share of renewable energies in the supply of electricity and to double their share in energy consumption in Germany by the year 2010. This is achieved by promoting the generation of electricity from hydropower, wind power, solar energy, → geothermal energy, landfill gas, sewage gas, pit gas and → biomass

E-Energy programme, 80
New focal point of subsidies from the German Federal Ministry of Economics and Technology. Under this programme, EnBW received an award for its "MEREGIO – Minimum Emission Region" project. The objective of this project is to reduce emissions of greenhouse gases in a model region.

EEX – European Energy Exchange, 45, 89
Electronic energy exchange based in Leipzig where the energy sources of electricity, natural gas and coal, as well as emission allowances, are traded.

EFET – European Federation of Energy Traders, 89, 167
Association of more than 90 energy trading businesses and financial institutions from 23 European countries. The association's objective essentially is to promote energy trading with electricity, gas, heating and coal as well as derivative trading throughout Europe.

Emissions trading, 49ff., 96f.
The trade with emission allowances constitutes an environmental policy instrument with the aim of climate protection. In the → Kyoto Protocol industrialised countries came to an agreement on a worldwide reduction of greenhouse gas emissions. In order to ensure that the reduction of gases impacting the climate is reduced in the most efficient way, the allowance for the total emissions allocated to one country – defined in quantitative terms – is split into what is referred to as emission allowances that permit the emission of certain quantities of gases impacting the climate. These emission allowances can be traded between countries. In order to meet its commitments to reduce emissions, the European Union has introduced emissions trading at a corporate level. Allowances (→ EUA) are granted to the participating companies under national allocation plans (→ NAP). Companies requiring more allowances than they have been issued with have to buy the difference, while those companies that receive more than they need are free to sell them. Every market participant is free to purchase emission allowances or, alternatively, implement measures to reduce emissions.

EMTN (Euro Medium Term Note) programme, 61
Standardised documentation platform for the issue of medium to long-term bonds on the euro capital market.

EnWG – German Energy Industry Act, 36
The EnWG, which came into force in July 2005, introduced a regulatory regime for electricity and gas supply. The cornerstones of the act are the definitions of network operator duties, rules for network access and network charges, as well as monitoring by the Federal Network Agency or the state regulatory authorities.

EUA – EU Allowance, 48f
Smallest trading unit in → emissions trading in the EU.

Fermenter, 79
Fermentation container in a biogas plant, for example, in which biogas is extracted from → biomass. Biogas can be processed to the quality of natural gas and be used to replace natural gas.

Flue gas cleaning, 78
Extensive reduction in the substances such as nitrous oxide, dust and sulphur oxide contained in flue gases created by the combustion of solid fuels such as coal. For this purpose, the flue gases emanating from the boiler pass through various stages of treatment.

Fuel cells, 76, 80
Converts chemical energy into electrical current and heat based on the principle of inverse electrolysis. Efficient technology suitable for local energy generation. Can be employed for electricity supplies to devices and vehicles and for supplying electricity and heat to buildings and for industrial purposes.

Full auctioning, 83
Auctioning of all the CO_2 allowances for electricity generators planned by the EU Commission as of 2013. Up to now, most allowances were issued free of charge.

Geothermal energy 41, 79, 102
Power harnessed by means of heat from the interior of the earth. In Germany, temperatures at depths of several thousand metres reach more than 100 °C which can be used for the generation of electricity. To heat buildings, geothermal energy can be extracted using probes that only need to reach a depth of about 100 metres.

Human capital, 66
This is a term we use to include technical competence, management and social competence and employee motivation. Technical competence refers to all knowledge, abilities and skills of the employees for the successful implementation of business processes. Management and social competence describes the ability to act in a targeted and constructive manner to find the economically best possible solution. This also includes the ability to lead and motivate people. Employee motivation describes the willingness to perform and to show commitment as well as the identification of the employees with their job and their company.

ICE - Intercontinental Exchange, 89
Electronic commodities exchange where, specifically, oil products, emission allowances, gas and electricity supplied to locations in the UK are traded.

IETA – International Emissions Trading Association, 89, 167
This organisation was formed in 1999 with the aim of creating a functioning international framework for trading with greenhouse gas emissions and developing an emissions trading system (→ emissions trading) that will bring about a genuine, verifiable reduction in greenhouse gas emissions and a balance between economic efficiency on the one hand and environmental integrity and societal equity on the other.

Incentive regulation, 52f.
Governs, as of January 2009, how to determine the network user charges for electricity and gas, and is intended to bring about more efficient network operations and to lower energy prices for end customers.

ISDA – International Swaps and Derivatives Association, 89, 167
Trade organisation for the participants in the market for OTC derivatives. The ISDA has published a standardised contract, the ISDA Master Agreement, which is signed by the two contracting parties before trading → derivates.

JI – Joint Implementation, 83, 97
Joint implementation of projects. The aim of JI projects is to reduce emissions of greenhouse gases. Pursuant to the → Kyoto Protocol these are implemented by investors from Industrialised countries in other industrialised countries. The reductions in emissions they achieve are credited to the investor in the form of emission reduction units that can be used by companies to meet the obligation to return allowances under the European emissions trading system (→ emissions trading).

Kyoto Protocol, 83, 97
Named after the place where the conference was held in Japan in 1997. Protocol structuring the United Nations Framework Convention on Climate Change with the aim of promoting climate protection. The convention is the first to prescribe binding targets for the emission of greenhouse gases, the main cause of global warming. For the first time, 38 industrial countries have undertaken commitments to reduce their total emissions of six important greenhouse gases, primarily CO_2, by at least 5.2% by 2012.

LNG – Liquefied Natural Gas, 33, 47
Natural gas liquefied by cooling to -161 °C. Its smaller volume – around 1/600th of the normal volume of gaseous natural gas – provides great advantages particularly for transmission and storage.

Local energy generation, 79
In addition to large-scale generation units providing a high level of fuel utilisation, efficiency and reliability, interest in local energy supply systems close to the customer is constantly on the increase. Industry and local authorities, most of all, consider generating their own electricity and heating to be a useful contribution to efficient, resource-saving energy supplies.

Midstream, 16f., 33, 41, 97f.
Designates business activities in connection with the import, trade and storage of natural gas.

NAP – National Allocation Plan, 48, 83
A plan that must be drafted by each EU member state under the European emissions trading system (→ emissions trading), governing the upper limit for the emission of greenhouse gases and the issue and distribution of the corresponding emission allowances.

Offshore wind power, 30, 62, 83
Exploiting wind power at sea. Electricity from offshore wind power facilities can, and should, make an important contribution to Germany's future energy and climate policy. The high average wind velocities at sea promise vast potential for generating energy. Further development of wind power technology, which has in the meantime proven to be highly reliable and cost-effective on land, enable this potential to be harnessed.

Peak, 44f.
Peak load product. In Germany, this refers to purchase/supply Monday to Friday, 8 a.m. to 8 p.m.

Photovoltaic power, 41
Converting the sun's radiation directly into electrical energy. This conversion is performed in solar cells.

Relationship capital, 66, 75
Comprises relations with customers (all relationships to industrial and retail customers relevant to business), relations with cooperation partners (i.e. suppliers, research and development institutions and other business associates) and relations with stakeholders (for example, providers of capital, authorities, ministries, municipalities, political parties, the world of politics, trade unions, professional associations, conservation and nature protection associations, the general public and the press).

SER II – Second Strategic Energy Review, 50
Communication from the European Commission relating to the revision of the "Strategic European Energy Review". This is the basis for a strategic reorientation of a European energy policy.

Structural capital, 66
Can be broken down into corporate culture, communication and organisation as well as innovation. Corporate culture comprises all shared values and standards which characterise dealings with one another, knowledge-sharing and the way of working. Communication and organisation includes all structures and processes which ensure and manage the sharing of work and the coordination this involves. Innovation comprises the structures and processes which support the development of new products and services as well as procedural and process improvements.

Unbundling, 101
Ownership unbundling. The ownership unbundling required under the German Energy Industry Act relating to electricity generation and sales in Europe, i.e. separation of the grid-related activities from the market-related activities of vertically integrated energy companies (→ vertical integration).

Vertical integration, 16, 32, 41, 50
Companies with activities both on the grid side (transmission and distribution) and on the market side (generation, procurement and sales) are referred to as vertically integrated.

VGB PowerTech e. V., 79
Voluntary association of companies for which power station operation and the related technology are fundamental to commercial activities. The objective is to promote and optimise operating safety, availability, viability and environmental compatibility of the members' existing and future electricity and heat generating facilities. VGB further contributes to standardisation and the drafting of technical regulations in the area of power station technology. The association currently has 444 members in 32 countries.

Five-year summary

EnBW group

Earnings	
Revenue	€ millions
EBITDA	€ millions
EBIT	€ millions
Group net profit[1]	€ millions
Earnings per share from group net profit[1]	€
Balance sheet	
Non-current assets[2]	€ millions
Total assets[2]	€ millions
Equity	€ millions
Equity ratio	%
Net financial liabilities[3]	€ millions
Cash flow	
Cash flow from operating activities	€ millions
Capital expenditures on intangible assets and property, plant and equipment[4]	€ millions
Free cash flow	€ millions
Profitability	
ROCE[2]	%
Value added[2]	€ millions
Capital market	
Dividends per share	€
Distribution	€ millions
Market capitalisation[6]	€ billions
Electricity[7]	
Electricity sales, retail customers (B2C)	billions of kWh
Electricity sales, industry and redistributors (B2B)	billions of kWh
Electricity sales, trade	billions of kWh
Revenue	€ millions
EBIT[2]	€ millions
Gas[7]	
Gas sales, retail customers (B2C)	billions of kWh
Gas sales, industry and redistributors (B2B)	billions of kWh
Revenue	€ millions
EBIT[2]	€ millions
Energy and environmental services	
Revenue	€ millions
EBIT[2]	€ millions
Provision of electricity by the EnBW group in its core business by primary source of energy[9]	
Fossil and other energies (formerly: coal, oil, gas)	%
Nuclear power	%
Renewable energies (formerly: water and other renewable energies)	%
Primary energy of unknown source	%
Employees	
Annual average number of employees in the EnBW group[10]	Number
Personnel expenses	€ millions

1 In relation to the profit shares attributable to the equity holders of EnBW AG.
2 The 2007 figures have been adjusted.
3 Without cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions. Adjusted for valuation effects from interest-induced hedging transactions.
4 From continuing operations.
5 As proposed to the annual general meeting.

2008	2007	2006	2005	2004
16,305	14,712	12,860	10,769	9,124
2,540	2,336	2,274	2,054	2,045
1,468	1,559	1,451	1,335	1,243
872	1,364	1,002	532	318
3.57	5.58	4.10	2.21	1.40
20,241	20,753	20,903	18,867	18,304
32,925	28,436	28,148	24,942	23,928
5,583	6,002	4,492	3,068	2,399
17.0	21.1	16.0	12.3	10.0
2,919	2,972	3,593	3,284	3,939
1,524	1,559	1,467	1,330	1,546
1,246	816	630	547	418
415	853	1,027	1,071	1,331
17.1	16.2	16.9	13.6	11.7
964	828	815	429	252
2.01[5]	1.51	1.14	0.88	0.70
491[5]	369	279	215	171
9.2	14.7	12.3	11.2	6.8
23	22	23	21	22[8]
61	62	56	51	55[8]
46	55	40	35	24[8]
12,736	11,540	9,509	8,125	7,089
1,540	1,378	1,473	1,205	1,131
13	12	11	11	9[8]
57	63	73	78	74[8]
2,881	2,479	2,758	2,102	1,541
–50	172	223	130	116
688	693	593	543	495
86	132	–128	85	87
14	16	19	24	23
28	27	34	36	39
20	17	16	14	16
38	40	30	26	22
20,357	20,499	20,259	17,926	19,881
1,480	1,476	1,368	1,222	1,137

[6] Number of shares outstanding at the end of the fiscal year multiplied by the closing price.
[7] Net disclosure of electricity and gas trading.
[8] Electricity and gas unit sales figures adjusted to the segment structure as of 31 December 2005.
[9] The 2005 figures were adjusted; since 2005, the classification by primary source of energy is disclosed as in Sec. 42 EnWG.
[10] Number of employees without apprentices/trainees and without inactive employees.

About this publication | Photo credits| Contact

Published by
EnBW Energie
Baden-Württemberg AG
Durlacher Allee 93
76131 Karlsruhe
www.enbw.com

Coordination and editor
Corporate Communications,
Karlsruhe

Design and lithografy
3st kommunikation GmbH,
Mainz

Typesetting
In-house using FIRE.sys

Printed by
Sommer Corporate Media
GmbH & Co. KG, Waiblingen

Paper:
400g/m², 170g/m², 135g/m²,
Scheufelen, heaven 42

Photos of the Board of Management
p. 4, 8, 9
Michael Dannenmann, Düsseldorf

Photo of the Supervisory Board
p. 195
Bertold Steinhilber, Stuttgart

Cover
Shutterstock Images

p. 2, 27, 28, 29
Peter Stumpf, Düsseldorf
p. 11, 12, 13
fcg-architekten, Munich
p. 105, 106, 107
Horst Rudel, Stuttgart
p. 191, 192, 193
Gunnar Britse, Sweden
p. 219, 220, 221
Bertold Steinhilber, Stuttgart

p. 18, 19, “Top issues” cover
EnBW Energie Baden-Württemberg AG

Shareholder Hotline/Investor Relations
Phone: 0800 1020030 or
0800 AKTIEENBW
(only in Germany)
Fax: 0800 3629111
(only in Germany)
E-mail: info@investor.enbw.com
Internet: www.enbw.com

Group publications
Upon request, we would be pleased to send you additional complimentary copies of this annual report and other group publications such as the innovation report and sustainability report. These reports are available in German and English; the annual report is also available in French. In case of doubt, the German version shall prevail. Please place your orders with our Shareholder Hotline.

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

ISBA: B.2227.0902

Publication of the
EnBW Annual Report 2008:
27 February 2009

Financial calendar

27 | 2 | 2009

Publication of the 2008 annual report

23 | 4 | 2009

Annual general meeting

8 | 5 | 2009

Publication of the quarterly financial report

January to March 2009

30 | 7 | 2009

Publication of the six-monthly financial report

January to June 2009

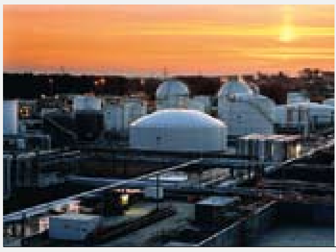
13 | 11 | 2009

Publication of the nine-monthly financial report

January to September 2009

Top issues 2008

January – March



Integrated energy supply

Dow and EnBW are planning an integrated energy supply at Stade, a centre of the chemical industry. The project comprises the development, construction and operation of a state-of-the-art hard coal power station and a gas and steam turbine power station with a total output in excess of 1,000 MW.

Project to reduce greenhouse gas

EnBW and the University of Hohenheim explore possibilities of reducing greenhouse gases. Experiments into the cultivation of jatropha plants on wasteland for the production of bioenergy are being carried out in Madagascar within the scope of a CDM pilot project.

April – June

Collective bargaining partners reach agreement

The two sides of the private energy industry in Baden-Württemberg agree on a 4.35% pay rise and a one-off payment of € 120. The agreements on the hiring of trainees have also been extended. The pay agreement has a term of 13 months until 31 March 2009.

Offshore wind power projects secured

The acquisition of all shares in Eos Offshore AG and Offshore Ostsee Wind AG marks EnBW's entry into the offshore wind power business. Four projects of these companies have already been approved involving a total planned capacity of around 1,200 MW.

July – September

26% of EWE AG acquired

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

Municipal bid won

In the group tendering process of the Association of the Municipalities of Baden-Württemberg, EnBW is awarded the contract to supply a total of 618 million kWh of electricity over the period 2009 to 2011. EnBW thus remains the most important electricity supplier for municipalities and associations in Baden-Württemberg.

October – December

First-mover in intelligent electricity metering

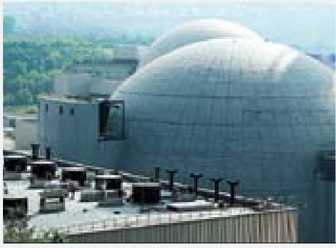
EnBW is the first energy provider in Germany to offer its home market customers an intelligent electricity meter with real-time data on a serial basis. At a national level, Yello Strom is the first energy supplier to go online with the intelligent electricity meter – opening up this new market to competition.

Decommissioning and dismantling in Obrigheim

Now that the Baden-Württemberg Ministry for the Environment has given its initial approval for decommissioning and dismantling the Obrigheim nuclear power plant (KWO), work can start in the non-nuclear area. The work is scheduled to be completed by 2020.

EnBW is top employer once again

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



Neckarwestheim attested as having high standards

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

Bio natural gas facility in operation

One of the most sophisticated bio natural gas facilities in Germany goes into operation in Burgrieden near Laupheim. The biogas from an agricultural association is processed by EnBW's subsidiary Erdgas Südwest, which then feeds it into the natural gas grid.

Both ratings confirmed

The rating agencies Standard & Poor's and Moody's confirm the long-term rating A-/A2 and the short-term rating A-2/Prime-1 of EnBW. The outlook in both ratings also continues to be "stable".

Increased use of fuel cells

EnBW steps up its programme to promote the testing of fuel cells for residential energy purposes. A further 222 fuel cell heating devices are to be installed by 2012 as part of the milestone CALLUX project in Baden-Württemberg.

Foundation stone laid for RDK 8

EnBW lays the foundation stone for the new RDK 8 hard coal power station at Karlsruhe Rheinhafen port. This power station will have a gross output of 912 MW and up to 220 MW of district heating extraction. It is scheduled to be commissioned at the end of 2011.

EDH takes over EnAlpin

EnBW contributes 100 % of the shares in EnAlpin AG to Energiedienst Holding AG (EDH). In return, EnBW's shareholding in EDH increases to 81.7 %. With this step, EnBW is preparing for the liberalisation of the Swiss electricity market.

Gas business expands

EnBW has formed a new company, EnBW Gas Midstream GmbH, as part of its strategy of expanding its gas business to include midstream operations (direct access to the procurement market, to gas storage and trading).

EnBW Energie
Baden-Württemberg AG
Durlacher Allee 93
76131 Karlsruhe
www.enbw.com