Annual Report 2010

Powered by diversity

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EnBW Energie
Baden-Württemberg AG

At a glance

EnBW group

€ millions	2010	2009	Variance %
Revenue			
Electricity generation and trading	4,817.0	2,357.5	104.3
Electricity grid and sales	10,192.7	10,031.3	1.6
Gas	1,788.1	2,453.1	-27.1
Energy and environmental services	711.2	722.3	-1.5
External revenue, total	**17,509.0**	**15,564.2**	**12.5**
Adjusted EBITDA	2,837.8	2,615.3	8.5
EBITDA	3,279.8	2,748.2	19.3
Adjusted EBIT	1,932.6	1,793.9	7.7
EBIT	2,117.0	1,889.3	12.1
Adjusted group net profit[1]	987.8	879.1	12.4
Group net profit[1]	1,170.5	768.2	52.4
Earnings per share from adjusted group net profit[1] (€)	4.04	3.60	12.2
Earnings per share from group net profit[1] (€)	4.79	3.15	52.1
Cash flow from operating activities	2,560.9	2,443.4	4.8
Free cash flow[2]	1,060.1	1,292.1	-18.0
Recognised net financial liabilities[3]	5,641.3	5,812.2	-2.9
Capital expenditure	2,327.9	4,374.1	-46.8
Return on capital employed (ROCE)[4] (%)	14.5	15.5	-6.5
Weighted average cost of capital (WACC) before tax (%)	9.0	9.3	-3.2
Average capital employed[4]	15,119.7	13,559.7	11.5
Value added[4]	831.6	840.7	-1.1

Energy sales of the EnBW group

billions of kWh	2010	2009	Variance %
Electricity	146.9	119.7	22.7
Gas	53.6	65.8	-18.5

Employees of the EnBW group[5]

Number	2010	2009	Variance %
Employees (annual average)	20,450	20,914	-2.2

[1] In relation to the profit shares attributable to the equity holders of EnBW AG.
[2] Free cash flow before financing.
[3] Without cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions.
[4] Prior-year figures restated.
[5] Number of employees without apprentices and without inactive employees.

The EnBW group

The EnBW group's segments at a glance

ELECTRICITY Generation and trading	GAS	ENERGY AND ENVIRONMENTAL SERVICES
Generation 15,498 MW of generation capacity	**Storage** 266.3 million m^3 of storage capacity including Etzel gas storage facility (under construction)	**Thermal waste disposal** 870,000 t of thermal waste disposal capacity
Trading 65.5 billion kWh of electricity traded	**Procurement** 56.1 billion kWh of gas purchased including gas purchased for power stations	**Contracting** 1,218 MW of installed thermal output
ELECTRICITY Grid and sales	**Transmission and distribution** 16,000 km gas grid	**Water supply** 6.7% market share in Baden-Württemberg
Transmission and distribution 153,000 km electricity grid	**Sales** 53.6 billion kWh of gas sold	
Sales 65.8 billion kWh of electricity sold		

EnBW's strategic moves

Developing generation capacity	Expanding gas business	Core market Germany, selective growth abroad	Establishing new fields of business	Exploiting process improvements and synergies

Brief portrait

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

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

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

EnBW believes that diversity is key to covering energy needs in a reliable, profitable and environmentally compatible way. With regard to our generation, this means we stand for an energy mix of nuclear, fossil and renewable energies. Our cover picture shows a snapshot from the construction work on the first commercial offshore wind farm in Germany, EnBW's Baltic 1 wind farm, which was completed in 2010 with 21 turbines and an installed output of around 50 megawatts.

“Our operational strength is the basis and starting point for further growth. This strength that we have will enable us to continue making ambitious and profitable investments in future – in energy-efficient generation facilities, to expand renewable energies and to develop our business segments further. Our customers can continue to rely on us for energy-efficient products in future.”

Hans-Peter Villis, Chief Executive Officer

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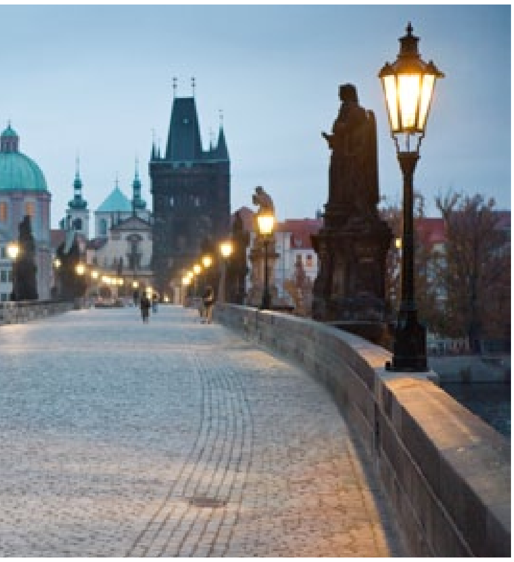

FINANCIAL STATEMENTS OF THE ENBW GROUP

SERVICE

CORPORATE GOVERNANCE

NOTE The content of this report is intended for information purposes only and does not constitute an offer or investment recommendation. For more information, please turn to page 262.

"EnBW was able to improve its earnings in 2010 in comparison to the prior year and business development was satisfactory overall. Over the next few years, however, our company will be facing heavy financial burdens. That is why we have adjusted our strategy and scaled back the investment programme at this early stage."

Hans-Peter Villis, Chief Executive Officer

Letter to our shareholders

Dear shareholders,
investors and friends of EnBW,

During 2010, EnBW sharpened the focus of its business model and continued to pursue its consistent growth strategy based on financial stability. The recovery from the economic crisis provided a boost to the operating business of the EnBW group, augmented by positive effects on earnings from the sale of equity investments. Although these positive developments were also offset by negative factors, we consider business developments in 2010 to be satisfactory on the whole.

The unit sales of electricity of the EnBW group in 2010 were up 22.7 per cent on the prior-year figure. This growth stemmed from trading, while unit sales to retail and business customers dropped, to a certain extent because of deconsolidations. Unit sales of gas fell by 18.5 per cent on the prior year, in particular on account of intense competition. All in all, EnBW's unit sales in 2010 increased by 12.5 per cent to € 17,509.0 million in comparison to 2009.

Adjusted EBIT came to € 1,932.6 million, exceeding the prior-year figure by 7.7 per cent. The electricity generation and trading segment contributed € 1,626.7 million, the largest contribution in absolute terms. The electricity grid and sales segment succeeded in virtually doubling its operating result to € 265.8 million in comparison to the prior year. The earnings generated by the energy and environmental services segment increased strongly to € 111.3 million. In contrast, the adjusted EBIT of the gas segment fell significantly to € 80.1 million. Adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG increased by 12.4 per cent in comparison to 2009 to € 987.8 million.

Outside the operating business, there were considerable improvements in the non-operating result which includes extraordinary effects. The gains on sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries and Pražská teplárenská a. s. as well as income from the acquisition in stages of Pražská energetika a. s. were the main factors influencing non-operating net profit in terms of the profit shares attributable to the equity holders of EnBW AG of € 182.7 million.

All in all, the earnings situation of the EnBW group improved in 2010 in comparison to the prior year. The financial burdens facing the group, in particular from the nuclear fuel rod tax, and the financing of the investment programme without relinquishing sound financial ratios must, however, be taken into consideration when calculating the dividend for the fiscal year 2010. The Board of Management, in consultation with the Supervisory Board, will consequently propose to the annual general meeting on 19 April 2011 that, unchanged compared to the prior year, a dividend of € 1.53 be distributed per entitled share.

EnBW's long-term development centres on an ambitious investment programme focused on securing and consolidating our position as third largest energy supplier in Germany and an important player at European level. Gross investments of € 7.9 billion were originally budgeted for over the period from 2010 to 2012; of this figure, € 2.3 billion was invested in the reporting year. However, energy policy decisions made in 2010 have given rise to heavy financial burdens for EnBW. EnBW will incur additional payment obligations of as much as € 440 million per year from the nuclear fuel rod tax alone over the next few years. Advance payments will also have to be made to the fund to promote renewable energies. Let's be clear about this: The positive effects anticipated from the extension of working life of nuclear power plants will not offset these additional burdens over the next few years. Only when the nuclear fuel rod tax expires in 2017 will it be possible for the new regulations for nuclear power plants to improve earnings, all other conditions being equal.

In light of this, we have made adjustments to our strategy combined with an unavoidable scaling back of our investment programme. Over the period from 2011 to 2013, gross investments will now total € 5.1 billion. On account of divestitures aimed at sharpening the focus of our business model, net investment will come to € 3.3 billion, which we expect to be able to finance completely from current cash flow. In addition, we launched our "Fokus" efficiency programme in October 2010, which after its gradual ramp-up, is expected to improve EBIT sustainably by a target volume of € 300 million per annum from 2013 onwards.

With the measures we have taken, we have responded at an early stage to extrinsic factors that will reduce earnings, thus safeguarding the group's scope for action and ensured its ability to prepare for the future. We will not make any compromises with regard to the group's financial stability. We certainly intend to maintain our rating in the A category.

On the basis of our sharpened business model, the EnBW group is working as an integrated supply company in Germany and the Czech Republic. In selected foreign markets, focused growth centres on activities in the areas of renewable energy as well as energy management and efficiency. We intend to increase the share of renewable energies in the generation portfolio to around 20 per cent by 2020. The technological focus is on hydro-electric power, onshore/offshore wind farms and biomass. We plan to complete the extension of the Rheinfelden run-of-the-river power station before the end of this year. Construction work on EnBW Baltic 1 wind farm came to a successful conclusion at the end of 2010. Further wind farms are under construction or at the planning stage.

EnBW traditionally has strong roots in Baden-Württemberg and is present throughout the state. A regional strategy has been developed with a view to cooperating even more closely with local authorities and municipal utilities in Baden-Württemberg in the future. As part of the regionalisation concept, we plan to win new municipalities as customers for established business activities. Apart from energy efficiency measures, renewable energies play a major role here, too. For example, the erection of facilities to exploit biomass, wind energy or photovoltaics.

Since 17 February 2011 EnBW has had a new major shareholder, the federal state of Baden-Württemberg. NECKARPRI GmbH, an entity wholly owned by Baden-Württemberg, purchased the 45.01 per cent shareholding in EnBW previously held by Electricité de France. We look forward to the federal state of Baden-Württemberg being our new major shareholder and to close and constructive cooperation. This equity investment by the federal state opens up new opportunities for the group. At the same time, we intend to continue our long-standing constructive alliance with EDF at operating level in a new form. EnBW sees additional opportunities for development and growth both in our closer links to the capital markets and in a longer-term shareholding by our home state.

Cooperation between the Board of Management, the other corporate boards and employees enabled us to take EnBW forward in 2010 and prepare the group for the challenges of the future. My Board of Management colleagues and I would like to express our thanks for your pulling together in such a constructive way. Success is based on customer satisfaction and the trust placed in us by shareholders, investors and friends of the group. We remain fully committed to working with you to maintain this basis for success.

Yours sincerely,

Hans-Peter Villis
Chief Executive Officer

Karlsruhe, February 2011

Report of the Supervisory Board

The Supervisory Board performed all the tasks required of it by law and the articles of incorporation and bylaws in the reporting year 2010 with due care. It regularly advised the Board of Management on corporate management and accompanied and supervised management activities on an ongoing basis. The Supervisory Board was involved in all decisions of fundamental importance for the company and the group. In written and oral reports the Board of Management kept the Supervisory Board informed regularly, comprehensively and without delay of all significant aspects of business development and policy, corporate strategy and planning, the economic position of the company and the group as well as of the risk situation, risk management, the internal control system and compliance. Variances between the actual business development and previously formulated plans and targets were described and explained to the Supervisory Board in detail in each case.

Key topics of the board meetings

At six ordinary meetings held on 9 March, 28 April, 10 June, 7 July, 23 September and 9 December 2010, one extraordinary meeting on 20 October 2010 and in five circulation resolutions, the Supervisory Board dealt with oral and written reports as well as 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 development of business and the profitability of the company and the group, including in particular the development of revenue and earnings as well as the financial position
- Intensive consultations and discussions with the Board of Management on EnBW's strategic alignment
- Approval of the sale of 100% of the shares held in GESO Beteiligungs- und Beratungs-AG to Technische Werke Dresden GmbH
- Approval of the construction of the offshore wind farm EnBW Windpark Baltic 2 in the German Baltic Sea with an installed output of 80 x 3.6 MW and approval of capital expenditures, in particular to secure the connection to the grid
- Intensive examination of the federal government's energy concept and its impact on EnBW
- Discussion and subsequent approval of the agreement on a fund to promote renewable energies signed by the Federal Republic of Germany, the nuclear power plant operators and their four group parent companies E.ON, RWE, EnBW and Vattenfall
- Intensive review of the option to sell shares in EVN AG by way of a capital market transaction
- Intensive examination of the investment in Turkey (Borusan EnBW Enerji A.Ş. joint venture)
- Approval of conclusion of a coal supply agreement between EnBW Trading GmbH and EdF Trading to supply Rostock hard coal power station over a five-year term
- Spin-off of the shared services previously located at EnBW Vertriebs- und Servicegesellschaft mbH (today operating under the name EnBW Vertrieb GmbH) to a new group entity (today operating under the name EnBW Operations GmbH)
- Reporting on the majority shareholding obtained in Pražská energetika a. s., Czech Republic
- Revision of the remuneration system for the Board of Management in line with the amendments of the German Stock Corporations Act (AktG) introduced by the German Act on the Appropriateness of Management Board Remuneration (VorstAG)
- Proposals to the annual general meeting on 29 April 2010, in particular on various amendments to the company's articles of incorporation and bylaws due to changes in the law
- Regular reports on the progress made in the construction of the new RDK 8 hard coal power station in Karlsruhe and the EnBW Windpark Baltic 1 offshore wind farm as well as other projects initiated as part of the energy generation strategy
- Review of the business relations between EnBW including its group entities and another group of companies via activities in Russia for irregularities, in particular breaches of duty by board members and other EnBW group employees. The Supervisory Board received external support for the purposes of the review. Where there was any indication of a breach of duty, the Supervisory Board was kept informed of and accompanied all measures taken by the Board of Management; this also applies to filing claims for damages. The corporate

"The respectable profit for the year 2010 will cushion the considerably more difficult years that lie ahead. The company is preparing for the future by adjusting investment plans and introducing efficiency programmes."

Dr. Claus Dieter Hoffmann,
chairman of the Supervisory Board

boards of the group entities concerned are dealing with the matter and have decided to make claims for damages. The Supervisory Board appointed an ad-hoc committee to manage and monitor the investigations and legal action

- Approval of the budget for the 2011 fiscal year and acknowledgement of the mid-term planning for the period from 2011 to 2013 consisting of income statement, balance sheet and cash flow statement

Between the meetings, the Board of Management informed 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. The only Supervisory Board members unable to attend more than half of the Supervisory Board meetings in fiscal 2010 were Pierre Lederer, Thomas Piquemal and Laurent Stricker.

Work of the committees

The committees established by the Supervisory Board met regularly in the reporting year 2010, assisting it in the efficient performance of its duties. The members of the committees are listed on page 245 of the annual report. Reports on the work of the committees were made at the start of each Supervisory Board meeting.

The personnel committee dealt with various topics at twelve meetings and in four circulation resolutions in the past fiscal year in order to prepare the corresponding Supervisory Board decisions. This included the revision of the remuneration system for the Board of Management in line with the changed regulatory framework and its incorporation in the variable remuneration system for the Board of Management. The personnel committee also reviewed the performance-based compensation and prepared resolutions on these matters for the Supervisory

Board. In addition, it discussed the principles of leadership development and long-term successor planning with the Board of Management. It also discussed changes on the Board of Management and prepared the Supervisory Board resolution on the appointment of a CFO.

At its six meetings the finance and investment committee took a detailed look at EnBW's financial, liquidity and earnings situation as well as the budget for the fiscal year 2011 and mid-term planning for the period from 2011 to 2013. It also reviewed current investment plans and prepared decisions on these matters for the Supervisory Board. In addition, in accordance with the decision-making powers transferred to it pursuant to the rules of procedure of the Supervisory Board, the finance and investment committee approved a two-phase model for investments by municipal utilities in the EnBW Baltic 1 offshore wind farm.

The audit committee discussed issues relating to financial reporting, risk management and compliance as well as monitoring the accounting process, the statutory audit, additional services rendered by the independent auditor, the effectiveness of the internal control system, the internal risk management system and the internal audit system at its three ordinary meetings. 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 fees and determined the focal points of the audit. The audit committee took an in-depth look at the quarterly financial report as of 31 March 2010, examined the six-monthly financial report as of 30 June 2010 in the presence of the auditor and discussed it – as well as the nine-monthly financial report as of 30 September 2010 – in detail with the Board of Management. In preparation for the Supervisory Board's closing meeting, it also reviewed the separate and consolidated financial statements as of 31 December 2010 and the combined management report for fiscal 2010.

The nomination committee passed various resolutions at three meetings and in two circular resolutions in the fiscal year 2010 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).

At its meeting on 7 July 2010, the Supervisory Board additionally set up an ad-hoc committee, which has four members and met five times in the fiscal year 2010. The ad-hoc committee is tasked with monitoring investigations and the filing of claims for damages relating to irregularities in the business relations with certain Russian business partners.

There were no events requiring the mediation committee formed in accordance with Sec. 27 (3) German Co-determination Act (MitbestG) to convene in the past fiscal year.

Corporate governance

In the fiscal year 2010 the Supervisory Board again took an in-depth look at corporate governance issues and new developments in corporate governance standards. The corporate governance report details these on pages 233 to 249 of the annual report.

The annual efficiency inspection of the Supervisory Board was held at its meeting on 7 July 2010. For the first time an external consultant was called in in the past fiscal year – mainly to assist with best-practice benchmarking. The inspection identified ways of further improving the board and committee work which will be put into practice in future.

In the course of the investigations relating to irregularities in the business relations with certain Russian business partners the Supervisory Board also analysed the matter to draw conclusions on the efficiency of the compliance system and the internal control system and accompanied the introduction of further improvement measures.

The amendments to the German Corporate Governance Code dated 26 May 2010 and their implications for EnBW were the subject of the Supervisory Board's meeting on 9 December 2010. At the meeting, the Supervisory Board also 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 9 December 2010. In fiscal 2010, EnBW complied with all the recommendations of the amended Code without exception and intends to continue to do so in future with the exception of the recommendations pursuant to No. 5.4.1 (2) and (3) of the Code (specification of concrete objectives regarding the composition of the Supervisory Board).

The most recent declaration of compliance is made available permanently to the shareholders on EnBW's internet pages together with the declarations of prior years and is reprinted in full in the corporate governance report on page 243 of the annual report.

Audit of the separate and consolidated financial statements

KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Berlin, was elected by the annual general meeting held on 29 April 2010 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 KPMG for the audits and determined the focal points for the audit of the separate financial statements and the consolidated financial statements.

As requested, KPMG reviewed the condensed financial statements and interim management report contained in the six-monthly financial report as of 30 June 2010, 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 29 July 2010 and was available to answer questions. No objections to the six-monthly financial report were raised by the committee members.

Based on the audit focus defined by the audit committee and including the accounting records, KPMG audited the financial statements of EnBW Energie Baden-Württemberg AG as of 31 December 2010 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 (IFRSs) as well as the combined management report for fiscal 2010. 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 for the early detection of risks established by the Board of Management in accordance with Sec. 91 (2) German Stock Corporations Act (AktG) to a thorough review and confirmed that it is capable of fulfilling 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 draft copy of the financial statements as well as the proposal put forward by the Board of Management for the appropriation of profits for the fiscal year 2010 – were sent to the members of the audit committee well in advance of the committee meeting on 4 February 2011. At that meeting, the auditor reported on the main results of its audit and was available to answer questions from committee members. The auditor reported to the committee members that no material weaknesses had been identified in the financial reporting internal control system and informed the committee members of the services it had rendered in addition to the audit and that there were no circumstances which could raise independence issues. The audit committee examined in detail the audit documents and drafts of the audit reports. Having conducted its own review, the audit committee did not raise any objections against the separate and consolidated financial statements, the combined management report or the proposal for the appropriation of profits. 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 profits.

Following the detailed examination by the audit committee, the audit reports 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 23 February 2011. At the meeting, the auditor reported on the main results of its audit and that no material weaknesses in the financial reporting internal control system had come to their attention during the audit and was available to answer questions from board members. The auditor also informed the Supervisory Board of the services it had rendered in addition to the audit and that there were no circumstances which could raise independence issues. In addition, a member of the audit committee gave a detailed report on the deliberations and outcome of the audit committee meeting. He too was available to answer any questions of 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 separate and consolidated financial statements as of 31 December 2010, the combined management report for fiscal 2010 and the Board of Management's proposal for the appropriation of profits for fiscal 2010. 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 2010 – which have thus been ratified – and the consolidated financial statements as of 31 December 2010 and the combined management report for fiscal 2010 and agreed with the Board of Management's proposal for the appropriation of profits for the fiscal year 2010.

The report prepared by the Board of Management pursuant to Sec. 312 of the German Stock Corporations Act (AktG) on the relations of the company to affiliated entities (dependent company report) was reviewed by KPMG. The independent auditor issued the following opinion on 8 February 2011:

“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 well before their meeting on 4 February 2011. 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 of 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 ahead of the closing meeting on 23 February 2011. The auditor also participated in the discussion of the report at the closing meeting 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 dependent company report.

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.

Dr. Rudolf Schulten, who had been a member of the Board of Management since 1 January 2009, resigned from his office as CFO for health reasons on 11 March 2010 with immediate effect. Responsibility for the functions and group entities assigned to the finance portfolio had already been assigned temporarily to the other members of the Board of Management since 22 December 2009 due to the extended health-related absence of Dr. Rudolf Schulten.

Effective 20 July 2010 Dr. Hans-Josef Zimmer stepped down from his office as CTO in order to avoid giving any impression that the review of the agreements relating to business activities in Russia might not be independent. Responsibility for the functions and group entities assigned to the technology portfolio was reassigned temporarily such that Dr. Hans-Josef Zimmer reports to the CEO in his capacity as senior vice president effective 21 July 2010. The CEO is directly responsible for the commercial aspects of energy generation and the internal audit function.

At its meeting on 17 January 2011, the Supervisory Board appointed Thomas Kusterer to EnBW's Board of Management, at the recommendation of the personnel committee, for a term of three years commencing 1 April 2011. Thomas Kusterer is currently CFO at EDF Energy plc, London, and will assume the position of CFO on EnBW's Board of Management.

Supervisory Board

There were also several personnel changes to the Supervisory Board in the course of the fiscal year 2010.

Laurent Stricker and Gérard Wolf retired from their offices, leaving the Supervisory Board effective as of the end of the day on 7 June 2010. By resolution of the Mannheim district court, Pierre Lederer, Directeur Exécutif Groupe en Charge du Commerce, de l'Optimisation et du Trading et de la zone Europe Continentale (Group Senior Executive Vice President, Customers, Optimisation and Trading and Continental Europe) at Electricité de France SA, Paris, and Thomas Piquemal, Directeur Exécutif Groupe en charge des finances (Group Senior Executive Vice President, Finance) at Electricité de France SA, were both appointed to the Supervisory Board effective 8 June 2010.

Werner Vorderwülbecke also resigned from his office and left the Supervisory Board effective as of the end of the day on 18 June 2010. Mannheim district court appointed Bodo Moray, trade union secretary at ver.di/ responsible for supply and waste disposal divisions in Baden-Württemberg, to the Supervisory Board as Werner Vorderwülbecke's successor by resolution dated 6 September 2010.

Dr. Daniel Camus and Marc Boudier also retired from their offices, leaving the Supervisory Board effective as of the end of the day on 9 January 2011 and 16 January 2011, respectively. By resolution of the Mannheim district court, Marianne Laigneau, Directeur des Ressources Humaines du Groupe (Group Senior Executive Vice President, Human Resources) at Electricité de France, SA, and Serge Massart, Directeur chargé de mission auprès du Directeur Exécutif Groupe en charge de la production et de l'ingénierie (Senior Vice-President reporting to the Group Senior Executive Vice President in charge of Generation and Engineering) at Electricité de France, SA, were both appointed to the Supervisory Board effective 12 January 2011 and 17 January 2011, respectively.

Following execution of the share purchase agreement between NECKARPRI GmbH, an entity wholly owned by the federal state of Baden-Württemberg, and Electricité de France International SA, Marianne Laigneau, Pierre Lederer, Serge Massart, Thomas Piquemal and Gérard Roth each resigned from the Supervisory Board and ceased to be members of the Supervisory Board at the end of the day on 17 February 2011. By resolution of the Mannheim district court, Dr.-Ing. Rainer Dulger (managing shareholder of ProMinent Dosiertechnik GmbH), Prof. Dr. Dr. h.c. mult. Wolfgang Franz (president of Zentrum für Europäische Wirtschaftsforschung GmbH and professor of economics at the University of Mannheim) and Dr. Hubert Lienhard (CEO of Voith GmbH) were appointed to the Supervisory Board effective as of 21 February 2011, as nominated by NECKARPRI GmbH. Further nominations by NECKARPRI GmbH for court appointment to the Supervisory Board are Prof. Dr. Ulrich Goll (minister of justice and deputy prime minister of the federal state of Baden-Württemberg, member of the state parliament of Baden-Württemberg) and Helmut Rau (minister at the state ministry of the federal state of Baden-Württemberg, member of the state parliament of Baden-Württemberg, general manager of NECKARPRI GmbH). These nominations have yet to be approved by the state parliament of Baden-Württemberg.

The Supervisory Board would like to thank all members who have left the board for their commitment to the company and the constructive working relationship.

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 2010.

Karlsruhe, 23 February 2011
The Supervisory Board

Dr. Claus Dieter Hoffmann
Chairman

Board of Management

Dr. Rudolf Schulten, born 1955 in Göttingen, Member of the Board of Management
Chief Financial Officer, 1 January 2009 until 11 March 2010, Mühlhausen

Dr. Hans-Josef Zimmer, born 1958 in Merzig, Member of the Board of Management,
Chief Technical Officer, 1 October 2007 until 20 July 2010, Steinfeld (Rhineland-Palatinate)

Hans-Peter Villis

born 1958 in Castrop-Rauxel
Chief Executive Officer
since 1 October 2007
Appointed until 30 September 2012
Castrop-Rauxel/Karlsruhe

Christian Buchel

born 1963 in Straßburg
Member of the Board of Management
Chief Operating Officer
since 1 February 2009
Appointed until 31 January 2012
Karlsruhe

Dr. Bernhard Beck, LL.M.

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

As of 4 February 2011


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GENERATION DIVERSITY

From 2012 onwards, the state-of-the-art hard coal unit RDK 8 will produce up to 912 megawatts of electricity and supply Karlsruhe with district heating.

EnBW's objective is to cover energy needs in a reliable, profitable and environmentally compatible way and safeguard grid stability.

We champion an energy mix of nuclear power, fossil fuels such as coal and gas as well as renewable energies such as hydro-electric and wind power. With the exception of hydro-electric power, renewable energies are very erratic in their production of electricity because of their dependency on the weather. To manage these fluctuations, they have to be complemented by large-scale generation units running in parallel in continuous operation, such as nuclear, coal and run-of-the river power stations.

The advantage of electricity from nuclear power plants is that it is CO_2-free. We invest in the safety of our plants on an ongoing basis and also have them inspected. Our coal power stations generate electricity close to where it will be consumed, they are efficient and often additionally provide environmentally compatible district heating from combined heat and power generation. The new RDK 8 hard coal unit at Karlsruhe Rheinhafen is scheduled to go online in 2012. It is designed for a gross rated capacity of 912 megawatts and is also equipped with excellent environmental technology. For example, the new flue gas purification plants make it possible to achieve a very high reduction in aerial pollutants – far in excess of statutory requirements.

Renewable energies have numerous advantages: they are clean, they are CO_2-free and "raw materials" such as water, wind and sun are free of charge and practically unlimited. Our run-of-the-river power stations run 24 hours a day, generating electricity in a natural, CO_2-free way; our pumped storage power stations enable us to store energy to be called at times of peak demand.

We have a long tradition of hydro-electric generation, these days often supplemented by wind power. EnBW Baltic 1, Germany's first commercial offshore wind farm, was completed at the end of 2010. Located in the Baltic Sea it is theoretically capable of providing electricity for some 50,000 households. EnBW Baltic 2 is already at the planning stage. With an output of around 300 megawatts, it will be six times the size.

FOR FURTHER INFORMATION
www.enbw.com › The Group › Energy production

GENERATION IN THE ENBW GROUP BY PRIMARY ENERGY SOURCE[1]

10.5%	51.0%	34.5%
Renewable energies	Nuclear power	Fossil energy

[1] Plus others: 4%.


Nikolaus Elze, head of engineering at EnBW Kraftwerke AG

"With a degree of efficiency of more than 46 per cent net, our RDK 8 hard coal unit sets new standards in the reduction of specific CO_2 emissions."

Powered by diversity

Values, goals, strategy

EnBW has sharpened the focus of its business model. We will continue to concentrate on our strategic moves despite the financial burdens arising from nuclear fuel rod tax in the future. We intend to expand our business in Germany in even closer cooperation with municipalities and municipal utilities – both within Baden-Württemberg and beyond. We see the diversity of our employees as a strength which we wish to further promote. In society at large, we are committed to environmental and climate protection as well as promoting cultural, social and sports activities.

Keeping an eye on sustainable growth

It is EnBW's objective to become one of the leading European energy groups on the basis of a balanced business portfolio and our deep roots in Baden-Württemberg. EnBW's four segments place their products and services on three very different markets: wholesale markets, regulated markets and retail customer markets. Since 2008, measures have been taken on an ongoing basis in the five strategic moves with a view to strengthening EnBW's competitive position on these markets. In 2010, we continued to sharpen the focus of our business model. Our intention is to be perceived as an integrated supply group in Germany and the Czech Republic. In selected foreign markets such as Switzerland, Turkey and Poland we are concentrating on growth in the fields of renewable energies, energy management and energy efficiency. In addition, our activities are flanked by firmly-rooted cost consciousness aiming at efficient processes within the group and exploiting synergies, also with our partners. Our long-term corporate development is determined by the following guidelines:

FURTHER INFORMATION
Management report › Objectives and strategy › p. 47f.

- **Portfolio of services:** EnBW's role is not limited to that of a traditional energy supply company. Our plans are to increasingly provide smart energy solutions in our customer segments and we intend to assume leadership in energy consulting and services.
- **Market position:** Supported by our strong roots in Baden-Württemberg, we intend to reinforce and expand our position among the ten largest energy groups in Europe. With regard to electricity generation, this entails safeguarding generation capacities of between 14,000 MW and 15,000 MW in the long term. In the gas segment, we plan to strengthen the midstream business and implement a business model as commercial optimiser by concluding gas procurement agreements and adding transmission rights and LNG capacities to our portfolio.
- **Energy services:** We aim to achieve a significant increase in revenue from energy services by 2020.
- **Environment and social responsibility:** We intend to increase the share of renewable energies in our own electricity generation portfolio from the current 13% to around 20% by 2020. This constitutes a significant contribution to environmental protection and achieving the climate protection targets of the German federal government. Irrespective of the size of our group, we consider proximity to the region, our customers and business partners to be a key success factor. Our promise to our customers – whether retail or municipal – is to provide solutions relating to energy. We further support art, cultural, social and sports activities at our locations.
- **Finances:** For our shareholders we pursue sustainable long-term growth and plan to generate positive added value in the long term. We do not make any compromises with regard to the group's financial stability. We intend to maintain our rating in the A category. We have set the threshold figure for the dynamic leverage ratio (adjusted net debt/adjusted EBITDA) at 3.5. For the equity holders, we assume a dividend somewhere in the vicinity of 40% to 60% of adjusted group net profit.

Corporate development centres on an ambitious investment programme originally providing for gross investments of € 7.9 billion over the period 2010 to 2012. Investments in the reporting period came to € 2.3 billion. In the course of 2010, the nuclear fuel rod tax and the federal government's energy concept created the central political and regulatory framework for the future. The nuclear fuel rod tax alone will result in additional burdens for EnBW of around € 440 million per annum over the next few years. The group will also incur payment obligations in connection with the fund to promote renewable energies (€ 65 million p.a. in 2011 and 2012; € 43 million p.a. over the period from 2013 to 2016). The positive effects anticipated from the extension of working life of nuclear power plants cannot offset these additional burdens from the nuclear fuel rod tax and the fund to promote renewable energies over the next few years. Only when the nuclear fuel rod tax expires in 2017 will the new regulations for nuclear power plants improve earnings, all other conditions being equal. Furthermore, there has been a decline in wholesale prices giving rise to the associated market price risks and the necessity of having to buy all CO_2 allowances as of 2013. In light of the significant burdens to be incurred as of 2011, we have made adjustments to our strategy to reflect the unavoidable scaling back of our investment programme. Correspondingly, the level of gross investment will come to € 5.1 billion over the period from 2011 to 2013. There are plans to make divestitures of € 1.8 billion over the same period with a view to further sharpening the focus of our business model. In order to offset additional financial burdens, we launched our "Fokus" efficiency programme in October 2010. After its gradual introduction, "Fokus" is expected to improve EBIT sustainably by a target volume of € 300 million per annum as of 2013.

Before this happens, however, the next few years will see a clear decline in income in comparison to the fiscal year 2010. With regard to long-term corporate development, we nonetheless remain on course for growth. We will continue to gradually diversify our business portfolio in Europe and to strengthen relations to our regional partners.

Brand philosophy

Our mission

We stand for progress and competition in the energy market to the benefit of our customers.

Our vision

Our deep roots in Baden-Württemberg and our exceptional performance combined with a well-balanced business portfolio make us one of the leading European energy groups.

In the EnBW group we firmly believe in

- The advantages of a competitive market to the benefit of our customers.
- The advantages of full responsibility for the entire value added chain for electricity and gas.
- The necessity of a broad energy generation mix.
- The business opportunities of further integration of the European energy market.

Our strategic moves

Developing generation capacity	Expanding gas business	Core market Germany, selective growth abroad	Establishing new fields of business	Exploiting process improvements and synergies

Corporate philosophy, corporate governance principles

A diverse range of solutions brings us closer to the customer

We want our products and services to generate added value for our customers – private households, municipal utilities, municipalities, commercial businesses, medium-sized and large-scale industrial enterprises. Customer-centric energy consultation and services relating to the use of energy are the focus here. The sales brands within the EnBW group will now be managed centrally by EnBW Vertrieb GmbH, a sales company established in 2010. This will make us more flexible, more effective and efficient in serving our customers. In 2010, EnBW developed a wide range of new customer solutions and continued numerous programmes:

- Retail customers: In 2008, we were the first energy provider to launch the intelligent electricity meter throughout Germany. It has become an integral part of our range of services in the field of energy efficiency and energy savings with a view to reducing CO_2 emissions. The portfolio of smart home related products was logically extended in 2010. All customers in Baden-Württemberg can purchase an e-bike to boost emission-free mobility. Since 2010, EnBW has been providing complete solutions for the generation of electricity from solar plants in selected areas in Baden-Württemberg and its subsidiary Yello has been providing these services in further test regions throughout Germany. The successive expansion of EnBW's and Yello's sales areas is envisaged. The heat pump product makes an important contribution to the efficient use of energy in Baden-Württemberg. Following the successful launch of our green electricity product in Baden-Württemberg, we have been providing our NaturEnergie+ green electricity throughout Germany since autumn 2010.
- EnBW energy efficiency networks: 16 networks have already been formed throughout Germany involving a total of over 190 companies. Three years into the project, the participating companies have achieved energy savings averaging around 8%. The companies assessed up to now have succeeded in lowering their annual CO_2 emissions by a total of around 30,000 t. Our EnBW EnergyWatchers programme provided a further boost to the establishment of these networks in 2010. This enables the establishment of additional networks through a franchise system.
- We traditionally provide support to municipalities with electricity, gas and heating products, water supplies and numerous other services. Together, we implement energy and infrastructure solutions, analyse consumption data from public entities and develop concepts to raise energy efficiency. These also involve our contracting services. In the field of renewable energies, we assisted 29 municipalities with the formation of community energy cooperatives in 2010. The projects of these cooperatives involved the installation of renewable energy facilities with an output of 829.29 kWp by the end of 2010, saving 403.45 t of CO_2 per annum. We plan to cooperate even more closely with municipalities and municipal utilities in Baden-Württemberg in the future under our regional strategy. One aspect of this is the regional expansion of already established business models such as the ones existing in the fields of biomass, biogas, wind and photovoltaics. Innovative investment models permit municipalities to increasingly participate as a partner in EnBW's construction projects in the future, including those outside of Baden-Württemberg. Furthermore, we are pressing forward with the development of local business models. We also intend to implement this approach in the north of Germany together with our partner EWE Aktiengesellschaft.

Energy supplies to our customers are essentially built on our expertise relating to the construction and operation of central and local generation facilities as well as that relating to grids. We ensure reliable energy supplies with a broad energy mix and extensive spending on the maintenance of these facilities as well as investment into expanding grids.

Effective partnerships

EnBW has formed industrial partnerships to cooperate with German and international companies on various projects. With EDF, we pursue joint large-scale projects such as the extension of Iffezheim and Gambsheim am Rhein hydro-electric power stations. EDF and EnBW are also cooperating in the gas storage project in Etzel. We have entered into numerous successful joint research and development projects. Examples from 2010 include a cross-border test of a fleet of vehicles in the field of electromobility (Kléber project) and our joining the European Centre and Laboratories for Energy Efficiency Research in Paris. Furthermore, the geothermal power station in Soultz-sous-Forêts in Alsace, in which EnBW holds a stake, began feeding electricity into the French electricity grid as scheduled in January 2011 following further optimisation of operations. The Italian energy group, Eni SpA, is our co-shareholder in GasVersorgung Süddeutschland. We plan to exploit synergies in efficiency projects together with our partner Pražská energetika a.s. (PRE) in the Czech Republic. In Turkey, EnBW is involved in a joint venture with the Turkish industrial group, Borusan, aimed at building up generation capacities in the field of renewable energies. In the area of renewable energies there is a further partnership with Altus AG relating to the commissioning of wind power and biogas facilities in Germany. EWE Aktiengesellschaft and EnBW cooperate to implement synergies between the two companies and review possibilities for joint projects. In addition, there are strategic alliances with Vorarlberger Illwerke AG in Austria and various municipal utilities.

Promoting and utilising the diversity of our employees

EnBW's workforce includes people of different age groups, gender, marital status, irrespective of religion or ethnic background. We take the special needs of employees with a handicap into account as far as possible. For us, diversity means the company respecting the various spheres and phases of our employees' and managers' lives, and seeing and promoting each individual as an asset to the company.

- **Female talent:** We are significantly increasing the percentage of women in specialist and management positions and support our female employees and managers in developing their potential. Our experience has shown that mixed teams have greater creative and innovative potential and arrive at better solutions.
- **Work-life balance:** We support our employees and managers with a select range of offers for various stages in their lives. A balance between work and private life promotes their identification with the company and safeguards their performance in the long term. Our offers include flexible working time, company health promotion, family offices and other childcare services or support with family members in need of care. In 2010, EnBW was once again praised by the charitable Hertie foundation for its measures to achieve a balance of work and private life.
- **Demography:** We make it possible for and encourage our older employees and managers to maintain their performance. Their experience and expertise are important for the success of our group and its ability to prepare for the future. We develop demographic scenarios in order to better assess our future workforce requirements.
- **People with handicaps:** We treat employees with disabilities as an asset to the company rather than merely a social responsibility. We make it easier for them to work for us: This begins with the barrier-free design of our buildings, special reading devices for people with impaired vision and extends to the fire alarm for people with hearing disabilities. Important events are interpreted into sign language.

Our diversity underlines our attractiveness as an employer, strengthens employee loyalty and boosts the motivation of our employees and managers. It enlarges the number of possible candidates for specialist and management level positions and opens up greater recruiting possibilities. It increases our creative and innovative potential and ultimately enables us to realise our corporate social responsibility with greater awareness.

Together with our employees, we try to make EnBW a bit better each day. "It's better to join forces" is the motto of "!mpuls", the group programme launched in 2008. In combination with our improvement process programmes, all employees and managers actively participate in constantly improving the efficiency of EnBW and sustainably cutting costs. In the course of 2010, our employees submitted a total of 4,630 ideas to improve working procedures. Of this total, 3,014 related to improving efficiency in the employee's own working area, the rest to general processes within the group.

Firmly committed to the environment and society

EnBW bears a special responsibility in society. As an energy provider, we are especially committed to climate and environmental protection. In this respect, our focus is on innovations and investments for reliable, efficient and climate-friendly energy supplies.

- The EnBW group is still the only German energy group with a group-wide environmental management system certified pursuant to ISO 14001. The integration of all EnBW entities with environment-related facilities and activities had been completed by the end of 2010.
- In 2010, 61% of our electricity was generated CO_2 free. At 299 g/kWh, our specific CO_2 emissions are far below the German average of 508 g/kWh in 2009. By 2020, we intend to increase the share of renewable energies in our generation portfolio to 20%.
- We have participated in numerous climate protection initiatives for several years now. These include the EnBW climate congress held on a regular basis, the initiative “2° – German CEOs for Climate Protection”, “econsense, Forum for Sustainable Development of German Business” or the project “3C – Combat Climate Change”. Furthermore, EnBW is one of the signatories of the UN Global Compact initiative, intended to ensure compliance with social and ecological standards all over the world.
- By the end of 2010, some 9,000 people had participated in the “Weniger Verbrauch geht auch!” energy-saving campaign launched in Baden-Württemberg in October 2009, achieving energy savings with numerous measures. By joining forces with our customers, we want to make Baden-Württemberg a model region in terms of energy savings.
- In two studies, EnBW looked into the unused potential of run-of-the-river and pump storage power stations in Baden-Württemberg and discussed the issue with industry and energy experts as well as politicians on the occasion of its 4^{th} Hydro-Electric Power Symposium.

FURTHER INFORMATION
www.enbw.com › The Group › Sustainability report › Commitment

There are many ways in which we support sport, education, art, culture and voluntary work. We provide ongoing support to clubs, associations and organisations in the regions in which we operate. We consider this to be a sign of our identification with our neighbours.

- In Baden-Württemberg, we sponsor football, handball, basketball and volleyball clubs as well as cycling and gymnastics. Our sponsorship extends from professionals through promoting young talent to mass sports.
- We want to arouse children’s interest in natural science and technology at an early age. Extracurricular places of learning such as the science centres or boxes of energy-related experiments for nursery schools are just two examples.
- Our sponsorship extends to promoting cultural establishments such as the ZKM Centre for Art and Media Technology in Karlsruhe, Stuttgart art museum, the Stuttgart ballet and Baden-Baden festival hall. We further support the YoungEuroClassic international youth orchestra festival and cooperate with the Deutsches Theater.

Our energy research foundation promotes research, demonstration and development projects on topics such as renewable energies and efficient energy use, providing more than € 30 million in research funding since its foundation in 1989. The objective of the foundation for energy and climate protection in Baden-Württemberg is to further investigate the links between the energy industry and climate protection.

EnBW on the capital market

Once again in 2010, the rating agencies gave EnBW an A credit rating. NECKARPRI GmbH came to an agreement with EDF in December 2010 to purchase its 45.01% shareholding in EnBW. Service-oriented investor relations underline the group's links to the capital market.

Well-established on the debt capital market thanks to financial stability

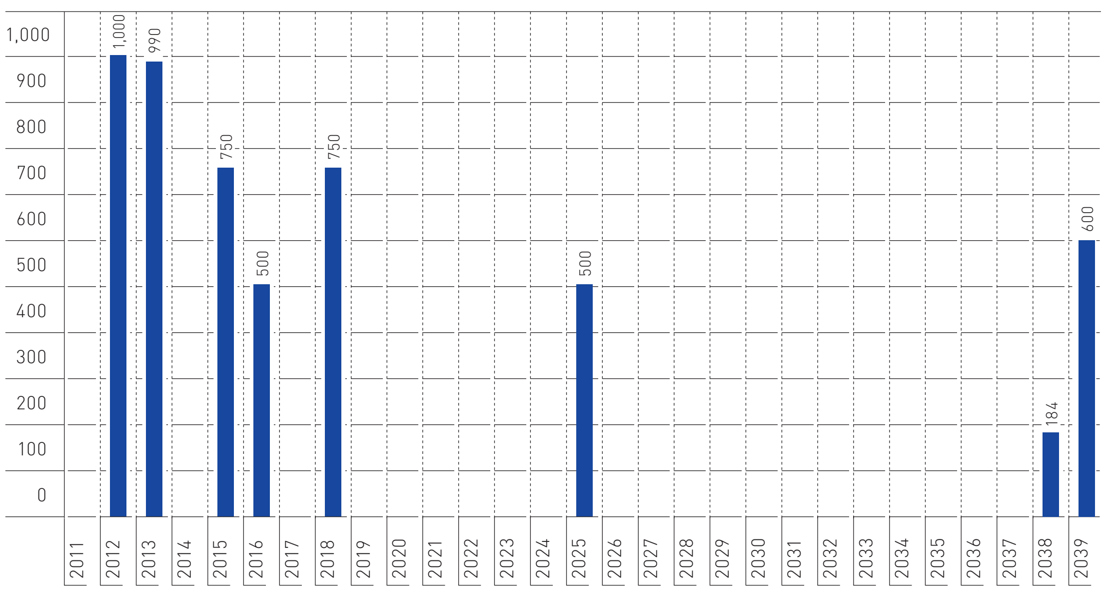
FURTHER INFORMATION
Management report
› Financial position › p. 63ff.

EnBW is an established issuer on the debt capital market. A wide range of short- to long-term debt financing instruments ensures that we have flexible access to the capital market. In addition to a commercial paper programme and the Euro Medium Term Note programme, these include a syndicated line of credit of € 2.442 billion. Another important pillar in the group's financing is cash flow from operating activities, which totalled € 2,560.9 billion in 2010. We always make commercial decisions with the financial stability of the group in mind. Our goal is to maintain the current A rating. The most recent updates by the rating agencies confirmed EnBW's A rating (Fitch A/outlook stable; Moody's A2/outlook stable and Standard & Poor's A-/outlook negative). One of EnBW's key performance indicators is the dynamic leverage ratio (adjusted net debt/adjusted EBITDA). We have specified the threshold figure at a factor of 3.5.

The debt capital market is currently more important for EnBW's financing than the equity capital market. The volume of the bonds denominated in euro issued by EnBW comes to around € 4.9 billion. Furthermore, EnBW has issued bonds denominated in Japanese yen (JPY 20 billion) and Swiss francs (CHF 300 million). There are still bonds totalling CHF 100 million within the EnBW group that were issued by the Energiedienst group. The bonds have a well-balanced maturity profile. We will review our options for refinancing the bonds maturing in 2012 and 2013 in good time.

Maturity profile of the EnBW bonds

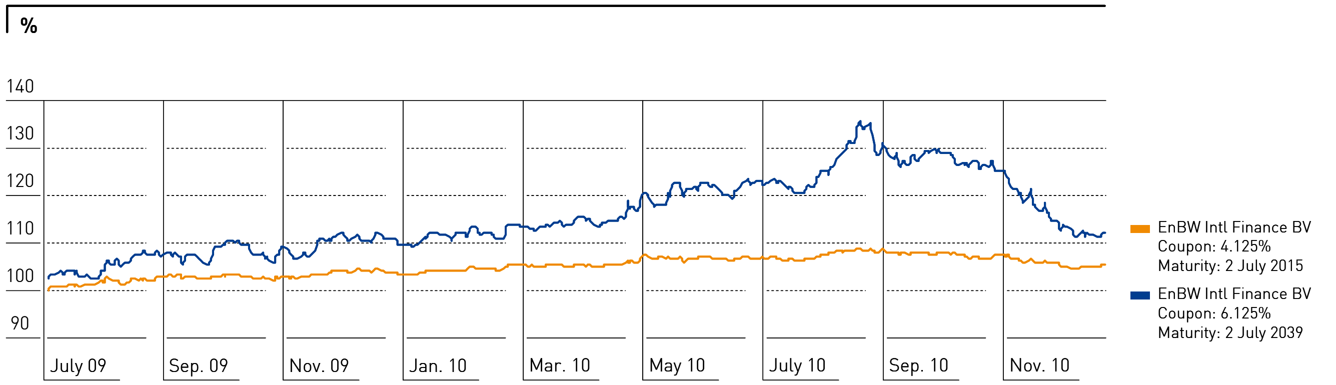
in € millions



EnBW's bonds and shares on the capital markets in 2010

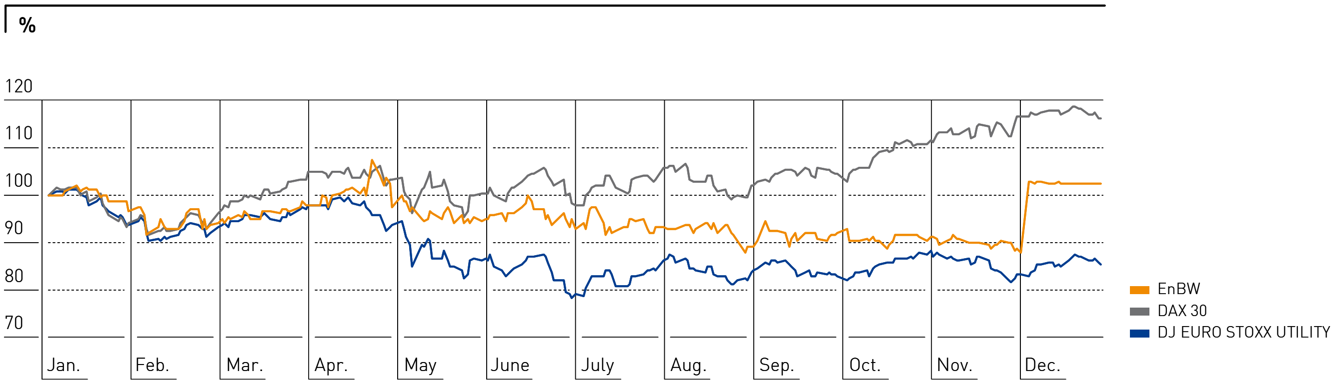
The iBoxx € Eurozone index, which tracks the return on government bonds of a number of European countries, initially showed a significant increase in returns in April and May 2010. This was due to the escalation of the debt situation of a number of European countries. The subsequent fall in returns was followed in the last quarter of 2010 by their rising again, which led to higher risk premiums in some countries in the euro area. The interest paid on bonds issued by European energy companies listed in the iBoxx € Utilities index fell continually for most of 2010. In the fourth quarter of 2010, however, it rose significantly, even exceeding the figure at the beginning of the year. The prices of EnBW bonds rose in the course of 2010, at times reaching a level significantly above par. The bonds issued in 2009 rose likewise.

Performance of the EnBW bonds issued in 2009/2010



The DAX, the leading share index in Germany, closed the year 2010 up 16% in comparison to year-end 2009. Over the year, it did fall as much as 9% from its peak value at times, however. At the end of 2010, the price of the EnBW share stood at € 40.92 following the € 40.00 at the beginning of the year. In the weaker market environment, the price fell to a temporary low of € 36.51 on 4 February. The price subsequently recovered and increased to € 43.00 (on 23 April). The EnBW share was not able to escape the market's general downward movement in connection with energy policy decisions. At the beginning of December 2010, the price of EnBW shares rose significantly on account of the voluntary takeover offer by NECKARPRI GmbH to all EnBW shareholders of € 41.50 per share. The offer arose from the agreement with EDF to purchase its shares in EnBW. In the European context, the DJ EURO STOXX UTILITY index, which reflects the share price of European utilities, saw a significant drop of 15% as of the end of the year.

Performance of the EnBW share in 2010

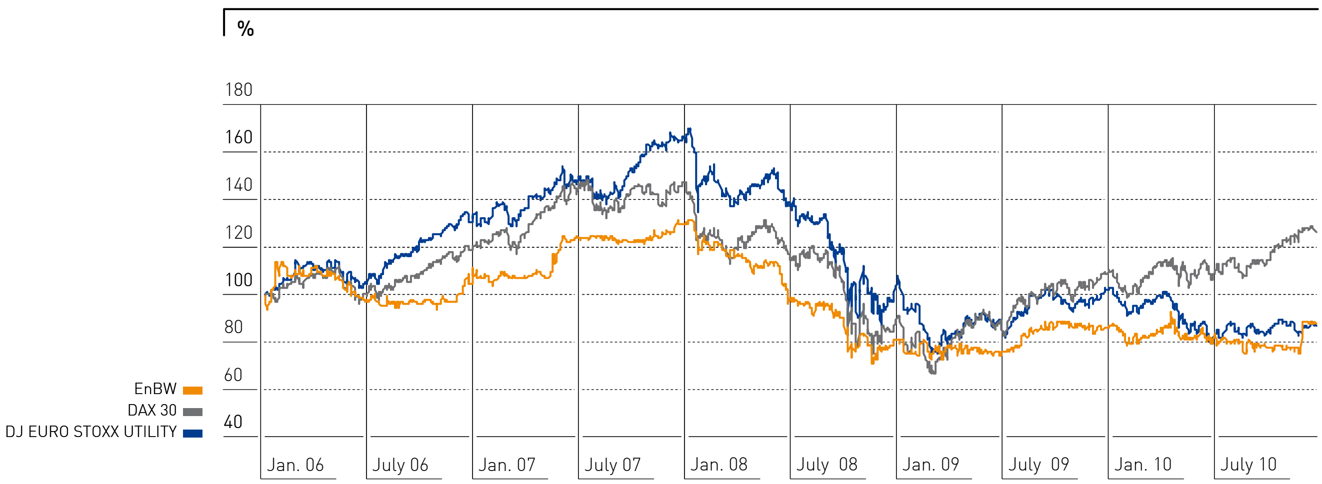


The banks' price targets for the EnBW share were influenced throughout 2010 in particular by discussions and decisions affecting the political environment. After consideration of the effects of the federal government's energy concept, the nuclear fuel rod tax and other market factors, LBBW lowered its price target at the beginning of December 2010 from € 40.50 to € 37.00. Their assessment is "hold".

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. On 6 December 2010, NECKARPRI GmbH, Stuttgart, an entity wholly owned by the federal state of Baden-Württemberg, concluded a purchase agreement with EDF on its shares totalling 45.01% in the capital stock of EnBW. On 17 February 2011, NECKARPRI GmbH notified us that it holds 45.01% of the shares in EnBW Energie Baden-Württemberg AG. In connection with this purchase agreement, NECKARPRI GmbH made a voluntary takeover offer to all shareholders of € 41.50 per share. Subject to an extension, the acceptance period runs from 7 January 2011 to 18 March 2011. Apart from this, there were only minor changes to the shareholder composition of EnBW over 2010.

From a five-year perspective, the price of the EnBW share developed as follows:

Performance of the EnBW share in the past five years



Service-oriented and transparent investor relations

FURTHER INFORMATION
www.enbw.com
› Investors

The main objective of EnBW's financial communication is to preserve the trust of investors, analysts and rating agencies in EnBW at all times and irrespective of the situation on the capital market and the company's current financing needs. In this respect, activities centre on EnBW's stable cash flow and its potential to generate added value. We are committed to an open and ongoing dialogue with market participants. We promptly provide detailed information on the company's operational development and the group's strategy.

The communications measures in 2010 primarily included the publications of our regular quarterly and annual financial reports. These are accompanied by conference calls. In the course of the year, we also issue numerous investor relations communications. These are complemented by face-to-face communication as we take part in investor conferences and organise our own events. The year started with our attending two investor conferences in New York and Paris. Publication of the annual report for 2009 was immediately followed by our spring road show in March and April 2010. Stopping off in Frankfurt, London, Edinburgh, Paris, Amsterdam, Den Bosch, The Hague, Zurich, Milan, Stuttgart and Munich, we met more than 100 investors and analysts. Some 60 representatives of banks participated in EnBW's traditional Bankers' Day which we held at the end of March. Over the rest of the year, the focus was in particular on personal talks with analysts and investors. The talks centred on the progress of the offshore wind farm projects, details of the CO_2 emissions of our generation facilities, the impact of the nuclear fuel rod tax and the energy concept on EnBW from 2011 onwards, EnBW's current portfolio of generation facilities and further expansion of renewable energies.

EnBW pursues the objective of creating value that also benefits investors. When determining the dividend, we base our calculations on the performance of the company, the scale of the investment programme, the volume of net financial liabilities and the dynamic leverage ratio. Our aim is to pay a dividend of around 40% to 60% of adjusted group net profit. In consultation with the Supervisory Board, the Board of Management will propose to the 2011 annual general meeting that a dividend of € 1.53 per share be distributed for 2010, unchanged on the prior year. The total amount distributed would come to € 373.7 million as in the prior year and would constitute a distribution rate of 38%.

The new energy policy framework gives rise to new challenges for EnBW. Once again in 2011, we will underscore our potential to generate value added in an ongoing dialogue with target groups. In this way, we continue the gradual expansion of our activities in order to measure up to EnBW's position as a leading energy company in Europe and as an issuer on the capital market.

EnBW share in figures[1]		2010	2009	2008	2007	2006
Annual high	€	43.00	41.10	61.00	60.84	52.66
Annual low	€	35.00	34.00	33.02	48.01	43.8
Closing price	€	40.92	40.00	37.7	60.16	50.55
Number of shares outstanding as of 31 December[2]	million shares	244.257	244.257	244.257	244.257	244.257
Market capitalisation as of 31 December[3]	€ billions	10.0	9.8	9.2	14.7	12.3
Stock exchange trade (total)	Number of shares	791,179	676,205	835,367	1,112,602	566,187
Stock exchange trade (daily average)	Number of shares	3,091	2,662	3,289	4,769	2,220
Earnings per share from group net profit[4]	€	4.79	3.15	3.60	5.58	4.10
Operating cash flow per share	€	10.48	10.00	6.24	6.38	6.01
Distribution	€ millions	373.7[5, 6]	373.7	491.0	368.8	278.5
Dividends per share	€	1.53[6]	1.53	2.01	1.51	1.14
Number of shares outstanding (weighted average)	million shares	244.257	244.257	244.257	244.257	244.232

1 The price information for 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 Number of shares outstanding at the end of the fiscal year multiplied by the closing price.
4 In relation to the profit shares attributable to the equity holders of EnBW AG.
5 Distribution in terms of the shares entitled 31 December 2010.
6 Dividend proposal for the fiscal year 2010, subject to the approval of the annual general meeting on 19 April 2011.

Shareholder structure as of 17 February 2011[1]	
OEW Energie-Beteiligungs GmbH	45.01%
NECKARPRI GmbH[2]	45.01%
Badische Energieaktionärs-Vereinigung	2.54%
EnBW Energie Baden-Württemberg AG	2.30%
Gemeindeelektrizitätsverband Schwarzwald-Donau	1.28%
Neckar-Elektrizitätsverband	0.69%
Landeselektrizitätsverband Württemberg	0.54%
Other municipal shareholders	0.78%
Free float	1.85%

1 Figures rounded to two decimal places.
2 100% subsidiary of the federal state of Baden-Württemberg.

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


Gewinnspiel
Diversity Day 2010 -
Vielfalt@EnBW

DIVERSITY IN SUSTAINABILITY

It is not always easy to combine work and private life. EnBW is doing a great deal to help its employees succeed in doing so.

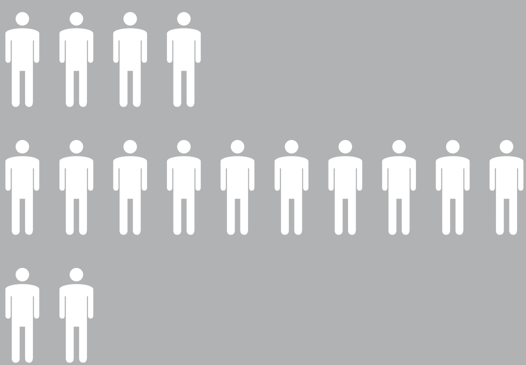
Motivated and qualified employees are key to a company's success. For this reason, EnBW requires and promotes the flexibility, creativity and commitment of its employees.

EnBW's employees – whether male or female, younger or older, with or without disability, whatever their family status, religion or ethnic background – all contribute their own distinct experiences to their work, making EnBW a unique combination of people. For us, diversity means the company respecting the various spheres and phases of our employees' and managers' lives, and seeing and promoting each individual as an asset to the company. We strongly support young talent and implement targeted personnel development measures. Women are still often under-represented in management positions. We therefore give special support to our female employees and executives in developing their potential. Experience shows that teams consisting of both men and women approach challenges in a more creative and innovative manner. We strive to create an interest in a career at EnBW at an early stage and provide special support to women studying mathematics, information technology, natural science and technology.

Employees with disabilities are treated as an asset to the company rather than merely a social responsibility. Consequently, it is no problem for people with disabilities to work at EnBW. Our buildings are barrier-free, there are special reading devices for people with impaired vision and important events are interpreted into sign language for people with hearing disabilities. The ability to combine work and private life is a prerequisite for maintaining motivation and a high level of performance in the long term. Alongside flexible working time models, we support our employees with active health promotion and protection offerings such as the occupational health service or physiotherapy. We also cooperate with municipal and private facilities to offer places in child day-care centres for children of our employees. And if all else fails, mums or dads can take their children to the family office.

FOR FURTHER INFORMATION
www.enbw.com › Careers

EMPLOYEES BY AGE GROUP



23.7% 35 or under

64.5% 36 to 55

11.8% 56 and over

Petra Schweizer, head of controlling at EnBW Regional AG

"Children and career don't go together? At EnBW, at least, it is possible. They provide me with real support. And if all else fails, my daughter and I move into the family office."

Combined management report

of the EnBW group and EnBW AG

Summary

In 2010, the business development of the EnBW group was satisfactory on the whole. Positive effects were, however, offset by some negative effects, particularly from the intense competition on the electricity and gas markets. We have maintained our market position as the third largest energy company in Germany and are rising to the challenge of competition with new attractive products. In response to the energy policy decisions in 2010 and the impending financial burdens, we have adjusted our strategy and reduced the volume of investment.

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

Implementation of strategy continued in 2010

The EnBW group is the third largest energy company in Germany and is one of the top ten in Europe. As of the end of 2010, the group had a headcount of just under 21,000 employees, roughly at the same level as in the prior year. The EnBW group is an integrated supply company in Germany and the Czech Republic, where we have reinforced our position by increasing our shareholding in the Czech electricity company Pražská energetika a.s. (PRE). In selected foreign markets, focused growth centres on activities in the areas of renewable energy as well as energy management and efficiency. In Germany, we continued expanding our generation capacities with acquisitions and investments in 2010. With regard to sales, EnBW has positioned itself with customer-centric energy consultation and services relating to the efficient use of energy.

Improved earnings situation despite fall in unit sales in the sales function

The increase in unit sales in the trading function brought about a 22.7% increase in unit sales of electricity at group level in 2010, bringing this figure to 146.9 billion kWh. In contrast, unit sales of electricity to retail and business customers came to 68.9 billion kWh, a fall of 4.0 billion kWh on the prior year. This was caused by the sale of GESO Beteiligungs- und Beratungs-AG (GESO) and intense competition especially in the area of retail customers. In 2010, the EnBW group's unit sales of gas came to 53.6 billion kWh, a fall of 18.5% in comparison to 2009. In this respect, competition had a considerable impact on the B2B sector in particular, causing a 21.9% fall to 41.8 billion kWh. On account of these effects, external revenue after deducting electricity and natural gas tax, saw an increase of 12.5% to € 17,509.0 million in the reporting period.

Despite the economic crisis, EnBW managed to avoid a drop in adjusted EBIT in the fiscal year 2009, and in 2010 we succeeded in boosting adjusted EBIT by 7.7% to € 1,932.6 million. Adjusted EBIT in the electricity generation and trading segment increased by 2.3% to € 1,626.7 million. The regulated area profited from the economic upswing in 2010. Adjusted EBIT in the electricity grid and sales segment more than doubled to € 265.8 million in the current reporting period. In the gas segment, the drop in unit sales on account of the intense competition outweighed the positive developments in the regulated business. Adjusted EBIT fell by 47.3% to € 80.1 million. In the energy and environmental services segment, on the other hand, earnings grew by 29.1% to € 111.3 million. The adjusted financial result improved in comparison to the prior year. For example, 2010 saw higher gains on securities, a figure that had been negatively impacted in the wake of the financial crisis. Adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG came to € 987.8 million, a rise of 12.4% in comparison to 2009.

On account of the gains from the sale of GESO and Pražská teplárenská a.s. (PT) as well as income from the acquisition in stages of PRE, the non-operating net profit in terms of the profit shares attributable to the equity holders of EnBW AG amounted to € 182.7 million. A loss of € 110.9 million was recorded here in the prior year.

A higher level of impairment losses in 2010 of € 257.6 million (prior year: € 37.5 million) had a negative effect.

On balance, group net profit in terms of the profit shares attributable to the equity holders of EnBW AG came to € 1,170.5 million in the fiscal year 2010. This corresponds to an increase of 52.4% compared to the prior year.

Financial position and net assets remain sound

In the fiscal year 2010, operating cash flow stood at € 2,560.9 million, a rise on the prior-year figure of € 2,443.4 million. At € –1,272.6 million, the cash flow from investing activities was much lower than in 2009, when it amounted to € –4,629.6 million. The main reason for this was the divestiture of GESO in the reporting period and higher payments for the purchase of shareholdings in the prior-year period. Cash flow from financing activities reports a cash outflow of € 1,001.2 million in 2010, primarily on account of interest and dividend payments. In the prior year, proceeds from financial liabilities gave rise to a cash inflow of € 678.6 million. The group's cash and cash equivalents rose by € 299.4 million in 2010, following a drop of € 1,505.6 million in the prior year. As of the end of the reporting year 2010, the total net assets of the EnBW group had risen by 1.7% in comparison to 31 December 2009 to € 35,239.8 million. The full consolidation of PRE played a major part in the increase in non-current assets to € 26,164.4 million. As a result of the sale of GESO and PT, the assets held for sale amounted to € 11.8 million as of the end of 2010, compared to € 1,698.0 million as of the end of the prior reporting year. Correspondingly, there are no longer any liabilities directly associated with assets classified as held for sale.

On account of the positive earnings development, the equity ratio climbed from 18.5% as of year-end 2009 to 21.6% as of 31 December 2010. In the fiscal year 2010, the EnBW group generated positive added value of € 831.6 million, slightly down on the prior year. The reason for the decline is the significant rise in the average capital employed in 2010, while adjusted EBIT including investment result rose more slowly in comparison to the prior year. Correspondingly, ROCE fell likewise by one percentage point to 14.5% in the fiscal year 2010. Compared to year-end 2009, adjusted net debt fell by € 474.8 million to € 8,139.8 million as of 31 December 2010.

Proposed dividend of € 1.53 per share at prior-year level

The earnings situation of the EnBW group improved in 2010 in comparison to the prior year. On account of the impending financial burdens on the group, the Board of Management will, in consultation with the Supervisory Board, propose to the annual general meeting on 19 April 2011 that a dividend of € 1.53 per share be distributed from the retained earnings of EnBW AG, unchanged on the prior year. The amount distributed would come to a total of € 373.7 million.

Strategy adjusted, outlook subdued

Budgeting originally provided for gross investments of € 7.9 billion for the period from 2010 to 2012. The energy policy decisions made in 2010 will, however, give rise to heavy financial burdens for EnBW over the next few years, in particular from the nuclear fuel rod tax. In light of this, we have decided to make adjustments to our strategy and to scale back the investment programme for the period from 2011 to 2013. The gross investment volume will accordingly total € 5.1 billion. On account of planned divestitures, net investment is anticipated to come to € 3.3 billion, which we expect to be able to finance completely from current cash flow. We intend to further reduce adjusted net debt, which would make EnBW's financial situation even more stable. Our objective is to maintain the A rating. In 2011, we anticipate a significant decline in adjusted EBIT in comparison to 2010. It will be virtually impossible to reverse this development in 2012, as well. This is mainly the result of the burdens from the nuclear fuel rod tax. In order to counter this development, we have introduced "Fokus", an additional efficiency programme. This programme is expected to provide sustainable savings of € 300 million p.a. as of 2013.

Group structure and business activity

EnBW is the third largest energy company in Germany and is positioning itself in selected foreign markets. With our vertically integrated and well-balanced business portfolio we operate in the fields of electricity, gas, heating as well as energy and environmental services. In an environment characterised by ongoing keen competition, EnBW has defended its market position, specifically with an extended range of green electricity products, complete intelligent solutions for energy efficiency issues and a high level of customer service.

Structure and key business processes

EnBW group

As a vertically integrated energy company, the EnBW group operates along the entire value added chain. In the area of electricity, the group operates in two segments: electricity generation and trading as well as electricity grid and sales. Of these, the electricity generation and trading segment makes the most significant contribution to group net profit. The activities in the gas segment extend to the midstream and downstream areas. In addition, EnBW operates in the energy and environmental services segment.

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All in all, EnBW supplies and advises some six million customers and achieved energy sales of 200.5 billion kWh in 2010. As the third largest domestic energy company, with strong roots in Baden-Württemberg, EnBW has around 21,000 employees. Some 91% of revenue was attributable to Germany in the fiscal year 2010. The share attributable to other countries comes to approximately 9%.

EnBW has entered into a strategic alliance with EWE Aktiengesellschaft, the fifth largest energy company in Germany, having acquired a 26% shareholding in the company in 2009. In 2010, GESO Beteiligungs- und Beratungs-AG and its subsidiaries, which operated primarily in the electricity and gas segments, were sold. In addition to EWE Aktiengesellschaft in Oldenburg, EnBW's equity investments in Germany include, in particular, Stadtwerke Düsseldorf. There are joint projects in cooperation with Electricité de France (EDF). EnBW has invested in carefully chosen European countries, primarily in the field of electricity. There are equity investments in Switzerland and Austria as well as central European countries such as the Czech Republic, Poland and Hungary. In the fiscal year 2010, EnBW assumed economic and industrial control of the energy supply company Pražská energetika a.s. (PRE). EnBW is represented in Turkey by a joint venture with the Turkish industrial group, Borusan. The aim is to build up and expand generation capacities in the field of renewable energies.

FURTHER INFORMATION
Financial statements
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The EnBW group is headquartered in Karlsruhe. One of its other major locations is EnBW City in Stuttgart, housing more than 2,000 employees. The company's main physical assets include a large number of power stations and energy generation facilities, electricity and gas grids, distribution plants and gas storage facilities, most of which are located in Germany. The company's regional centres as well as the sales offices and processing centres are based in Baden-Württemberg. In addition, there are sales offices throughout Germany. As holding company, EnBW Energie Baden-Württemberg AG (EnBW AG) exercises the management function in the EnBW group. The holding company is responsible for the strategic management and control of the group at all key stages of the value added chain in the segments. The holding company similarly performs the functions of group-wide treasury management, HR management, external communications and group development. The fields of compliance, corporate governance and risk management play a key role in this respect. EnBW AG has concluded domination and profit and loss transfer agreements with all major subsidiaries.

Electricity segment

In the area of electricity, the group operates in the segments of electricity generation and trading as well as electricity grid and sales, covering all stages of the value added chain.

The majority of EnBW's power stations are operated by **EnBW Kraftwerke AG**. Electricity and district heating are generated using a range of fuels. The objective is to achieve a reliable, efficient and environmentally compatible generation portfolio. **EnBW Kernkraft GmbH** is responsible for operating the group's nuclear power plants and decommissioning Obrigheim nuclear power plant. The more than 3,700 employees of these two companies bundle their expertise in the fields of planning, construction, operation, maintenance and optimisation of EnBW's power stations. Most of the tasks relating to the expansion of generation capacities on the basis of renewable energies have been entrusted to **EnBW Erneuerbare Energien GmbH**. A special focus is placed on wind power.

EnBW's generation portfolio, which includes partly owned power stations and long-term procurement agreements, totalled 15,498 MW as of 31 December 2010 (prior year: 15,771 MW). The generation capacities are composed of nuclear power plants, coal, oil, gas and pumped storage power stations as well as facilities designed to generate electricity from 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. EnBW's generation portfolio is well-balanced with regard to the different types of energy sources, from a load perspective (base, medium and peak load) and in terms of age structure. The generation portfolio breaks down as follows:

Breakdown of the generation portfolio of the EnBW group[1] electrical output in MW	31/12/2010	31/12/2009
Nuclear power plants (incl. EDF contracts)	4,856	4,846
Conventional power stations	7,548	7,240
Run-of-the-river and storage power stations	2,835	3,510
Other renewable energies	259	175
Total	**15,498**	**15,771**

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

The decrease in generation capacities was the result of amendments to the contracts governing procurement rights for hydro-electric power stations and the sale of PT. The decrease was mitigated by the capacities and procurement rights for Rostock and Buschhaus coal-fired power stations totalling 415 MW acquired at the beginning of the year and the expansion of renewable generation capacities. In addition, EnBW and E.ON have swapped procurement rights for electricity from nuclear power plants equivalent to an installed output of 800 MW in each case. In this swap, EnBW assumed quantities of electricity from E.ON power stations in Germany, while E.ON assumed quantities of EnBW's electricity from EDF nuclear power plants in France. The portion of CO_2-free electricity from our own generation facilities came to 61% in 2010. In the prior year, this figure stood at 66%. The CO_2 emissions stemming from EnBW's own generation amount to 299 g CO_2/kWh (prior year: 241 g CO_2/kWh), which is significantly below the German national average in 2009 of 508 g CO_2/kWh.

Generation in the EnBW group[1] by primary energy sources as %[2]	2010	2009
Fossil energy	34.5	28.8
Nuclear power	51.0	55.4
Renewable energies[3]	10.5	11.0
Other	4.0	4.8

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

At the next stage of the value added chain, the area of trading and procurement, **EnBW Trading GmbH (ETG)** represents an interface between generation, trading and sales. This entity is tasked with trading physical and financial products on the wholesale markets for electricity, primary energy sources (gas, coal, oil) and CO_2 allowances. This means that ETG is responsible for fuel procurement and logistics, emission allowance management as well as power station deployment planning and management of EnBW's generation portfolio.

For the sales function, it ensures that energy needs are covered. It trades on major regulated exchanges such as the EEX in Leipzig, Powernext in Paris and the International Commodity Exchange and the European Climate Exchange in London. In addition, ETG is also active in OTC (over-the-counter) trading with some 170 German and international partners. This entity also assumes the risk management function for market-related risks along the value added chain. These are, in particular, price and quantity risks relating to procurement and sales. In addition to supporting the operating business, ETG also trades on its own account, subject to strict regulations and limits.

EnBW is one of four transmission system operators in Germany. **EnBW Transportnetze AG (TNG)** is tasked with offering all market participants transparent and non-discriminatory terms for grid access and use. Customers and partners of this company include more than 200 electricity dealers and power station and distribution network operators. As part of grid management, TNG monitors and controls the grid, checks grid safety, balances capacity fluctuations and performs the work necessary to eliminate any disruptions. This entity's tasks include expanding and maintaining the grids. TNG's extra-high-voltage grid (380 kV and 220 kV) serves to transmit electricity over longer distances. Numerous points of connection are used to integrate the extra-high-voltage grid in the national and international network system and to connect it to large-scale power stations.

EnBW Regional AG (REG) is the largest distribution network operator in Baden-Württemberg where it distributes electricity through its own distribution grids. In this function, it is responsible, in the same way as TNG, for granting other companies transparent and non-discriminatory access to EnBW's grids and for reliable distribution of electricity. The grid users pay the transmission and distribution system operators a network user charge set by the Federal Network Agency with reference to an individual cap on revenue. EnBW's transmission and distribution grids have a total length of around 153,000 km. REG operates all grids and facilities on behalf of EnBW Gasnetz GmbH as grid operator. It also operates the gas-related facilities of EnBW Gas GmbH and is responsible for relations to municipalities as well as managing EnBW's franchise agreements and its business relations to municipal utilities in Baden-Württemberg. REG also provides grid-related services to municipalities and municipal utilities in Baden-Württemberg.

Within the distribution grid, 110 kV power lines are used to supply municipal utilities and industrial plants, while 30, 20 and 10 kV lines in the regional distribution grid are available to medium-sized customers. Domestic households, agricultural and commercial customers are supplied through the 0.4 kV network.

Network grid lengths of the EnBW group in km	2010	2009
Transmission grid		
Extra-high voltage 380 kV	1,993	1,999
Extra-high voltage 220 kV	1,681	1,829
Distribution grid		
High voltage 110 kV	8,542	9,813
Medium voltage 30/20/10 kV	44,555	48,560
Low voltage 0.4 kV	95,757	103,728

The sales function in the EnBW group was restructured in 2010 to provide even more market power. **EnBW Vertrieb GmbH (EVG)**, formerly EnBW Vertriebs- und Servicegesellschaft mbH, acts as the central sales company. EVG coordinates major sales activities within the group for all brands. The sales-related services provided by the former company, such as invoicing, receivables management, customer contact management and handling changes of provider, were transferred to a new entity, **EnBW Operations GmbH (EOG)**. All processing activities were concentrated at this new company, including those relating to the operation of measuring points and measuring services.

EnBW Vertrieb GmbH itself sells electricity, gas, district heating as well as water- and energy-related services for industrial, commercial and retail customers, municipal utilities and municipalities under the EnBW brand. The range of services to retail and business customers as well as municipalities focuses on Baden-Württemberg.

Watt Deutschland GmbH specialises in sales to the customer groups of SMEs and chains throughout Germany under the Watt brand. This company's portfolio of services extends to energy and system services. Under the Yello Strom brand, **Yello Strom GmbH** is responsible for national sales of electricity and other products (such as Yello Sparzähler online, an intelligent metering product) to retail and business customers. The new entity **NaturEnergie+ Deutschland GmbH** targets ecologically minded customers with products available throughout Germany. EnBW also has electricity sales operations through its shareholding in **Stadtwerke Düsseldorf AG**. In the south Baden region and Switzerland, the group's electricity sales operations are performed by **Energiedienst Holding AG** units.

Gas segment

In the gas segment, the EnBW group operates in the midstream and downstream stages of the value added chain. The midstream business includes import agreements, infrastructure, gas storage and trading and portfolio management. The downstream business covers gas transmission, distribution and sales.

Having its own import agreements and equity investments in the necessary infrastructure, **EnBW Gas Midstream GmbH** safeguards the EnBW group's access to gas in the medium to long term. Investments in LNG import terminals in north-western Europe and the underground storage of gas are under review. Back in 2007, EnBW secured long-term rights to use salt caverns in the Etzel region for a gas storage project. The storage facilities are scheduled to be commissioned in 2011. As EDF also has storage caverns in the Etzel region, EnBW and EDF have formed a 50:50 joint venture to exploit synergies. This joint venture is tasked with the construction and commercial operation of the above-ground facility. The storage facilities will be connected to the high-pressure grid via the 56 km pipeline in which EnBW and other renowned European gas companies have a stake.

The core responsibilities of **GasVersorgung Süddeutschland GmbH (GVS)** are the purchasing, sale, storage and transmission of gas. The gas trading function of the company supplies natural gas to municipal utilities, regional gas suppliers, industrial customers and power stations both in Germany and abroad. Its portfolio is supplemented by consulting and support, gas industry, technology and telecommunications services. The shareholders of GVS are EnBW and the Italian energy group Eni. At the end of 2010, GVS' high-pressure gas grid had a total length of some 2,000 km in Baden-Württemberg. The network operator function is performed by a wholly owned subsidiary of GVS, **GVS Netz GmbH**.

EnBW Gas GmbH operates in the field of gas supplies to retail customers in Baden-Württemberg and industrial customers throughout Germany. Furthermore, EnBW Gas GmbH operates its own storage facilities. The network operator function is performed by a wholly owned subsidiary, **EnBW Gasnetz GmbH**. The high, medium and low pressure grids of EnBW Gasnetz GmbH have a total length of some 4,500 km.

The supply territories of the downstream gas distribution companies within the EnBW group in Baden-Württemberg include the Stuttgart region, the Black Forest, the Swabian Alb, Lake Constance, north Baden and east Württemberg, among others. Through its equity investment in Stadtwerke Düsseldorf, the EnBW group also has gas distribution activities in the Düsseldorf region. In the fiscal year 2010, Watt Deutschland GmbH started gas sales to SMEs and chains throughout Germany. The EnBW group's grids have a total length of around 16,000 km.

Energy and environmental services segment

Through its energy and environmental services segment, the EnBW group provides grid and energy-related services (essentially contracting solutions), thermal and non-thermal waste disposal as well as water supply services.

EnBW Energy Solutions GmbH (ESG) provides contracting services along the entire value added chain: from the initial needs analysis, through planning, financing and implementation to the operation, servicing and maintenance of facilities at the customer. The company employs energy plants, (combined power and) heating plants and the media infrastructure for supplying various usable energies such as heat, steam, cooling and compressed air. In addition to modular plants such as combined power and heating plants, cooling and compressed air systems, ESG also provides complex systems for combined heat and power generation and overall solutions for industrial locations. ESG aims to safeguard the long-term supplies to customers with technically and economically optimised solutions tailored to individual needs. In 2010, all of EnBW's contracting activities in the B2B segment were brought together at ESG. This enables ESG to widen its focus from larger industrial customers to industrial SMEs, large commercial properties as well as municipalities and the housing industry. ESG's portfolio of services extends to a wide range of different technologies, fuels and sizes of facilities. ESG's contracting solutions contribute to its customers' competitiveness and a reduction in CO_2 emissions by means of efficient generation technology.

EnBW Systeme Infrastruktur Support GmbH provides extensive consulting and other services within the EnBW group. These include, for example, purchasing, human resources or accounting and tax services.

The EnBW group's activities in the field of waste disposal are operated by **EnBW Kraftwerke AG** and **Stadtwerke Düsseldorf AG** and their subsidiaries. At the residual waste CHP station in Stuttgart-Münster and the waste incineration plant of Stadtwerke Düsseldorf, EnBW has thermal disposal capacities of its own of around 870,000 t per annum. The area of water within the energy and environmental services segment is the responsibility of **EnBW Regional AG**. This includes, for example, water supplies to Stuttgart, the capital of Baden-Württemberg. In addition, water/waste water operations and the "LeakControl" water loss monitoring product are on offer throughout Baden-Württemberg. Engineering services are tasked to the wholly owned subsidiary **RBS wave GmbH**, which not only has operations in Baden-Württemberg but also in some areas of Hesse, Rhineland-Palatinate and Bavaria. The portfolio of network-related and other services in this segment includes, for example, maintenance work, renovation work as well as the construction of new operating resources of all kinds and at all voltage and pressure levels. Street lighting services include all those necessary to ensure proper illumination of public spaces. Its range of services includes complete solutions for the construction and operation of photovoltaic plants at a municipal level. Voice telephony, media and security technology and radio transmission services round off its portfolio.

EnBW AG

EnBW AG is listed on the General Standard segment of the Deutsche Börse stock exchange. One of the major shareholders is OEW Energie-Beteiligungs GmbH, which has a 45.01% shareholding. On 6 December 2010, NECKARPRI GmbH, Stuttgart, an entity wholly owned by the federal state of Baden-Württemberg, concluded a purchase agreement with EDFI for its shares totalling 45.01% in the capital stock of EnBW. As of the editorial deadline, the acquisition by NECKARPRI GmbH was still subject to approval by the anti-trust authorities.

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› Shareholder structure › p. 29

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

Management and supervision

Board of Management

As of 31 December 2010, the Board of Management of EnBW AG consists of three members who are jointly responsible for the management of the group. The Board of Management is responsible for increasing the value of the company in a sustainable way. Besides the responsibilities of the CEO, the tasks of the Board of Management are structured into the operations portfolio, personnel, law and IT portfolios, finance portfolio and technology portfolio. Dr. Rudolf Schulten resigned from his office as CFO of EnBW AG for health reasons in March 2010, following an absence of several months. The other members of the Board of Management have been managing the segments and group companies allocated to the finance portfolio on a temporary basis since December 2009. Chief Technical Officer Dr. Hans-Josef Zimmer resigned of his own volition from the Board of Management in July 2010 in order to permit an independent review of business activities in Russia. He has signed an agreement as a high-ranking manager with an extensive remit in the field of technology; the technology portfolio has temporarily been assigned to the CEO.

The CEO's tasks primarily pertain to strategic, investor relations, social, political and group-wide issues as well as any issues with a public-relations aspect. The CEO is responsible for the management and development of the group, top management issues, the development of the gas segment, internal auditing, corporate communications and representing the group's interests with regard to business, technology and energy policies. Group development covers the areas of group strategy and mergers and acquisitions in addition to the management of domestic and foreign equity investments. The area of brands and sales has been assigned to the operations portfolio in order to optimise the value added chain. The areas of media, group press activities and internal communications are the responsibility of corporate communications. The group's interests relating to business, technology and energy policy are promoted by representative offices in Brussels, Berlin and Stuttgart and through the coordination of association activities.

The finance portfolio manages and controls group-wide treasury activities and the associated central functions. The duties of this portfolio include group controlling, group finance and investor relations, accounting and taxes as well as group risk management, which includes group crisis management. In addition to the focal points of group planning and reporting, and controlling of the segments, companies and equity investments, group controlling is tasked with group-wide monitoring and implementation of the internal control system (ICS).

The Chief Operating Officer is responsible for the management and optimisation of the upstream and downstream activities in the sales, trading and grids segments. Energy-industry issues in the areas of portfolio management and market environment and the management of regulatory issues are similarly the responsibility of the operations portfolio. Furthermore, the COO is responsible for marketing activities. Contracting and the associated energy-related service activities have likewise been assigned to the operations portfolio.

The personnel, law and IT portfolio is in charge of the respective central functions relating to these areas as well the pertinent strategic issues. The Chief Personnel Officer is additionally responsible for dealing with the topics of compliance, materials management, industrial health and safety, data protection, property and knowledge management. He is also responsible for labour relations.

Responsibility for the generation of energy from conventional, nuclear and renewable sources as well as the development and extension of the necessary facilities has been allocated to the technology portfolio, which is responsible for managing the respective group companies. The technology portfolio further manages and coordinates the disposal segment, technical issues relating to the grids, the group's environmental protection, project development in the field of power station construction as well as the areas of research and innovation, in addition to international climate protection projects.

Supervisory Board

FURTHER INFORMATION
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The Supervisory Board at EnBW AG has 20 members with an equal number of members representing shareholders and employees in accordance with the German Co-determination Act (MitbestG). Three employee representatives are nominated by the ver.di trade union.

The Supervisory Board monitors and advises the Board of Management on the management of the company. 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 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 formed the following standing committees: a personnel committee, a finance and investment committee, an audit committee, a nomination committee and a mediation committee in accordance with Sec. 27 (3) MitbestG. The section "Corporate governance report" contains more details on the composition of the Supervisory Board and its committees.

FURTHER INFORMATION
Corporate governance
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Further details can be found in the declaration of compliance and corporate governance report which is available in the Investors section of our website (www.enbw.com/content/en/investors/corporate_governance/declaration_of_compliance/index.jsp).

Products, market and competition

The market and structure of competition

Energy suppliers in Europe can be divided into three main groups. The first group of companies is characterised by activities throughout Europe or even worldwide. These include EDF, Enel, E.ON or RWE, where operations are extremely diversified in a number of markets. Building on a strong position in their home markets, the companies in the second group aim to achieve growth in selected European markets. Alongside EnBW, the companies in this group include CEZ, DONG, EVN, Vattenfall or Verbund. The third segment consists of a number of regional and local companies that have a strong position on their limited markets (for example, Alpiq in Switzerland, Hera in Italy, MVV and Thüga in Germany).

Competitive position of EnBW

Generation of electricity: In the area of electricity generation, EnBW is one of the ten largest companies in Europe. In terms of installed generation capacity as of the end of the fiscal year 2009, the group takes eighth place in a European comparison. France's EDF has by far the largest generation capacities. In Germany, EnBW is number three in electricity generation, after E.ON and RWE. Together with EDF, EnBW has a total generation capacity of around 15 billion kWh in Poland, roughly 10% of electricity generation in that country. Through an equity investment in Hungary, EnBW holds a shareholding of around 22% in a brown coal power station covering around 15% of domestic energy demand. Since 2009, EnBW has been pursuing its objective of expanding its generation in Turkey, in the area of renewable energies in particular, as part of a joint venture.

Regulatory area of the grids: In Germany, EnBW is one of four transmission system operators. It has various distribution networks in Baden-Württemberg. EnBW's electricity distribution network has a total length of around 149,000 km; the combined length of all of EnBW's high, medium and low pressure gas grids comes to around 16,000 km.

Electricity sales: In terms of the number of customers and unit sales, the EnBW group is the third largest electricity supplier in Germany. In its home market of Baden-Württemberg, EnBW is the market leader in the B2B and B2C customer groups. Stadtwerke Düsseldorf, in which EnBW has an equity investment, has a large share of the market in the Düsseldorf region. The market leader among electricity suppliers without a network of their own, our national sale brand Yello Strom is one of the largest German electricity companies with some 1.1 million customers. PRE, in which EnBW holds an overall equity interest of just under 70%, is the third largest electricity supply company on the Czech market with around 745,000 customers. Energiedienst Holding, in which EnBW has a shareholding of just over 80%, supplies more than 750,000 people in Switzerland and south Baden with electricity and grid-related services.

Gas: The extension of the value added chain is intended to make a contribution to reinforcing the group's market position in the gas segment. EnBW has an established position in gas sales in its home market of Baden-Württemberg, also operating throughout Germany. Around two thirds of the towns and municipalities in Baden-Württemberg are supplied with natural gas through GVS's high-pressure grid. As is the case with electricity sales, Stadtwerke Düsseldorf achieves a large market share of gas sales in that region. For example, this company serves some 450 natural gas customers in the B2B segment and around 120,000 natural gas customers in the B2C segment.

Energy and environmental services: In terms of revenue, EnBW is one of the largest companies in the field of energy and environmental services in Germany. The group is one of the leaders in the market for contracting services with ESG heading the German market especially in the area of industrial contracting. The EnBW group is one of the market leaders in Baden-Württemberg in the field of thermal waste disposal. Stadtwerke Düsseldorf is similarly the market leader in this segment in the Düsseldorf region. With a market share of 6.7% in the field of water supplies in Baden-Württemberg, EnBW Regional AG (REG) is the largest water supplier in the federal state. In addition, REG is one of the leading providers of grid-related services in Baden-Württemberg, with a focus on the electricity sector.

Products and competition

With regard to the sale of its products and services EnBW pursues a multi-brand strategy. Marketing for all brands is directed by the central sales company, EnBW Vertrieb GmbH.

Electricity

In the fiscal year 2010 competition on the German electricity market remained keen. Additional competitors, also companies from other industries, increasingly entered the market adding to the competition for retail customers which is subject to aggressive pricing. This was also reflected in the increase in the cumulative rate of changes in provider. For example, the share of customers who have changed provider at least once increased over the period from October 2009 to September 2010 from 20.7% to 21.7%, according to statistics from the German Energy and Water Association (BDEW). On account of the fiercer competition, EnBW faced minor customer losses in Baden-Württemberg but nevertheless succeeded in defending its good market position. In contrast to many of its competitors, EnBW positions itself on the market with brands providing high standards of customer service, attractive customer loyalty programmes and innovative products relating to the topics of energy efficiency and management. To name just a few aspects, EnBW and Yello began providing customers with new overall solutions relating to the areas of electromobility, photovoltaics and heat pumps in 2010. The interlinking of state-of-the-art systems, smart metering technology and tailored pricing models form the foundation of EnBW's vision of the smart home. At the end of 2008, Yello was the first electricity company to provide an intelligent meter throughout Germany – following the lead of EnBW in Baden-Württemberg. On the basis of the intelligent meter, Yello launched the Yello Solar photovoltaic product in the test regions of North Rhine-Westphalia, Rhineland-Palatinate and Lower Saxony in 2010. Even Yello suffered customer losses on account of the intense competition. Yello achieves a prompted brand awareness of 96% (preliminary estimate).

As a response to the growing interest in green electricity, a new product was launched nationwide in September 2010 under the NaturEnergie+ brand. EnBW Vertrieb GmbH and Energiedienst have formed a 50:50 joint venture for this purpose. The market potential is estimated to be around three million customers. As in prior years, EnBW's customer service has received awards from independent organisations. In a survey of customer friendliness of the internet customer interface, EnBW reached third place of 100 electricity companies. TÜV Süd once again certified our customer service. The consumer portal Verivox named Yello for being the "most customer friendly electricity supplier" for the fifth time in 2010.

The intense competition for B2B customers continued in 2010. In addition, the willingness among industrial customers to change provider is generally greater than other customer groups. The market is served by the major German energy suppliers, foreign and regional providers. Municipal utilities are increasingly joining the latter group. As a consequence, EnBW lost customers in Baden-Württemberg and the rest of Germany. In order to confront the competition, EnBW has expanded its range of trading-related electricity products. The company relies on a high level of quality in its consulting and support services within customer relations. In addition, activities such as "EnBW energy efficiency networks" create direct added value for customers. This model has, since its inception, expanded through a franchise system managed by the subsidiary EnBW EnergyWatchers GmbH.

Gas

The gas market was characterised by ever increasing competition in the fiscal year 2010. For example, retail customers in the Stuttgart region can, in the meantime, choose from more than 60 suppliers, compared to just 30 providers the year before. The number of changes in provider throughout Germany increased from 10.9% at the end of 2009 to 11.9% in September 2010 (BDEW). In the retail customer segment, gas is also competing with other fuels, to which EnBW is responding by offering convincing quality. In a survey performed by Verivox, the winner EnBW was considered to be "very good" in terms of quality of service. The EnBW natural gas product came first in a test performed by the check24.de portal in 2010.

EnBW Gas GmbH defended its market position against the competition for industrial and retail customers in the Stuttgart region. One of the success factors employed was the introduction of more individual products geared to the prevailing market conditions. This included introducing the bio natural gas product, which is produced in our own facilities. In addition, EnBW Gas GmbH demonstrates its commitment to launching new technologies on the market by testing them in cooperation with manufacturers and pioneering customers. For instance, the first micro gas turbine equipment for combined heat and power generation for domestic purposes has been installed. EnBW Gas GmbH also promotes environmental protection. Converting business and industrial customers' oil heating systems to gas means that CO_2 emissions are reduced. These reductions are certified and then distributed to the customers in the form of a CO_2 savings bonus. This project has been approved by the German Emissions Trading Authority. Competition for individual customers is compounded by moves on the part of municipalities towards greater independence. For EnBW Gas GmbH, this means finding solutions that ensure that there is a value added for the EnBW group even when franchises change. This can be achieved through technical or commercial services. The grid leasing model offers attractive solutions for municipalities, thus strengthening EnBW's position in the competition for franchises. The first lease agreements for third-party grids were concluded in 2010.

The number of competitors in the field of natural gas increased significantly in North Rhine-Westphalia over the course of 2010. Successful sales activities permitted Stadtwerke Düsseldorf to defend the high market share of its home market. New customers were won outside of its home market, although 2010 saw a minor net loss of customers. It is anticipated that competition will remain intense in the next few years.

Watt Deutschland successfully entered the gas market in February 2010. In its function as gas supplier, it is able to supply customers in all H and L gas market territories throughout Germany. Watt Deutschland focuses on the segments SMEs and chains. For supplies in the years 2010 through 2013, it has already agreed a quantity of 1 billion kWh involving more than 3,400 supply locations. The company cooperates with EWE in the chains customer segment.

The market environment in which GVS operates is characterised by intensifying competition combined with palpable pressure on prices and margins. This was the result of an increase in the quantity of gas being extracted while demand remained moderate. There was also a significant difference between the prices prevailing at liquid trading places for spot quantities and prices stipulated in long-term oil-linked procurement agreements. This has encouraged customers to use more than one supplier. Wholesalers such as GVS have to revamp their business model. GVS is positioning itself on the market as a reliable and high-performing supplier of natural gas with flexible supply models. The use of a wide range of procurement options, innovative product packaging and active portfolio management as well as good customer relations provides a competitive edge. With regard to renewable energies, GVS has successfully established itself in the field of bio natural gas throughout Germany.

Energy and environmental services

The market for contracting services continued to develop in the fiscal year 2010. The main driving factors were the increasing importance of profitable energy concepts and expanding local generation. Major energy supply companies are increasingly moving their contracting activities to entities in their own groups. Smaller market participants from the plant engineering and heating system sector are expanding their range of services to include energy efficiency concepts. Overall, the market is exhibiting signs of consolidation.

In the area of disposal, EnBW focuses on 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), which enables the group to ensure reliable disposal services for its municipal partners. The two large-scale residual waste CHP plants in Stuttgart and Düsseldorf are indispensable elements in the district heating supplies in these two state capitals. On the basis of simultaneous generation of electricity and district heating (combined power and heat generation), these plants make a contribution to climate-friendly supplies of energy. The activities relating to thermal waste management are based on long-term contracts with districts and towns in Baden-Württemberg and North Rhine-Westphalia. The market position remained stable in both regions over 2010.

Through REG, EnBW reinforced its position on the market for water and waste water management operators in Baden-Württemberg in 2010. Within the Stuttgart network territory, unit sales of potable water to customers totalled 38 million m^3 as in the prior year. Providing a virtually interruption-free supply and a high level of operating expenses as well as investments in excess of € 10 million into the network and facilities, EnBW demonstrated in 2010 that it is the most suitable partner for supplying water to the capital of Baden-Württemberg and will remain so in the future. REG is a reliable service partner for municipalities and special purpose associations also outside of Stuttgart. In this area, most recent research and development work relating to increasing energy efficiency in water supplies is applied to implement measures on site that contribute to keeping CO_2 emissions and operating costs to a minimum. Our "LeakControl" water loss monitoring system is firmly established on the market with more than 100 units installed in Baden-Württemberg. The advantages of the system that can be used to identify and locate leaks more quickly and significantly lower water losses can be seen from the annual consumption of individual users. REG's subsidiary RBS wave GmbH maintained its position on the market in the field of engineering services for water and waste water. The development and sale of intelligent products (LeakControl, remote monitoring of cathode protection equipment) is enabling RBS wave to demonstrate its expertise in a wider range of fields.

Business in the field of grid-related services developed positively in 2010. Overall, REG is anchored firmly in the market for grid services for all voltage levels and is widely recognised as a competent partner. The demand for photovoltaic systems remains high. This is reflected in an increase in unit sales and revenue from the EnBW Trafoservice product in comparison to 2009. The ongoing development of the portfolio for grid-related services for street lighting means that REG is already well equipped for the emerging demand for services in this area.

Corporate strategy and value-based management

We want to remain one of the ten largest energy companies in Europe in the long term. Our five strategic moves point us in the right direction for sustainable and efficient growth. The financial stability of the group is a guiding principle. We use the concept of value added to manage the group.

Objectives and strategy

EnBW stands for progress and competition on the energy market to the benefit of the customer. EnBW is the third largest energy company in Germany, and is one of the ten largest in the industry at a European level. We intend to reinforce and expand this position. The financial stability of the group is of key importance in this respect. Our objective is to maintain the group's A rating.

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

On the basis of our sharpened business model, the EnBW group is an integrated supply company in Germany and the Czech Republic. In selected foreign markets, focused growth centres on activities in the areas of renewable energy as well as energy management and efficiency. All business processes are accompanied by firmly rooted cost consciousness. Our five strategic moves aim to strengthen and expand EnBW's position on the aforementioned markets along the value added chain. Correspondingly, EnBW began increasing its investment volume in recent years as the keystone for long-term growth. The budgeting originally provided for gross investments of € 7.9 billion for the period from 2010 to 2012. The nuclear fuel rod tax and the fund to promote renewable energies in particular will give rise to heavy financial burdens for EnBW over the next few years, however. In light of this, we have decided to make adjustments to our strategy and to scale back the investment programme for the period from 2011 to 2013. The gross investment volume will accordingly total € 5.1 billion over the aforementioned period. We have made the following adjustments to EnBW's strategic moves:

- **Developing generation capacity:** As of 31 December 2010, EnBW had generation capacities of 15,498 MW. We intend to maintain generation capacities between 14,000 MW and 15,000 MW in the long term. The agreed extension of the working lives by an average of twelve years for German nuclear power plants will have a positive impact in this respect. With regard to developing generation facilities we intend to extend our portfolio to include flexible capacities such as those from pump storage. The funds available will be used to complete facilities on which work has already started, such as the state-of-the-art RDK 8 and GKM 9 hard coal power stations. In addition, new requirements relating to the extension of the working lives of

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nuclear power plants give rise to maintenance work. We are further investing in expanding renewable energies as we intend to increase their portion in our generation portfolio to around 20% by 2020. As of year-end 2010, this figure stood at 10.5%. The technological focus is on hydro-electric, onshore/offshore wind farms and biomass. We plan to complete the extension of Rheinfelden run-of-the-river power station by the end of 2011. Construction work on EnBW Baltic 1 wind farm, which has an output of 48 MW, came to a successful conclusion at the end of 2010. Further wind farms are under construction or at the planning stage. In this context, we will increasingly turn to external partners to help finance the high levels of investment. We intend to invest a total of around € 2.6 billion in the development of generation facilities over the period from 2011 to 2013.

- **Expanding gas business:** In the field of gas we continue to pursue the objective of strengthening the midstream segment in order to profit from the growth in cross-border transmission and the increasing liquidity of the gas markets. One of the focal points is on implementing the business model as commercial optimiser. Following the model in the electricity segment, procurement and sales will be controlled by trading on the wholesale market. Long-term procurement agreements, access to transmission capacities (pipeline and LNG) and the construction of gas storage facilities such as those in Etzel are central to the expansion of our asset portfolio. We are reviewing various possibilities with regard to our option to the shares in VNG.
- **Core market Germany, selective growth abroad:** Maintaining the value of our grids is a material aspect of our activities in Germany. EnBW traditionally has strong roots in Baden-Württemberg and is present throughout the state. A regional strategy has been developed with a view to cooperating even more closely with municipalities and municipal utilities and to develop joint projects in the future. As part of the regionalisation concept, we plan to win new municipalities as customers for established business activities. These include, for example, the construction of biomass, wind power or photovoltaic systems. One further aspect is the involvement of municipalities and municipal utilities as investment partners in construction projects, as is already the case with EnBW Baltic 1 wind farm. EnBW and EWE Aktiengesellschaft are reviewing how the regional strategy can be extended to northern Germany. We have strengthened our position in the Czech Republic by increasing our equity investment in PRE to just under 70%. We intend to make PRE, which holds third position on this market, into an integrated supply company. Our joint venture in Turkey has 110 MW of wind and hydro-electric power under construction or already in operation. We see a favourable opportunity for Energiedienst Holding to expand its generation capacities in Switzerland on the basis of renewable energies. With its strong position on the Swiss market, Energiedienst Holding provides an opportunity to acquire new customers and to significantly increase the share of business in Switzerland over the next few years.
- **Establishing new fields of business:** EnBW is more than just a run-of-the-mill energy supplier, offering its customers comprehensive solutions in the areas of energy, supply and disposal. In addition to electricity and gas, we are expanding our activities in the field of heating and reinforcing the energy and environmental services segment. Contracting services play a key role in this respect. We set ourselves apart as an energy manager and support our customers in energy efficiency issues. The intelligent electricity meter is the centrepiece of our smart home approach, to which we added a series of electromobility products, solar equipment and heat pumps in 2010. We are going to invest a further € 0.4 billion in expanding new fields of business by 2013.
- **Optimising processes and exploiting synergies:** We have exploited joint synergies in various efficiency programmes, including some in cooperation with our industrial partners over the past fiscal year. In addition to existing programmes, we launched the “Fokus” efficiency programme at the beginning of October 2010. The total volume is expected to reach a sustainable level of € 300 million per annum as of 2013.

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EnBW’s business operations can be broken down by products and services, stages in the value added chain and regional criteria. We want to use our strategic moves to increase the diversification of the business portfolio. This enables us to benefit from the specific advantages of the respective markets and reduce our dependency on individual activities. In order to safeguard the financial stability of the group, the group’s investment programme also includes divestitures. In accordance with this policy, GESO and its subsidiaries were sold in 2010 for € 0.8 billion. A planned sale of EVN shares was cancelled on account of the market environment. There are plans to carry out divestitures of € 1.8 billion by 2013.

Value-based management system

EnBW's value-based management system revolves around the concept of value added. This shows how the company's value develops from a financial perspective. The underlying principle of value added is that the company's value is increasing when the return on capital employed (ROCE) is greater than the interest required for this capital. This difference is multiplied by the capital employed, which includes all assets from the operating business, to give the value added. A ROCE that is higher than the weighted average cost of capital (WACC) means that the value added is positive.

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$$\text{Value added} = (\text{ROCE} - \text{WACC}) \times \text{Capital employed}$$

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

The return on capital employed is calculated from the ratio of adjusted EBIT, including investment result, to the capital employed. Adjusted EBIT is a measure of EnBW's operating and sustainable performance and is adjusted for non-operating effects. We take the investment result into consideration as equity investments are an integral part of the business model. Adjusted EBIT is a pre-tax figure which means that investment is likewise converted to a pre-tax figure. All assets from the operating business are classified as capital employed. Non-interest-bearing capital, such as trade payables, is deducted. While adjusted EBIT including investment result, is a figure that relates to a period of time, capital employed is calculated as of a specific cut-off date. Capital employed is calculated as the average of the opening value and closing value for the year as well as the three quarters. The difference between ROCE and weighted average cost of capital (WACC), which is based on weighted interest payable on equity and debit capital, multiplied by capital employed, then equals the generated value added.

Value added acts as the basis for EnBW's strategic decision-making and operational measures. A positive value added contribution by the respective project over the entire period under review is the key factor in investment and business decisions. The various business activities of the EnBW group have different risk profiles. Each project is correspondingly based on risk-adjusted costs of capital.

There are various factors that influence value added. Until 2009, ROCE continually increased over a period of five years on the back of positive operational developments. Value added also grew over this period. In 2009 and 2010, we significantly expanded the volume of investment. Capital expenditures significantly increase the capital employed in the following years, while the same capital expenditures affect income over a protracted period of time, often long after they are made. This is especially true of capital expenditure on property, plant and equipment relating to the construction of new power stations which do not have any positive effect on the group's operating results until after they are put into operation, while the generation facilities are already taken into account in capital employed during the construction period. In a comparison of individual years, the development of ROCE and value added is to a certain extent of a cyclical nature, depending on volume of capital expenditure. This effect was apparent in 2010. EnBW has not changed the method used to establish the value added; capital expenditure is immediately allocated to capital employed. We pursue the objective of sustainably increasing the value of the company in the long term. Annual fluctuations within the investment cycle are of secondary importance.

Adjusted EBIT and the dynamic leverage ratio are key performance indicators alongside value added. With a view to safeguarding the A rating, the dynamic leverage ratio should not exceed a threshold value of 3.5.

$$\text{Dynamic leverage ratio} = \frac{\text{Adjusted net debt}}{\text{Adjusted EBITDA}}$$

Economic and political environment

Energy consumption started to increase in Germany in the wake of the economic recovery in 2010. The federal government's energy concept and the nuclear fuel rod tax were political decisions made in 2010 that will have a considerable impact on subsequent years.

General conditions

EnBW's business is influenced by various external factors. The most important variables include developments in the general economic, political and regulatory environment in addition to the price situation on the markets for electricity, fuels and CO_2 allowances.

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Phases of strong growth or contraction in the economy have a significant impact on demand for electricity and gas. This was clearly reflected in the economic slump in 2009 and the recovery increasingly evident in Germany and Europe in 2010. Consumption by private households, on the other hand, is generally independent of the economic cycle. In addition, weather conditions play an important role in gas sales.

Political decisions both at European and national level have a deep impact on the energy supply industry. Politically motivated intervention is guided by the introduction of market and competition related rules and the socio-political intent to limit climate change and to promote environmental protection. Correspondingly, there was a great deal of activity at a political and regulatory level in recent years that has led to extensive legislative projects in the energy segment. As a consequence, EnBW is faced with constantly changing requirements. We seek to adapt to the changing environment as far as possible with flexible and long-term solutions.

Prices on the markets for electricity, fuels and CO_2 allowances have an impact on EnBW's business, both in terms of cost and revenue. The variable costs of electricity production from EnBW's power stations depend on the prices of primary energy sources and CO_2 allowances. At the same time, these prices constitute a decisive factor impacting the electricity price on the wholesale market. The required quantity of CO_2 allowances is one of the other factors in electricity production: They have to be tracked under the European emissions trading system to ensure that they match the actual volume of emissions. Alongside fuel and CO_2 allowances, constantly increasing supplies from renewable energies have an ever greater influence on the wholesale market. The profitability of each individual EnBW power station varies with the price levels on the wholesale markets.

EnBW strives to reduce the uncertainties for the generation margin arising from developments in the price of primary energy sources, CO_2 allowances and electricity on the wholesale markets. EnBW uses the forward market to procure the quantities of primary energy sources and CO_2 emission allowances required for electricity generation and the scheduled electricity production is sold at the same time. The conditions agreed in the supply contracts concluded in previous years have a significant impact on costs and revenue in 2010. This means that prices seen in the fiscal year 2010 will mainly have an effect on the results of subsequent periods. The same applies to the quantities of electricity procured by the sales function on the forward market.

Economic environment

Overall economic developments

According to estimates by the International Monetary Fund (IMF), global economic output in 2010 grew significantly by 4.8% in comparison to 2009. In the prior year, it contracted by 0.6% still as a consequence of the economic and financial crisis. The primary driving forces behind the growth in 2010 were the rapidly growing emerging economies such as Brazil, China and India. Generally speaking, economies developed quite differently worldwide. In addition, it has become apparent that the upswing slowed in the second half of 2010.

In the case of Europe, the European Commission expects economic output to have grown by 1.7% in the euro area in 2010, which is lagging significantly behind the growth in the global economy. In addition, the 4.1% drop in gross domestic product (GDP) calculated by Eurostat for 2009 was a much higher figure. The countries in central and eastern Europe saw better developments in 2010, according to estimates by the IMF. Following a fall of 3.6% in the prior year, these economies are said to have grown by 3.7% in 2010. According to preliminary estimates, the GDP of the Czech Republic grew by 2.0% (2009: –4.1%). IMF estimates reveal that a considerable growth impetus reached Turkey in 2010. The Turkish economy saw growth of 7.8% in comparison to 2009 (2009: –4.7%).

The German economy grew strongly in 2010. According to estimates published by the Federal Statistical Office, GDP increased by 3.6% in 2010 following the fall of 4.7% in economic output in the prior year in comparison to 2008. According to estimates by the German Institute for Economic Research (DIW), the engine for growth was industry, which probably grew by some 8% in 2010, following a drop in excess of 16% in the prior year.

Energy consumption

In line with the significant increase in economic output in Germany, energy consumption also rose considerably in 2010 according to statistics provided by the German Energy and Water Association (BDEW). Electricity consumption over the period from January to October 2010 exceeded the prior-year figure by 4%, coming to 422 billion kWh. Over the same period, consumption of natural gas increased by some 6% to 914.6 billion kWh (source: Federal Office of Economics and Export Control (BAFA)). In the prior year, it was specifically the decline in industrial production that had brought about significantly lower figures (electricity: 406 billion kWh, gas: 860.8 billion kWh, January to October in each case).

Electricity generation and exports

In light of the higher level of consumption, Germany saw an increase in net electricity generation[1] in 2010. Adjusted for seasonal effects, electricity generation over the period from January to October 2010 totalled 364 billion kWh, i.e., 4.7% higher than in the prior year (source: BDEW, preliminary data). Over the period from January to October, the net export surplus increased to 12.2 billion kWh, after 7.5 billion kWh in the comparable prior-year period (source: BDEW, preliminary data).

Nuclear power and brown coal have been two of the most important sources of energy in Germany for many years now. Generation capacity from renewable energies continued to grow in 2010. The quantity of renewable energies fed in under the German Renewable Energies Act (EEG) increased in comparison to the prior year by just under 27% to 95.1 billion kWh (preliminary forecast, source: IE Leipzig).

Gas procurement

Long-term procurement agreements form the basis for the greater part of supplies in Germany. Of these quantities, 38% originated from Russia in 2009 (2008: 44%), 37% from Norway (2008: 33%) and 20% from the Netherlands (2008: 19%). The share of domestic production comes to 13% of total demand (2009) but is in decline, which underlines Germany and western Europe's increasing dependency on imports. Pipelines are the most important means of transmission. As an alternative, importing liquefied natural gas (LNG) will open up access to producing countries that are not linked by pipeline to the European market. This alternative means of procurement is increasingly gaining in importance in Europe as new import terminals go into operation.

[1] Electricity generation less the power stations' own needs. Does not include electricity generated by industry, railways and private individuals.

Price development of primary energy sources, CO_2 allowances and electricity

In the wake of the economic recovery, the 2010 spot market prices of oil, coal, natural gas, CO_2 allowances and electricity were at times significantly above the levels prevailing in 2009. The increase was smaller on the forward markets for deliveries in 2011, the quotations for electricity and natural gas even averaged below prior-year figures. The prices on spot and forward markets are still a long way from the highs seen prior to the crisis in 2008.

Oil market: In the fiscal year 2010, the average price of one barrel (159 l) of Brent oil stood at US$ 80.34 for short-term deliveries (front month). This constitutes an increase of 28% on the prior year. In 2009, the price level was marked by the global financial crisis, particularly in the first half of the year. In February 2009, the oil price fell to a low of US$ 39.55 per barrel. As of October 2009, the ensuing period of recovery turned into a volatile sideward movement that continued for most of 2010. Quotations broke out of the clearly defined price corridor in April/May 2010. The prices for the front month and the front year 2011 reached highs of US$ 88.94/bbl and US$ 94.72/bbl. Following a fall in prices, quotations started to rise again in the fourth quarter of 2010. As of the end of 2010, oil prices closed at US$ 94.75/bbl (front month) and US$ 92.00/bbl (front year). The price of oil deliveries in 2011 averaged 13% higher than the level of 2009. The price developments observed in 2010 reflected economic developments in particular. The price increase in April/May arose from expectations of higher demand for oil. These expectations were triggered by the positive development of early indicators, Chinese economic data and more optimistic forecasts for global growth. Uncertainties regarding the global economic recovery and the associated demand for oil then led to another drop in prices. The fact that US economic recovery failed to transpire and conflicting signals about global economic development gave rise to further price fluctuations. For all of 2010, there was a good supply situation. Oil stockpiles in OECD countries reached a record level at the end of the third quarter which meant that geopolitical factors such as the unstable situation in Nigeria that tend to drive prices were virtually left out of the equation. The price rise in 2010 was linked to an inflow of speculative capital and positive expectations as to the development of the global economy.

Coal market: In the first half of 2010, coal prices for deliveries to the ARA ports (Amsterdam, Rotterdam, Antwerp) proved to be very volatile. Quotations on the spot and forward markets fell to their annual lows of US$ 71.71/t and US$ 85.51/t, respectively, by mid-March. This was followed by rising quotations, however, in light of higher import demand from Asia and rising electricity and gas prices in Europe. Higher prices on the coke market that also impacted the market for boiler coal added to the upward pressure on prices. In addition, prices on the spot market were driven by a rise in transport costs. From July 2010 onwards, there was a stable sideward movement with a trend towards rising prices in the fourth quarter. The lower imports of boiler coal by China and weaker demand in India were offset by higher demand in Europe triggered by economic growth there picking up speed. The rise in prices was related to low temperatures in China and Europe and heavy rainfall in coal exporting countries such as Indonesia, Australia and Columbia. As of year-end, prices came to US$ 128.83/t (front month) and US$ 122.22/t (front year). In 2010, the price for short-term deliveries averaged 31.4 % higher than the figure prevailing in 2009. Quotations for delivery in 2011 saw a slight increase of 4.7 % on the prior year.

Price development on the oil and coal markets	Average 2010	Average 2009	Average 2008
Crude oil (Brent) front month (daily quotes in US$/bbl)	80.34	62.67	98.52
Crude oil (Brent) annual price 2011 (daily quotes in US$/bbl)	84.04	74.49	103.04
Coal – weekly index for short-term delivery (API #2 Index) in US$/t	92.50	70.41	147.74
Coal – API #2 Y2011 in US$/t	99.38	94.91	134.05

Gas market: Long-term gas import agreements form the basis of gas supplies in Germany. Prices essentially track the oil price with a time lapse of around six months. Correspondingly, the border price index for natural gas compiled by the Federal Office of Economics and Export Control (BAFA) fell by around 20% between January and October 2010 to € 22.24/MWh.

The wholesale markets are another source of natural gas. The Dutch Title Transfer Facility (TTF) and the trading point of the NetConnect Germany (NCG) market territory are currently the most liquid of the Continental European markets. The prices on the spot market of the TTF stood at € 17.38/MWh in 2010, up around 43% on average compared to 2009. The 2010 price level was marked by a return to higher industrial demand on account of the economic recovery, while the supply situation remained good. The prices for short-term delivery increased in the second quarter in particular, reaching just under € 22/MWh in July. This development was buoyed by the positive economic forecasts and higher demand from the storage market, which needed to replenish relatively depleted stockpiles after a cold winter. In addition, the quantities in excess of needs from long-term procurement agreements on the spot market were on the whole smaller in summer 2010 than in the prior year. A brief period of weakness at the beginning of the third quarter of 2010 was followed by a virtually constant spot price on the TTF with trading remaining quiet. As of 31 December 2010, the spot price stood at € 24.50/MWh. This means that over the course of 2010, the price on the spot market once again moved closer to the quotations for long-term gas import agreements that are indexed to the price of oil. In the 2010 trading period, contracts for deliveries in 2011 were traded on the forward market at an average of € 19.42/MWh. This constitutes a decrease of 11% in comparison to the prior year. Prices saw a sideward movement from mid-2009 into the first quarter of 2010. In the second quarter there was a significant recovery to just under € 23/MWh at the end of June. As on the spot market, a repeat of the price decline at the beginning of the third quarter was followed by a sideward movement. This is attributable to a good supply situation supported by regular supplies of LNG. As of 31 December 2010, the price for deliveries in 2011 stood at € 23.42/MWh.

Development of prices for natural gas on the TTF (Dutch wholesale market) in €/MWh	Average 2010	Average 2009	Average 2008
Spot	17.38	12.14	25.00
Delivery 2011	19.42	21.79	30.86

CO_2 emission allowances: The price for emission allowances (EU Allowance, EUA) for delivery in 2010 (EUA-10) averaged € 14.48/t of CO_2 in the fiscal year 2010, following the € 13.77/t of CO_2 prevailing in the prior year. In the first quarter of 2010, prices remained within a narrow price range from around € 12.50/t of CO_2 to around € 13.50/t of CO_2, before rising to over € 16/t of CO_2 in May. Once uncertainties regarding the volume of emissions had been eliminated following the publication of the verified 2009 emissions, price-raising factors got the upper hand. These factors included positive expectations regarding the economy, rising fuel switching costs (triggered by rising gas prices in Europe) and additional factors driving demand for allowances for the subsequent third trading period. For the remainder of the year, prices were characterised by a volatile sideward movement around the € 15/t of CO_2 mark.

To a certain extent, companies can cover part of their emissions with allowances from projects to reduce emissions in emerging and developing countries (Certified Emission Reductions – CER). As these projects involve higher risks and can only be used up to a specified limit, the prices of CER-10 allowances are always below those of EUA allowances. Over the first half of 2010, the price of CER-10 allowances generally tracked the price of EUA-10 allowances. Prices rose significantly around mid-August 2010. This was caused by the suspension of the issue of allowances for disputed projects (HFC 23) which make up 50% of all CER allowances. Prices fell significantly again in the fourth quarter. The average price of CER allowances in 2010 was € 12.56/t of CO_2, up 7% on 2009.

Development of prices for emission allowances/ daily quotes in €/CO_2	Average 2010	Average 2009	Average 2008
EUA-10	14.48	13.77	23.88
CER-10	12.56	11.73	13.65

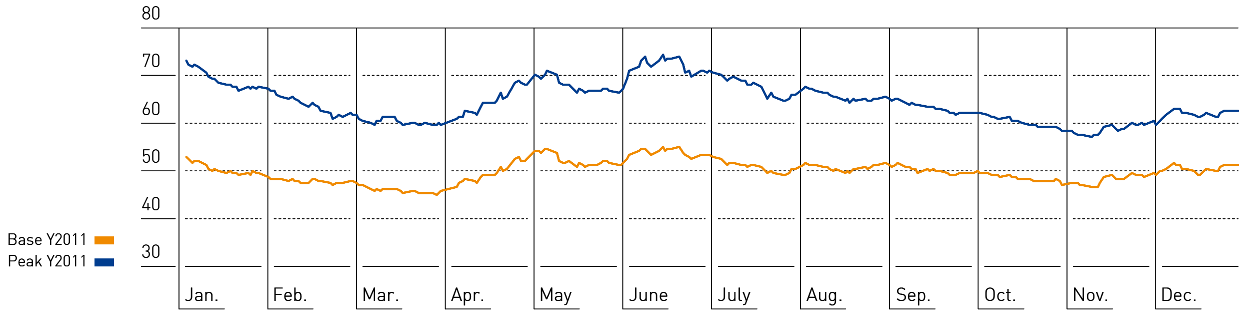
Electricity market: The price for immediate delivery of electricity (base load product) on the spot market of the European Energy Exchange (EEX) averaged € 44.49/MWh in 2010, an increase of 14.5% in comparison to the prior-year figure. This development was the result of increased demand in the wake of economic recovery and higher spot market prices for primary energy sources and CO_2 allowances than in 2009.

The development of prices on the forward market in 2010 reflected that of fuel and CO_2 quotations. In addition, the increase in the rate of construction of photovoltaic facilities and the decision to extend the working life of German nuclear power plants pushed prices downwards. There was a slight downward movement in the prices of base and peak products for 2011.

Development of electricity prices on the forward market (EEX)

Daily quotes in €/MWh

Source: EEX



Electricity and gas prices for retail and industrial customers

BDEW statistics reveal that in 2010 an average household with an annual consumption of 3,500 kWh paid an average of € 69.10 a month for its electricity (as of August 2010). The prior-year figure was € 67.70. Most of this increase can be attributed to costs arising from state measures, which increased from € 26.53 to € 28.57. This share increased as of 1 January 2010 and again as of 1 January 2011 on account of the EEG cost allocations to promote renewable energies. Following the logic behind the law, the related costs will be passed on to consumers through price rises.

According to BDEW statistics, the price of electricity for industrial customers (including electricity tax) averaged 11.72 ct/kWh. In comparison to 2009 (11.40 ct/kWh), there was a similar increase as a result of higher taxes, levies and cost allocations.

According to the German Federal Statistical Office, the price of gas paid by retail customers over the period from January to September 2010 fell significantly in comparison to the same period of the prior year. The price decline that had already begun at the beginning of 2009 was most marked with a drop of 20% in January 2010. The markdowns on the prior year decreased over the following months. October was the first month in 2010 that saw a slight increase in price (0.8%) on the same month of the prior year. Natural gas prices thus tracked the development of oil prices with a time lapse.

Political and regulatory environment

European energy policy

The groundbreaking legislation at European level included the climate package ("green package") passed in April 2009 and the third energy liberalisation package approved in June 2009. The climate package contains regulations on reductions in greenhouse gas emissions, on emissions trading, renewable energies and carbon dioxide capture and storage (CCS).

With regard to emissions trading, all CO_2 allowances for the energy industry will be auctioned as of the third trading period from 2013 onwards. This gives rise to additional costs for energy companies depending on the share of CO_2-based energy generation in their own portfolio of power stations and imposes fundamentally higher costs on fossil-fuelled generation. The CO_2 emissions of EnBW's portfolio of power stations are currently below the German average, which means a comparatively small amount of allowances will be needed as of 2013. In order to slightly reduce the quantity of allowances that we have to procure, we additionally strive to generate CO_2 allowances through international climate protection projects. The focus of the third energy liberalisation package is on alternatives to ownership unbundling of the transmission grids. Germany has not yet transposed either package into national law. Nevertheless, two of the four transmission system operators in Germany, E.ON and Vattenfall, have sold their transmission grids in the meantime. EnBW advocates ownership of the transmission networks remaining with the group. A large number of consultations took place in 2010 to discuss future measures with regard to European energy policy. The emphasis in this context is increasingly on issues relating to grid infrastructure, EU energy strategy, the topic of biodiversity and approval procedures in particular. Representatives of EnBW also took part in these consultations.

Directive on industrial emissions: Around 52,000 industrial facilities throughout Europe are affected by the directive which was passed in July 2010. For EnBW, this means that retrofitting work totalling an eight-digit figure will be necessary at unit 7 of Rheinhafen thermal power station (RDK 7) and Bexbach power station in particular on account of the SO_2 threshold value being reduced to 200 mg/m^3. The alternative degree of SO_2 capture of 96.4% instead of 95% for brown coal units means that it will in all probability be possible to avoid having to retrofit the power station in Lippendorf.

Energy policy in Germany

In 2010, energy policy discussions and decisions centred primarily on the long-awaited energy concept of the federal government. In addition, the concept is the starting point for further initiatives and measures that will probably lead to legislation, regulations and subsidy programmes. For example, legislative initiatives have been announced in the field of building energy efficiency, in particular with a view to simplifying modernisation work on rental properties. Amendments to the German Energy Industry Act (EnWG) are already underway. These are intended to implement EU regulations such as unbundling of the transmission grids and to take additional requirements from the energy concept into account. An initial green paper was published by the Federal Ministry of Economics in November.

The federal government's energy concept: The lower house of German parliament passed the national energy concept submitted by the federal government in October 2010. It consists of a long-term strategy with guidelines for reliable and affordable energy supplies with low environmental impact covering the period until 2050. By 2050, the share of renewable energies in energy consumption is to be increased to 80% and energy consumption halved. A ten-point immediate action programme is to be implemented by the end of 2011. This includes, for example, a loan programme for the expansion of offshore wind farms, the exemption of storage power stations from network user charges as part of the flexible structuring of load and a ten-year plan for expanding grids in Germany coordinated among the network operators. The federal government sees nuclear power as a bridging technology for the transition to renewable energies. In accordance with this policy, the working lives of all German nuclear power plants were extended by an average of roughly twelve years. In return, the operators of nuclear power plants are to provide financial support to promote renewable energies. The consensus is for advance payments of € 300 million to be made into the corresponding fund in both 2011 and 2012 (EnBW's share: around € 65 million p.a.). For the period from 2013 to 2016, payments of € 200 million are planned (EnBW's share: around € 43 million p.a.) At today's price level, € 9 will be payable as of 2017 for each MWh fed into the grid from a nuclear power plant, deducting the payments already made.

Nuclear fuel rod tax: At the same time as the energy concept, the lower house of German parliament passed legislation introducing a nuclear fuel rod tax. This tax is limited to the years 2011 to 2016 and is planned to amount to € 145/g of fissionable material. This form of taxation will result in burdens on EnBW totalling around € 440 million a year. Both the amendments to the German Atomic Power Act (AtG) and the German Nuclear Fuel Rod Act (KernbrStG) were introduced into the legislative process in the form of a statute not requiring the assent of the upper house. At its session on 26 November 2010, the upper house did not invoke the mediation committee in connection with any of the three bills. This means that the bills have passed both houses and came into effect following signature by the federal president on 8 December 2010 and publication in the federal gazette. Some federal states governed by the SPD and Green parties have already announced that they would bring action against the extension of the working lives of nuclear power plants before the Federal Constitutional Court. They are of the opinion that the legislation would have required the approval of the upper house in which the governing CDU-FDP coalition does not have a majority.

Cost allocations under the German Renewable Energies Act (EEG): Mid-October 2010, the four German transmission system operators (TSOs), which include EnBW Transportnetze AG, published the cost allocations under the EEG for 2011. The EEG cost allocation is payable for every kilowatt-hour purchased by end consumers. According to the forecast by the four TSOs, the cost will amount to 3.530 ct/kWh in 2011. In 2010, the EEG cost allocation came to 2.047 ct/kWh. In accordance with the intention of the law, the additional costs will be passed on to consumers through price increases.

Regulation governing implementation of the Compensation Mechanism Ordinance (AusglMechV): The marketing of the electricity for which remuneration has to be paid under the Renewable Energies Act has been governed by this regulation since February 2010. The regulation provides the TSOs with clear guidelines and the publication duties regarding their marketing activities and the keeping of accounts.

CCS directive: It is expected that the CCS directive will not be transposed into national law until 2011.

German Act on Energy End-Use Efficiency and Energy Services: The Act on Energy End-Use Efficiency and Energy Services (EDL-G) came into effect on 12 November 2010. For energy companies, the act entails new obligations on the provision of information and due care with regard to end customers, such as the duty to make offers relating to energy savings. Opportunities arise in this respect, however, from the possibility of providing such services on a commercial basis.

Amendment of the German Energy Tax Act: The discussions on the amendment of the German Energy and Electricity Tax Act are continuing following the submission of the expert bill. According to plans by the Federal Ministry of Finance, tax relief is only to be granted for certain types of contracting agreements. This is intended to prevent windfall gains from agreements concluded solely for the purpose of tax savings.

German Energy Industry Act (EnWG): Although the draft of the Energy Industry Act was originally scheduled for May 2010, the Federal Ministry of Economics presented only a green paper in November. The expert bill will then follow on from this. This means that important issues such as ownership unbundling of grids in Germany remain unresolved.

Regulation of the electricity and gas markets

Grid balancing organisation for German electricity grids: The introduction by the Federal Network Agency of a single grid balancing organisation for the whole of Germany will oblige the four TSOs to cooperate closely in providing balancing power in Germany's electricity grids. EnBW Transportnetze AG had already been participating in a grid balancing organisation that the remaining TSO has now joined.

Network user charges: The year 2010 was the second year of incentive regulation in which an individual upper limit on the revenue from network user charges for gas and electricity is set at four and five years, respectively. Burdens arising from the absorption of surplus revenues made themselves felt in the fiscal year 2010 in comparison to 2009. Not even the positive effects resulting from the extension factor for 2010 compensated for this. If there is a permanent change to their supply duties, network operators may apply for an extension factor. The year 2011 is the first year in which costs for the network integration of local generation facilities can be taken into consideration for the extension factor for the 2011 revenue cap. The permits have already been issued for the greater portion of the relevant EnBW companies that have filed for an extension factor for the 2011 revenue cap.

Gas Grid Access Ordinance (GasNZV): The aim of the regulation which came into force in July 2010 is to further promote competition on the gas market. To this end, it is planned to reduce the number of gas market territories in which providers can operate without restriction from the current six to a maximum of two by 2013. Another objective is to facilitate access to scarce transmission capacities on the basis of new capacity management regulations. The new Gas Grid Access Ordinance further introduced a new regulatory environment with a view to promoting and simplifying the connection of gas power stations as well as storage, gas production and biogas facilities to the grid.

The EnBW group

In 2010, the EnBW group generated adjusted EBIT of € 1,932.6 million, exceeding the prior-year figure by 7.7%. In addition to the positive development of the operating result, the non-operating result was considerably higher due to gains on sale and other special effects. At € 1,170.5 million, group net profit exceeded the prior-year level of € 768.2 million.

Overall assessment of the business development

Business was characterised by both positive and negative developments in 2010. The regulated business benefited from the economic recovery after the crisis and even reported better results. Sales activities in the end customers market, on the other hand, were governed by intense competition, leading to a decline in the group's unit sales of electricity and gas to retail and business customers. The decline in unit sales also reflected the sale of GESO Beteiligungs- und Beratungs-AG (GESO) and its subsidiaries. On the whole, however, we were able to increase the operating result in 2010. EnBW has once again defended its position as Germany's third-largest energy supplier. Owing to gains on sale and other special effects, the non-operating result was also clearly positive and raised group net profit above the prior-year level. Overall, the results of operations were consequently satisfactory in fiscal 2010.

At 84.2%, the electricity generation and trading segment was responsible for the largest share of adjusted EBIT in the group. Despite higher costs and a lower contribution margin of GKN I nuclear power plant owing to operation at reduced capacity, the segment's adjusted EBIT went up by 2.3% and was thus in line with our forecast. One major factor here was that a large volume of the electricity sold in 2010 had been secured by forward contracts concluded in the first half of 2008 on the basis of the sharp increase in electricity prices on the wholesale market. The development of the other segments was varied. While adjusted EBIT more than doubled in the electricity grid and sales segment, it fell sharply in the gas segment by as much as 47.3%. In the energy and environmental services segment adjusted EBIT rose by 29.1% in 2010.

At € 831.6 million, value added was slightly below the prior-year level in 2010. There was a significant rise in the average capital employed in 2010, while operating result did not increase as much as in the prior year. ROCE fell likewise by one percentage point to 14.5% in 2010.

Forecast variances

Development of sales and earnings in 2010	Forecast in the 2009 annual report for 2010	Development 2010
Electricity sales (excluding trading)	stable (-1% to +1%)	-5.5%
Gas sales (excluding trading)	rising moderately (+1% to +3%)	-18.5%
Energy and environmental services revenue	rising moderately (+1% to +3%)	-1.5%
Adjusted EBIT, group	stable (-1% to +1%)	7.7%

The EnBW group's unit sales of electricity and gas were lower than forecast. With respect to electricity, the difference was mainly brought about by an unplanned loss of customers. Intensive competition was also the reason for a decline in unit sales of gas.

The better-than-expected development in adjusted EBIT was primarily attributable to the electricity grid and sales segment. Above all a higher level of adjusted revenue caps contributed to the improvement in earnings. Due to the better development of adjusted EBIT, adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG increased by 12.4%, a slightly higher rate than we had forecast.

Results of operations

Unit sales and revenue

Electricity sales of the EnBW group in billions of kWh	Generation and trading		Grid and sales		Total	
	2010	2009	2010	2009	2010	2009
Retail customers (B2C)	0.0	0.0	20.5	22.4	20.5	22.4
Industry and redistributors (B2B)	3.1	2.6	45.3	47.9	48.4	50.5
Trade	65.5	35.8	12.5	11.0	78.0	46.8
Total	**68.6**	**38.4**	**78.3**	**81.3**	**146.9**	**119.7**

At 146.9 billion kilowatt-hours (kWh), unit sales of electricity of the EnBW group were up 22.7% on the prior-year figure in 2010. This increase was due to higher unit sales in trading, which at 78.0 billion kWh were 31.2 billion kWh higher than in the prior year. The marketing of the electricity volumes from the generation capacities added at the start of 2010 and the power station capacities exchanged with E.ON played a major role here. Increased trading activities are another factor behind this development. Unit sales in the B2C and B2B sectors fell by 4.0 billion kWh to a total of 68.9 billion kWh. Around 43% of the decrease is attributable to consolidation effects. Intense competition also led to lower unit sales.

Gas sales of the EnBW group in billions of kWh	2010	2009	Variance %
Retail customers (B2C)	11.8	12.3	-4.1
Industry and redistributors (B2B)	41.8	53.5	-21.9
Total	**53.6**	**65.8**	**-18.5**

Gas sales to retail customers declined by 4.1% to 11.8 billion kWh in the reporting period and unit sales to business customers dropped by 21.9% to 41.8 billion kWh. In total, the EnBW group's unit sales of gas fell by 18.5% in comparison to 2009 to 53.6 billion kWh. The sale of GESO accounts for around 35% of the fall in unit sales. In addition, the more intense competition exerted a noticeable influence on business with B2B customers. The B2C business was also in decline due to keener competition in spite of the colder weather than in the prior year.

External revenue of the EnBW group by segment in € millions [1]	2010	2009	Variance %
Electricity generation and trading	4,817.0	2,357.5	104.3
Electricity grid and sales	10,192.7	10,031.3	1.6
Gas	1,788.1	2,453.1	-27.1
Energy and environmental services	711.2	722.3	-1.5
Total	**17,509.0**	**15,564.2**	**12.5**

[1] After deducting electricity and natural gas tax.

Driven by the considerable growth in unit sales of electricity in the trading division, the EnBW group's external revenue before deducting electricity and natural gas tax saw an increase of 11.3% on the 2009 level, reaching € 18,406.2 million. After deducting electricity and natural gas tax, external revenue came to € 17,509.0 million, up 12.5% compared with the prior-year level of € 15,564.2 million. Adjusted for consolidation effects, external revenue rose by 14.8% or € 2,260.9 million.

Electricity generation and trading: Compared to 2009, the segment's external revenue more than doubled, reaching € 4,817.0 million in 2010. Adjusted for consolidation effects, the growth in revenue in the electricity generation and trading segment in comparison to the prior-year period comes to 90.3%. The reasons include higher electricity prices and higher unit sales recorded by this segment. Owing to the strong growth in revenue, this segment's share in the group's total revenue increased to 27.5% in the reporting period after 15.1% in the previous year.

Electricity grid and sales: Despite the fall in unit sales, the electricity grid and sales segment saw minor growth in revenue of 1.6% to € 10,192.7 million in the fiscal year 2010. This was attributable to positive price effects. Adjusted for consolidation effects, external revenue rose by 5.1% or € 492.4 million. Due to the leap in revenue recorded in the electricity generation and trading segment, the electricity grid and sales segment's share in revenue was reduced from 64.5% in the prior year to 58.2% in 2010.

Gas: Revenue in the gas segment reached € 1,788.1 million, down 27.1% on the prior-year level. Adjusted for consolidation effects, external revenue in the gas segment fell by 22.1%. In addition to the drop in unit sales, price effects placed a burden on revenue as falling gas procurement prices were passed on to customers. As a result, this segment accounted for a 10.2% share of the EnBW group's total revenue in 2010 following 15.8% in 2009.

Energy and environmental services: At € 711.2 million, revenue in the energy and environmental services segment was down by a marginal 1.5% in the reporting period compared to the prior-year figure. This segment's share of group revenue fell to 4.1% after 4.6% in the prior year.

Material developments in the income statement

Other operating income increased by € 303.2 million compared to the prior year to € 1,317.4 million in 2010. The main reasons are gains on sale (GESO and Pražská teplárenská a.s. (PT)), compensation payments for the premature termination of a long-term electricity supply agreement and income from the acquisition of shares in the Czech energy company Pražská energetika a.s. (PRE) achieved in stages. By increasing the shareholding it was possible to recognise a higher carrying amount for the shares already held in PRE. The 12.5% increase in group revenue for the reporting year pushed cost of materials up 16.9% compared to the prior year to € 12,997.7 million. Other operating expenses fell by € 207.6 million in the reporting period to € 951.4 million. This was principally attributable to the write-downs of € 116.5 million recognised on inventories and other current assets in the prior year. In 2010 amortisation and depreciation totalled € 1,162.8 million, up € 303.9 million on the prior-year level. This increase is accounted for by impairment losses and a higher level of capital expenditures made by the company. Earnings before tax (EBT) exceeded the prior-year value by € 273.3 million, totalling € 1,530.5 million. Despite this increase in earnings, income taxes amounted to € 365.0 million and were therefore significantly lower than in the prior year. The effective tax rate consequently decreased to 23.8%, after 34.4% in the prior year. This was mainly the result of tax-free gains on sale.

FURTHER INFORMATION
Financial statements
› Notes to the income statement and balance sheet › p. 149ff.

Earnings

In the reporting year, group net profit in terms of the profit shares attributable to the equity holders of EnBW AG came to € 1,170.5 million. This corresponds to an increase of 52.4% compared to the prior year. Besides the good development of operations, there were positive effects in the non-operating result. Earnings per share from group net profit totalled € 4.79 in the reporting period, following the € 3.15 seen in the prior year.

Adjusted earnings and non-operating result

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

FURTHER INFORMATION
Financial statements
› Segment reporting › p. 208f.

Adjusted earnings

Adjusted EBIT of the EnBW group by segment in € millions	2010	2009	Variance %
Electricity generation and trading	1,626.7	1,590.9	2.3
Electricity grid and sales	265.8	130.9	103.1
Gas	80.1	152.0	-47.3
Energy and environmental services	111.3	86.2	29.1
Holding/consolidation	-151.3	-166.1	8.9
Total	**1,932.6**	**1,793.9**	**7.7**

The EnBW group's adjusted EBIT came to € 1,932.6 million in 2010, exceeding the prior-year level by 7.7%. After eliminating consolidation effects, adjusted EBIT increased by 9.7%.

Adjusted EBIT generated in the electricity generation and trading segment came to € 1,626.7 million, up 2.3% on the prior year. After eliminating consolidation effects, it would have increased by 1.7%. Whereas the fiscal year 2009 was affected by expenses from the resale of quantities not sold to B2B customers, in particular in the first nine months, this effect did not recur in 2010 as the economy started to pick up again after the crisis. For the year as a whole, negative factors were more than offset by positive effects, such as better terms and conditions due to the forward contracts concluded in the past for electricity generation in the fiscal year 2010. A large volume of electricity for 2010 had been secured in the first half of 2008 on the basis of the sharp increase in electricity prices on the wholesale market. Negative factors in 2010 included increased costs and a drop in the contribution margin owing to operation of GKN I nuclear power plant at reduced capacity.

Adjusted EBIT in the electricity grid and sales segment more than doubled in 2010, rising by € 134.9 million to € 265.8 million. Adjusted to eliminate consolidation effects, the increase amounted to € 146.1 million. This improvement is due, among other things, to higher revenue from network user charges which in turn was a result of the raised adjusted revenue caps and higher quantities of electricity transmitted in comparison to the prior year. At the same time, expenses for energy needed to cover grid losses were lower than in the prior year. The sales function also generated better earnings in the reporting year.

At € 80.1 million, adjusted EBIT in the gas segment was significantly below the prior-year level of € 152.0 million. Adjusted for consolidation effects, this is a fall of 38.9% or € 51.0 million. On the sales side, the segment experienced negative price and quantity effects as a result of keener competition. Positive effects stemmed from revenue from network user charges which increased on account of higher revenue caps and a higher volume of gas transmitted in comparison to the prior year.

In spite of the minor drop in revenue in the energy and environmental services segment, adjusted EBIT rose by a considerable 29.1% to € 111.3 million in the reporting year. Other services enjoyed a positive development.

The deficit recorded by the holding/consolidation segment dropped from € 166.1 million in the prior year to € 151.3 million in the fiscal year 2010. The figure improved among other things because the costs recorded in the prior year relating to the pension guarantee fund were not incurred in the reporting year.

Adjusted earnings indicators

Adjusted earnings indicators of the EnBW group in € millions	2010	2009	Variance %
Adjusted investment result	192.3	221.2	-13.1
Adjusted financial result	-642.8	-680.5	5.5
Adjusted income taxes	-445.1	-403.4	-10.3
Adjusted group net profit	**1,037.0**	**931.2**	**11.4**
of which profit shares attributable to non-controlling interests	(49.2)	(52.1)	-5.6
of which profit shares attributable to the equity holders of EnBW AG	(987.8)	(879.1)	12.4

Compared to 2009, the adjusted investment result dropped by 13.1% to € 192.3 million in 2010. The reasons included the deconsolidation of DREWAG in the course of the sale of GESO. Adjusted to eliminate consolidation effects, the adjusted investment result would be 10.3% down on the prior-year figure. This decrease is due, among other things, to a non-recurring payment made by EWE Aktiengesellschaft to its natural gas customers.

The adjusted financial result for 2010 came to a smaller loss of € 642.8 million, after a loss of € 680.5 million in the prior year. The loss was reduced first and foremost by the lower loss recorded from securities. The economic crisis had had a significant negative impact on the gain/loss on securities in 2009. At the same time the prior-year figure had included the effects from increased interest income from cash held for the acquisition of shares in EWE Aktiengesellschaft, which had increased in the course of the year. As a result of the increase in adjusted EBIT, adjusted income taxes rose from € 403.4 million to € 445.1 million. At 30.0%, the adjusted income tax rate remained at the same level as in the prior year (30.2%). Adjusted group net profit in terms of the profit shares attributable to the equity holders of EnBW AG came to € 987.8 million, a rise of 12.4% in comparison to 2009.

Non-operating result

Non-operating result of the EnBW group in € millions	2010	2009	Variance %
Income/expenses from changes in nuclear power provisions	-77.5	12.1	-
Income from the reversal of other provisions	75.8	305.4	-75.2
Gains on sale and income from acquisitions achieved in stages	473.1	57.4	-
Write-down of inventories and other current assets	0.0	-116.5	-
Other non-operating result	-29.4	-125.5	76.6
Non-operating EBITDA	**442.0**	**132.9**	**-**
Impairment losses	-257.6	-37.5	-
Non-operating EBIT	**184.4**	**95.4**	**93.3**
Non-operating investment result	-89.1	-138.9	35.9
Non-operating financial result	-46.9	-33.9	-38.3
Non-operating income taxes	80.1	-29.4	-
Non-operating group net profit	**128.5**	**-106.8**	**-**
of which profit shares attributable to non-controlling interests	(-54.2)	(4.1)	-
of which profit shares attributable to the equity holders of EnBW AG	(182.7)	(-110.9)	-

Non-operating EBITDA came to € 442.0 million in 2010, improving substantially in comparison to the prior year's € 132.9 million. Expenses from the change in nuclear power provisions came to € 77.5 million in the reporting year after income of € 12.1 million in the prior year. The amounts added to provisions in 2010 on account of higher future costs exceeded the amounts reversed from provisions relating to the extension of the working lives of nuclear power plants. At € 75.8 million, income from the reversal of other provisions was below the level of the prior year of € 305.4 million. The reversal of a provision for potential losses relating to a long-term procurement agreement had had a positive effect here in 2009. The gains on sale in the reporting year related to the sale of GESO and PT. In addition, income was generated from the acquisition of PRE achieved in stages. Unlike in the prior year (€ 116.5 million), there were no write-downs of inventories and other current assets. There was also an improvement in other non-operating result from € -125.5 million to € -29.4 million in fiscal 2010 due above all to compensation payments for termination of a long-term energy supply agreement.

Impairment losses were recognised in 2010 on the goodwill of the joint venture in Turkey and the generation facilities of Stadtwerke Düsseldorf. The recoverable amount based on fair value less costs to sell was below carrying amount in both cases due to a decline in profitability.

As a result, non-operating EBIT came to € 184.4 million in the reporting year, also improving substantially in comparison to the prior year's € 95.4 million.

The negative non-operating investment result for 2010 was caused, among other things, by impairment losses recorded on equity instruments held by entities accounted for using the equity method. In the prior year the non-operating investment result comprised above all impairment losses on EWE Aktiengesellschaft and other investments.

The non-operating financial result of € -46.9 million reflected the same negative effects in 2010 as in the prior year with respect to the impairment of financial assets.

Owing to tax-free gains on sale, non-operating income taxes gave rise to tax income of € 80.1 million in 2010, after tax expenses of € 29.4 million recorded in the prior year. On balance, the non-operating group net profit in terms of the profit shares attributable to the equity holders of EnBW AG came to € 182.7 million. A loss of € 110.9 million was recorded here in the prior year.

Reconciliation of earnings
Financial performance of the EnBW group

in € millions

	2010	2009	Variance (%)
Adjusted EBITDA	2,837.8	2,615.3	8.5%
Non-operating EBITDA	442.0	132.9	
EBITDA	3,279.8	2,748.2	19.3%
Adjusted EBIT	1,932.6	1,793.9	7.7%
Non-operating EBIT	184.4	95.4	93.3%
EBIT	2,117.0	1,889.3	12.1%
Adjusted group net profit[1]	987.8	879.1	12.4%
Non-operating group net profit[1]	182.7	-110.9	
Group net profit[1]	1,170.5	768.2	52.4%

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

Financial position

Financial management of EnBW

Basis and objectives

Key objectives of financial management in the EnBW group are to minimise the costs of capital for financing the corporate strategy, to ensure that there is sufficient liquidity for operations at all times and to limit the risk of changes in interest rates for the group. Another target is to maintain an A rating in the medium term. This is the framework within which the capital structure is optimised. Corporate management ensures that the debt level is kept within a reasonable range. The ratio of adjusted net debt to adjusted EBITDA and other key performance indicators of relevance for rating agencies are used for management purposes. Costs of capital are minimised while retaining the financial headroom to exercise strategic options.

In order to achieve these objectives, EnBW's financing strategy is based on the following principles:

- Establishing financing according to a multi-pillar strategy to provide a choice of various forms of financing that can be drawn on flexibly depending on the financial management objectives.
- Implementing long-term financing arrangements on the capital markets, with terms to maturity matching those of capital tied up in assets in the balance sheet. Financing via banks is used in exceptional cases only, usually for bridge financing purposes. This allows EnBW to obtain long-term financing at a favourable price.
- Winning a diversified base of investors on the markets for debt capital. EnBW attaches great importance to diversification according to geographical criteria as well as according to investors' motivation.
- Setting clearly defined limitations for the use of interest rate swaps in order to optimise financing terms and conditions.

In the operating business, derivatives are generally used for hedging purposes only, for example for forward contracts in electricity trading or trading with primary energy sources. Likewise, foreign currency and interest rate derivatives are used only for hedging purposes. Trading for own account is only permitted within narrow, clearly defined boundaries.

Financial management also includes asset management. EnBW uses a cash-flow-based model to determine the effects on the balance sheet, income statement and cash flow statement of the next 30 years. This model takes into account actuarial appraisals on pension provisions and external expert reports on provisions relating to nuclear power. It also allows simulations of various alternative return and provision scenarios.

Another primary objective of financial management is to secure the existing financial assets of the EnBW group and their settlement and to guarantee a sufficient level of liquidity reserves. This allows the group to meet its payment obligations at all times without restriction. The EnBW group's treasury guidelines set out the financial transactions permitted by EnBW's Board of Management and the framework within which they may be entered into. The guidelines are applicable at all entities that are consolidated in full or with which EnBW AG has a profit and loss transfer agreement. The guidelines should also be referred to at all other entities as a matter of principle. Central financial management has the advantage of allowing risks to be minimised, providing transparency and optimising costs.

Treasury

The treasury function is responsible for the management of treasury processes at all entities that are consolidated in full or with which EnBW AG has a profit and loss transfer agreement. Liquidity management is based on computerised rolling liquidity planning and extends to the pre-defined scope. Other tasks are the central management of credit lines and bank guarantees and the issuance of guarantees and letters of comfort. Further areas of responsibility include interest rate risk and currency management.

Interest rate risk and currency management

The consolidated entities regularly report on existing risk items via the rolling liquidity planning. The treasury function analyses these risks every quarter on a consolidated basis and devises an interest rate risk strategy. The purpose is to limit the impact of fluctuation in interest rates and interest rate risks on results of operations and net assets.

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Financial statements
› Interest rate risks › p. 200

The interest rates for the EnBW group's financial liabilities are contractually fixed for 75% of the financial liabilities. A change in interest rates thus usually only affects the remaining 25% of financial liabilities. This can have an effect on EnBW's interest result. The risk potential is determined on the basis of current interest rates and potential changes in these interest rates.

The general principle is to close currency items resulting from operations using appropriate forward exchange contracts. The legal entities report net items of € 1 million or more to the treasury function for a risk period of twelve months. 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.

Asset management

It is our aim to cover the group's non-current pension and nuclear power provisions within an economically reasonable period of time by means of investment in appropriate financial assets. Defined investment targets are to be reached with minimum risk. Efforts to optimise the risk/return profile of the financial assets continued throughout 2010. An investment volume totalling around € 6 billion was managed in 2010 (prior year: € 5.5 billion), spread over a total of eight asset classes. The financial assets are bundled 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 € 1,086.6 million in 2010 and its own funds, the EnBW group has the following instruments at its disposal to cover its total financing needs:

- Euro Medium Term Note (EMTN) programme (€ 7.0 billion; some € 5.0 billion drawn as of 31 December 2010)
- Syndicated line of credit (€ 2.442 billion; undrawn as of 31 December 2010)
- Bilateral short-term lines of credit (€ 326 million, undrawn as of 31 December 2010)
- Commercial paper (CP) programme (€ 2.0 billion; € 99.9 million drawn as of 31 December 2010)
- Measures to strengthen equity and issue special products (e.g. bond denominated in Swiss francs from 2008 with a volume of CHF 300 million)

No new bonds were issued in fiscal 2010. A volume of € 217 million was due for repayment at group level in 2010 and was redeemed in the third quarter using the group's own funds. A total of € 1.0 billion of the syndicated line of credit revolves on an annual basis and was successfully extended in May 2010 at better conditions. A portion of € 58 million of the second tranche matured in the third quarter of 2010. As a result, the volume of the syndicated line of credit maturing in May 2012 comes to around € 1.442 billion. The special products include bonds throughout the group with a volume totalling CHF 400 million.

Documentation of 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) includes standard international clauses. One key element of EnBW's financing policy is the issuance of a negative report and a pari passu clause to all creditors.

EnBW had access to the capital market as and when needed throughout the fiscal year 2010. There are no maturities for instruments on the capital market in 2011. The next maturities will be in 2012 (€ 1 billion, CHF 100 million). EnBW will investigate whether they can be prefinanced appropriately. Thanks to our strong internal financing power, we expect to be able to finance the planned net investments from cash flow from operating activities, potentially with some bridge financing.

Details on liabilities are presented in note 24 of the notes to the consolidated financial statements.

Rating and rating development

Maintaining an A category rating is one of the goals of the corporate financial strategy. This criterion has been satisfied ever since the two rating agencies Standard & Poor's (2000) and Moody's (2002) started issuing credit ratings for EnBW. The same applies for Fitch, which began rating the company in May 2009. Fitch's rating (A) matches that of Moody's (A2) and is one notch above the rating issued by Standard & Poor's (A-).

The rating development Rating/outlook	2010	2009	2008	2007	2006
Fitch	A/stable	A/stable			
Standard & Poor's	A-/negative	A-/negative	A-/stable	A-/stable	A-/positive
Moody's	A2/stable	A2/stable	A2/stable	A2/stable	A2/stable

The rating agencies see risks for the large German energy companies arising from the introduction of the nuclear fuel rod tax as of 2011 and the political conditions in Germany. They expect EnBW – and the other leading companies in the industry – to find their earnings power and ability to raise debt capital diminishing. In this context the agencies expect EnBW to take suitable countermeasures to support its rating. Basically these include adjusting the investment programme, intensifying the programmes to enhance efficiency and taking measures to strengthen the equity structure.

Fitch confirmed its A rating for EnBW with a stable outlook on 9 August 2010. This is based on the balanced maturity profile of EnBW's financial liabilities. In addition, the agency believes that the company's business profile has been reinforced through the enlarged generation capacity and that this will have a positive effect on its future financial strength.

Standard & Poor's rated the EnBW business profile as "strong" on 3 September 2010 and has given the financial strength a medium-grade rating. The agency confirmed both the long-term rating "A-" and the short-term rating "A-2" for EnBW. The outlook in the rating continues to be negative. The reasons are EnBW's investment programme and the regulatory environment in Germany, in particular with respect to the future operation of nuclear power plants.

The rating issued by Moody's has been unchanged since 16 December 2009 with "A2" and a short-term rating of "Prime-1". The agency has attested EnBW a stable and balanced treasury policy and sound liquidity. The outlook is stable, as Moody's assumes that EnBW will continue to reinforce its financial position.

Investment analysis

Net cash investments of the EnBW group in € millions	2010	2009	Variance %
Electricity generation and trading	933.4	620.7	50.4
Electricity grid and sales	383.3	385.7	-0.6
Gas	92.7	62.8	47.6
Energy and environmental services	215.4	240.2	-10.3
Total capital expenditures on intangible assets and property, plant and equipment	**1,624.8**	**1,309.4**	**24.1**
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method[1]	643.1	3,041.5	-78.9
Cash paid for the acquisition of investments[2]	60.0	23.2	-
Total investments	**2,327.9**	**4,374.1**	**-46.8**
Cash received from disposals of intangible assets and property, plant and equipment	-45.7	-93.0	-50.9
Cash received from construction cost and investment subsidies	-78.3	-65.1	20.3
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method[3]	-843.9	-45.0	-
Cash received from the sale of investments[2]	-3.9	-1.3	-
Total divestitures	**-971.8**	**-204.4**	**-**
Net (cash) investments	**1,356.1**	**4,169.7**	**-67.5**

1 This does not include cash and cash equivalents acquired. In the reporting period, these amounted to € 12.1 million (prior year: € 24.8 million).
2 Without investments held as financial assets.
3 This does not include cash and cash equivalents disposed of upon sale. In the reporting period, these amounted to € 63.0 million (prior year: € 0.0 million).

The EnBW group's total investments amounted to € 2,327.9 million in the fiscal year 2010. Compared to the prior-year volume of € 4,374.1 million, this decrease is due to higher financial investments made in 2009.

In the reporting period, EnBW made capital expenditures on intangible assets and property, plant and equipment of € 1,624.8 million, following € 1,309.4 million in the prior year. This corresponds to a share of 69.8% of total investments.

Growth projects accounted for a 65% share of investments in the reporting year. The remaining 35% was attributable to replacement and renewal measures, in particular for power stations and grid infrastructure.

At € 933.4 million, a large share of capital expenditure was made in the electricity generation and trading segment. Compared with the prior-year figure of € 620.7 million, this was an increase of 50.4%. Major ongoing projects in this segment included the construction of the RDK 8 hard coal power station in Karlsruhe and the hydro-electric power station in Rheinfelden as well as the development and realisation of offshore wind farms. At € 383.3 million, capital expenditure in the electricity grid and sales segment, mainly the ongoing modernisation and extension of our networks, was at the level of the prior year. In the gas segment, capital expenditure increased by 47.6% from € 62.8 million to € 92.7 million, primarily due to progress with the construction of the gas storage facilities in Etzel. In the energy and environmental services segment, capital expenditures totalled € 215.4 million, with a large share accounted for by the construction of a substitute fuel power plant in Eisenhüttenstadt. This represents a decrease of € 24.8 million or 10.3% compared to the prior year.

EnBW's acquisitions fell to € 703.1 million in the reporting year from € 3,064.7 million in 2009. In the reporting period, these include specifically the increase in the shareholding in the Czech energy supplier PRE and the purchase of a share in Gesellschaft für die Beteiligung an dem Kraftwerk Rostock mbH. The high prior-year figure is attributable to the purchase of the shareholding in EWE Aktiengesellschaft and equity investments in power stations. In the reporting year we made divestitures totalling € 971.8 million, consisting essentially of the sale of GESO and its subsidiaries. On balance, net investments came to € 1,356.1 million in comparison to € 4,169.7 million in the prior year.

Capital commitments for intangible assets and property, plant and equipment amounted to € 1,414.7 million as of 31 December 2010 (prior year: € 888.3 million). Commitments to acquire entities totalled € 474.5 million (prior year: € 1,137.2 million). The commitments will be financed from cash flow from operating activities.

Liquidity analysis

Free cash flow in € millions	2010	2009	Variance %
FFO (funds from operations) before taxes and financing	**2,747.7**	**2,427.7**	**13.2**
Change in assets and liabilities from operating activities	124.8	212.7	-41.3
Income tax paid	-311.6	-197.0	58.2
Cash flow from operating activities	**2,560.9**	**2,443.4**	**4.8**
Capital expenditures on intangible assets and property, plant and equipment	-1,624.8	-1,309.4	24.1
Cash received from disposals of intangible assets and property, plant and equipment	45.7	93.0	-50.9
Cash received from construction cost and investment subsidies	78.3	65.1	20.3
Free cash flow before financing	**1,060.1**	**1,292.1**	**-18.0**
Interest and dividends received	381.6	378.5	0.8
Interest paid for financing activities	-355.1	-357.4	-0.6
Free cash flow after financing	**1,086.6**	**1,313.2**	**-17.3**

In comparison to the prior year, funds from operations (FFO) before taxes and financing rose by 13.2% to € 2,747.7 million. This was mainly attributable to the increase in EBITDA by 19.3% or € 531.6 million. The lower absolute growth in FFO compared to EBITDA was caused by the higher reversals of provisions in the prior year and gains on sale and income from the acquisition in stages of PRE shares in the reporting year. Cash flow from operating activities amounted to € 2,560.9 million after € 2,443.4 million in the prior year. This development was attributable to the fact that the net balance from changes in assets and liabilities from operating activities was lower than in the prior year. In addition, income taxes paid rose to € 311.6 million, following € 197.0 million in the prior-year period. Whereas the group received tax refunds in 2009, it had to pay higher tax prepayments in 2010. The € 315.4 million increase in capital expenditures in comparison to 2009 led to a lower free cash flow before financing of € 1,060.1 million in the reporting period. This is a decrease of 18.0%. The interest and dividends received and interest paid for financing activities remained essentially unchanged in a year-on-year comparison. As a result, free cash flow after financing dropped by 17.3% to € 1,086.6 million in 2010.

Cash flow statement in € millions	2010	2009	Variance %
Cash flow from operating activities	2,560.9	2,443.4	4.8
Cash flow from investing activities	-1,272.6	-4,629.6	-72.5
Cash flow from financing activities	-1,001.2	678.6	-
Net change in cash and cash equivalents	**287.1**	**-1,507.6**	**-**
Net foreign exchange difference	12.3	2.0	-
Change in cash and cash equivalents	**299.4**	**-1,505.6**	**-**

At € -1,272.6 million, the cash flow from investing activities in 2010 was significantly below the prior-year level of € -4,629.6 million. This was caused by the divestiture of GESO and its subsidiaries in the reporting period and a higher level of cash paid for the acquisition of shareholdings in entities and power stations in the prior-year period.

Cash flow from financing activities gave rise to a cash outflow of € 1,001.2 million in 2010 on account of interest and dividends paid. In the prior year, proceeds from financial liabilities gave rise to a cash inflow of € 678.6 million.

Taking into account the minor positive exchange rate changes, the group's cash and cash equivalents rose by € 299.4 million over the period from January to December, following a decrease of € 1,505.6 million in the prior year.

The EnBW group's solvency was ensured at all times throughout the fiscal year 2010 through the liquidity available, the clearly positive free cash flow and the available external sources of financing. The company's sound financial position, including free lines of credit of € 2.768 billion, secure its solvency for the future. These credit lines are not subject to any restrictions.

Net assets

FURTHER INFORMATION
Financial statements › Notes to the income statement and the balance sheet › p. 149ff.

Condensed balance sheet of the EnBW group in € millions[1]	31/12/2010	31/12/2009	Variance %
Assets			
Non-current assets	26,164.4	24,065.3	8.7
Intangible assets	(2,197.0)	(1,746.9)	25.8
Property, plant and equipment	(13,343.3)	(11,925.2)	11.9
Entities accounted for using the equity method	(3,752.5)	(3,756.7)	-0.1
Other financial assets	(5,950.6)	(5,691.4)	4.6
Deferred taxes	(28.2)	(29.2)	-3.4
Current assets	9,063.6	8,875.5	2.1
Assets held for sale	11.8	1,698.0	-99.3
	35,239.8	**34,638.8**	**1.7**
Equity and liabilities			
Equity	7,618.2	6,407.7	18.9
Non-current liabilities	20,209.5	19,762.1	2.3
Provisions	(9,767.8)	(9,399.8)	3.9
Deferred taxes	(1,798.6)	(1,677.0)	7.3
Financial liabilities	(6,677.4)	(6,737.0)	-0.9
Current liabilities	7,412.1	7,700.9	-3.8
Liabilities directly associated with the assets classified as held for sale	0.0	768.1	-
	35,239.8	**34,638.8**	**1.7**

[1] Prior-year figures restated.

As of the end of the fiscal year 2010, the total assets of the EnBW group amounted to € 35,239.8 million, up slightly by 1.7% in comparison to 31 December 2009.

On the assets' side, non-current assets increased to € 26,164.4 million, primarily due to the rise in intangible assets and property, plant and equipment by € 450.1 million and € 1,418.1 million, respectively, as of the reporting date. Full consolidation of PRE played a major role here. In addition, the rise in property, plant and equipment reflects the acquisition of Rostock power station and capital expenditures over the year 2010.

Under current assets, cash and cash equivalents increased in a year-on-year comparison by € 407.5 million to € 1,878.3 million due, among other things, to the acquisitions made. Current assets were up 2.1% compared to the prior year. These mainly consist of trade receivables, cash and cash equivalents and other current assets.

As a result of the sale of GESO and PT, the assets held for sale amounted to € 11.8 million as of the end of 2010, compared to € 1,698.0 million as of the end of the prior year. Correspondingly, there are no longer any liabilities directly associated with assets classified as held for sale.

Equity went up by 18.9% compared to the end of the prior year to € 7,618.2 million due to the group net profit for 2010 and other comprehensive income.

The non-current liabilities increased by 2.3% to € 20,209.5 million as of 31 December 2010 on account of the increase in non-current provisions and deferred taxes. Non-current provisions grew by € 368.0 million to € 9,767.8 million. They comprise above all pension provisions and provisions relating to nuclear power. In the fiscal year 2010 there were effects increasing the provisions relating to nuclear power as well as effects reducing them. Factors reducing the amount of the provision were the utilisation of provisions and extension of the nuclear power plants' working lives. On the other hand, additions for operational reasons and on account of higher future costs as well as the unwinding of the discount were factors that increased the amount provided for. All in all, provisions relating to nuclear power increased by € 197.0 million to € 5,162.3 million. Provisions for pensions and similar obligations amounted to € 4,011.3 million, up € 59.3 million compared to the prior year.

The increase in deferred taxes by € 121.6 million to € 1,798.6 million is mainly due to changes in the group of consolidated companies.

Current liabilities decreased € 288.8 million to € 7,412.1 million. They include primarily trade payables and other liabilities.

Key indicators for the analysis of the composition of assets, equity and liabilities	2010	2009	Variance %
Equity ratio (%)	21.6	18.5	16.8
Average capital employed in € millions[1]	15,119.7	13,559.7	11.5
Adjusted net debt/equity	1.1	1.3	-15.4
Coverage ratio for non-current assets (non-current assets/equity)	3.4	3.8	-10.5

[1] Prior-year figures restated.

On account of the positive earnings development, the equity ratio climbed from 18.5% as of year-end 2009 to 21.6% as of 31 December 2010. The average capital employed increased by 11.5% in light of the positive net investments to € 15,119.7 million. In addition, fiscal year 2010 is the first year in which capital employed reflects the full extent of the effects arising from material investments of the fiscal year 2009, such as the acquisition of a shareholding in EWE Aktiengesellschaft in July 2009. The decrease in adjusted net debt and increase in equity improved the ratio of net debt to equity in 2010 in relation to 2009. The higher level of equity also had a positive impact on the coverage ratio for non-current assets, which came to 3.4 after 3.8 in the prior year.

Adjusted net debt

Compared to year-end 2009, adjusted net debt fell by € 474.8 million to € 8,139.8 million as of 31 December 2010. The positive free cash flow, divestitures and the reclassification, from capital employed to net debt, of an equity investment no longer classified as strategic amounting to € 277.9 million contributed to this decrease. This was partly offset by acquisitions, higher financial liabilities and pension and nuclear power provisions, actuarial losses not yet offset against provisions for pensions and similar obligations and dividends paid.

Adjusted net debt in € millions[1]	31/12/2010	31/12/2009	Variance %
Cash and cash equivalents	-2,718.1	-2,157.3	26.0
Cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions	1,038.5	785.2	32.3
Adjusted cash and cash equivalents	**-1,679.6**	**-1,372.1**	**22.4**
Bonds	5,490.9	5,495.7	-0.1
Liabilities to banks	1,182.8	962.5	22.9
Other financial liabilities	647.2	726.1	-10.9
Financial liabilities	**7,320.9**	**7,184.3**	**1.9**
Recognised net financial liabilities[2]	**5,641.3**	**5,812.2**	**-2.9**
Pension and nuclear power provisions	9,616.2	9,355.8	2.8
Long-term investments and loans[3]	-5,536.7	-4,983.3	11.1
Cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions	-1,038.5	-785.2	32.3
Other	-156.5	-117.9	32.7
Subtotal[3]	**8,525.8**	**9,281.6**	**-8.1**
Liabilities directly associated with the assets classified as held for sale	0.0	-60.5	-
Recognised net debt[3]	**8,525.8**	**9,221.1**	**-7.5**
Actuarial gains (–)/losses (+) not yet offset arising from provisions for pensions and similar obligations	157.3	-144.2	-
Non-current receivables associated with nuclear power provisions	-464.4	-413.2	12.4
Valuation effects from interest-induced hedging transactions	-78.9	-49.1	60.7
Adjusted net debt[3]	**8,139.8**	**8,614.6**	**-5.5**

1 For explanations on the changed presentation of net debt, please refer to the section on restatement of prior-year figures in the notes to the consolidated financial statements.
2 Adjusted for valuation effects from interest-induced hedging transactions, net financial liabilities amounted to € 5,562.4 million (prior year: € 5,763.1 million).
3 Includes investments held as financial assets.

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

Dynamic leverage ratio in € millions	2010	2009	Variance %
Adjusted net debt	8,139.8	8,614.6	-5.5
Adjusted EBITDA	2,837.8	2,615.3	8.5
Dynamic leverage ratio[1]	**2.87**	**3.29**	**-12.8**

1 Prior-year figures restated.

The dynamic leverage ratio was reduced to 2.87 as of 31 December 2010 by the rise in adjusted EBITDA in fiscal 2010 compared to the prior year and the decrease in adjusted net debt.

Value added

Value added 2010 by segment	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	Total
Adjusted EBIT including investment result (€ millions)	1,707.1	352.2	90.0	115.2	-75.9	2,188.6
Average capital employed (€ millions)	5,452.1	4,187.3	1,459.8	1,300.7	2,719.8	15,119.7
ROCE (%)	**31.3**	**8.4**	**6.2**	**8.9**	**-**	**14.5**
WACC (%)	10.1	8.6	8.6	9.0	-	9.0
Value added (€ millions)	**1,155.8**	**-8.4**	**-35.0**	**-1.3**	**-**	**831.6**

Value added 2009 by segment[1]	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	Total
Adjusted EBIT including investment result (€ millions)	1,674.3	259.8	161.7	97.6	-87.9	2,105.5
Average capital employed (€ millions)	4,425.7	4,002.5	1,794.0	1,324.4	2,013.1	13,559.7
ROCE (%)	**37.8**	**6.5**	**9.0**	**7.4**	**-**	**15.5**
WACC (%)	10.5	8.9	8.9	9.6	-	9.3
Value added (€ millions)	**1,208.2**	**-96.1**	**1.8**	**-29.1**	**-**	**840.7**

[1] Prior-year figures restated.

In the fiscal year 2010, the EnBW group generated positive added value of € 831.6 million, a figure slightly down on the prior year. The reason for the decline is the significant rise in the average capital employed in 2010, while adjusted EBIT including investment result rose more slowly in comparison to the prior year. Correspondingly, ROCE fell likewise by one percentage point to 14.5% in the fiscal year 2010.

The various segments contributed value as follows:
The value added of the electricity generation and trading segment dropped slightly by € 52.4 million compared to the prior year to € 1,155.8 million. The growth in earnings was more than offset by a substantial rise in capital employed. Capital employed increased first and foremost due to capital expenditures made in 2009 to develop and realise wind power projects, in particular the offshore wind farm Baltic 1, to construct the new power station unit RDK 8 and the Rheinfelden hydro-electric power station as well as to acquire shares in the Rostock and Bexbach/Lippendorf power stations.

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The value added of the electricity grid and sales segment increased by € 87.7 million compared to the prior year. This increase is due to the improved adjusted EBIT including investment result in this segment. The higher level of capital employed is principally attributable to capital expenditures on grid infrastructure. Full consolidation of the Czech energy provider PRE since the end of the third quarter was offset by the sale of shares in GESO and its subsidiaries.

The value added of the gas segment fell by € 36.8 million in the reporting period compared to the prior year 2009, due to the decrease in earnings in this segment. The lower level of capital employed compared to the prior year is essentially a result of divestiture of the shares held in GESO and its subsidiaries as well as a lower volume of trade receivables.

In the energy and environmental services segment, value added was € 27.8 million higher than in the prior year. The increase is attributable to a rise in adjusted EBIT including investment result. Capital employed remained virtually unchanged in relation to the prior year.

With respect to the figures for the holding company/consolidation, capital employed increased considerably because the acquisition of the 26% share in EWE Aktiengesellschaft was taken into account in full for the first time in 2010.

Further details of the development of adjusted EBIT are given under the heading "Adjusted earnings and non-operating result" above.

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 in total capital. The value of equity refers to the value determined using the mark-to-market method, not 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 (WACC)	2010	2009
Risk-free interest rate (r_F)	4.0%	4.0%
Market risk premium (MRP)	5.0%	5.0%
Beta factor (ß)	0.9	0.9
Cost of equity after tax	**8.4%**	**8.4%**
Cost of debt before tax (r_D)	6.0%	6.5%
Tax shield of interest on debt	-1.5%	-1.7%
Cost of debt after tax	**4.5%**	**4.8%**
Percentage of financing that is equity (E)	50.0%	50.0%
Percentage of financing that is debt (D)	50.0%	50.0%
WACC after tax	**6.4%**	**6.6%**
Tax rate (t)	29.0%	29.0%
WACC before tax (group)	**9.0%**	**9.3%**

$$\text{WACC} = (r_F + ß \times \text{MRP}) \times \frac{E}{E + D} \times \frac{1}{(1 - t)} + r_F \times \frac{D}{E + D}$$

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 investment result in € millions	**2010**	**2009**
EBIT	2,117.0	1,889.3
Non-operating EBIT	-184.4	-95.4
Investment result[1]	92.6	82.3
Non-operating investment result	89.1	138.9
Tax adjustment investment result[2]	74.3	90.4
Adjusted EBIT including investment result	**2,188.6**	**2,105.5**

[1] Without income from investments held as financial assets.
[2] Adjusted investment result / 0.71 - adjusted investment result (with 0.71 = 1 - tax rate of 29%).

Average capital employed in € millions[1]	**2010**	**2009**
Intangible assets	2,197.0	1,746.9
Property, plant and equipment	13,343.3	11,925.2
Investment properties	99.0	70.3
Equity investments[2]	4,166.4	4,464.8
Inventories	991.1	944.8
Current trade receivables[3]	3,187.5	2,786.3
Other assets[4]	2,234.1	4,910.8
Non-interest bearing provisions	-1,364.8	-1,050.2
Non-interest bearing liabilities[5]	-5,893.7	-7,405.1
Subsidies	-1,588.8	-1,519.0
Deferred taxes[6]	-1,770.4	-1,647.8
Assets and liabilities directly associated with the assets classified as held for sale that are attributable to net debt	0.0	-60.5
Capital employed as of 31 December	**15,600.7**	**15,166.5**
Average capital employed[7]	**15,119.7**	**13,559.7**

[1] Prior-year figures restated.
[2] Including entities accounted for using the equity method, investments in affiliated entities and other investments that are allocable to operations.
[3] Without affiliated entities.
[4] Without affiliated entities, without non-current receivables associated with nuclear power provisions.
[5] Without affiliated entities, without potential purchase price obligations from put options.
[6] Deferred taxes and liabilities netted.
[7] Calculation of the average based on the quarterly figures of the reporting year and the prior-year closing figure.

Unrecognised intangible assets

EnBW's business development is also influenced by a range of intangible assets that are not recognised in the balance sheet. EnBW's human, structural and relationship capital, i.e. its intellectual capital, has a significant influence on the company's operations and business value.

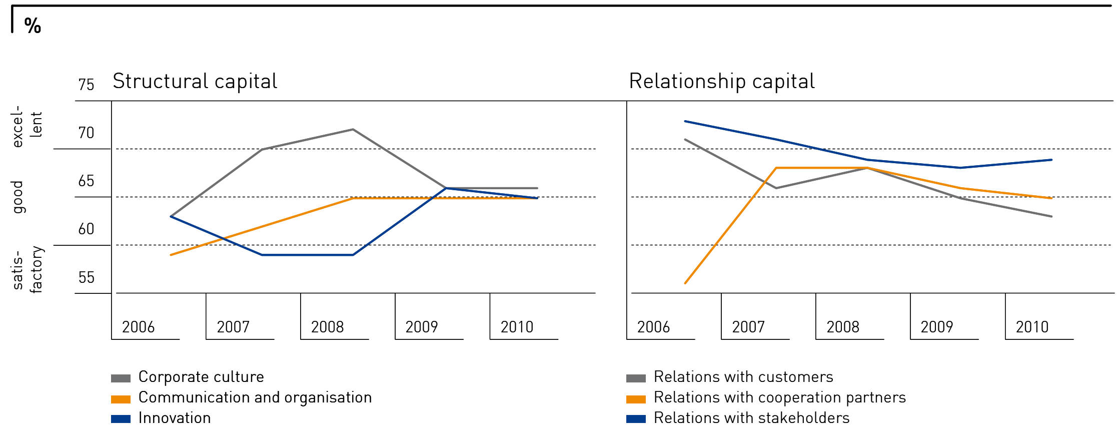
We see the professional management of intellectual capital as a strategic task. EnBW is the only large company in Germany to employ intellectual capital reporting for this purpose based on the principle of "Intellectual Capital Statement – Made in Germany" and has been doing so since 2005. The factors influencing intellectual capital are assessed at key group entities in a systematic self-assessment process by several employee groups that are representative in terms of the professions and hierarchies of their members. The quality and quantity of individual factors as well as their systematic development within the company are assessed with the help of 27 questions. The results from the surveys of key group entities are then consolidated on a rolling basis[1] to evaluate the development of intellectual capital within the group. This way, potential for optimisation is identified and measures to improve the situation are introduced and monitored.

[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 segments 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 twelve group entities). This alternating approach at segment level is primarily related to the speed of change with respect to development of intellectual capital.

A total of 259 measures were introduced between 2005 and 2009 to develop intellectual capital based on the results of the intellectual capital statement. Around 30% of the initiatives focused on building up and sharing knowledge. A little over 30% related to improving processes in the company. Such measures to optimise processes included for example the preparation of a process map, establishing standard processes for documentation purposes and revising process descriptions. To encourage product innovations, three entities which have a great deal of customer contact increased the involvement of cooperation partners such as universities or franchisees.

The results of the intellectual capital statement for 2010 show that the assessments of EnBW's human, structural and relationship capital are at a "good" level. The assessment of human capital has improved further. Structural and relationship capital remained largely at the same level as in the prior year.

Development of the factors influencing the intellectual capital of EnBW



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Structural capital: In comparison to the prior year, the individual factors covered by structural capital were largely unchanged in 2010 at a good level. The corporate culture is generally perceived as pleasant, constructive and good, and EnBW is considered an attractive employer. Potential for improvement was pinpointed at large entities, in particular with respect to differences based on the levels of hierarchy. One way of addressing this will be to reinforce interdepartmental relations. Dramatic changes in the company's business environment pose great challenges to communication and the organisation of the EnBW group. Existing instruments for surveying opinions and exchanging experiences among employees had a positive impact on the assessment of this factor. Issues were still seen in the communication and organisation at interfaces between departments, levels of hierarchy and the separate entities in terms of efficiency, consistency and clarity. The assessment of the company's innovative power was down slightly, above all on account of the assessment by the service companies. The electricity and gas segments rated the quality and quantity of innovation as good. Potential for improvement of the company's innovative power was seen in the prioritisation and allocation of resources, consistent planning and implementation as well as the involvement of external innovation partners.

Relationship capital: The assessments of relationship capital revealed a deterioration in particular in how relationships to customers are perceived. Reasons include the loss of customers in the B2B area as well as increasing potential to win new customers and in customer relationship management in this group of customers. This development is linked to the considerable decline in prices on the market and the intensive competition that we are facing. Respondents felt that more consistent use should be made of the existing tools to analyse and measure customer satisfaction. Relationships with cooperation partners were again rated as good. The quality of relationships with cooperation partners almost matched the good prior-year level. The number of cooperation projects was considered excellent. This factor can be strengthened by making more intensive use of the evaluation systems, extending them to service providers, and – similar to the prior year – by taking a more systematic approach to managing relationships with cooperation partners. Assessments of relationships with stakeholders were slightly improved in 2010 compared to the prior year, close to an excellent level. With respect to specific stakeholder groups, respondents identified potential for improvement in relationships with certain authorities and ministries and with some municipalities. The critical image of energy companies in the general public is still a factor that pulls the assessment down. According to respondents, in relationship management with key stakeholders greater value should be placed on a uniform group-wide approach and sufficient resources should be provided.

Great importance is also attached to the EnBW brand, as maintaining and building on a positive brand image is key to success in relationships with customers, partners and authorities. The prerequisite is a clear positioning of EnBW amidst intense competition. The positioning is in turn based on EnBW's brand identity. This strategic alignment has meant that, besides being very well known in Baden-Württemberg, the EnBW brand is also appreciated by its customers as an experienced and reliable partner with regional roots. Managing this intangible asset, the brand, pays off: the image of EnBW perceived by customers strengthens their loyalty to the company.

High customer loyalty can only be achieved if customers are highly satisfied with their provider. The intense competition took its toll on customer satisfaction and customer loyalty among EnBW's retail customers in 2010. Analyses show that the good level of the prior year was not quite reached. However, where customer satisfaction is concerned, EnBW nonetheless outperformed its national competitors RWE, E.ON and Vattenfall.

EnBW AG

The profit for the year of EnBW AG increased compared to the prior year by € 460.4 million to € 916.6 million, above all as a result of non-recurring effects. Taking account of the profit carryforward of € 106.6 million and after transferring € 350.0 million to other revenue reserves, retained earnings come to € 673.2 million. A dividend of € 1.53 per share will be proposed to the annual general meeting, unchanged compared to the prior year.

EnBW AG

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As 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 provisions of the German Accounting Law Modernisation Act (BilMoG) were implemented as of 1 January 2010. The detailed financial statements of EnBW AG audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Mannheim, and the management report of EnBW AG, which is combined with the group management report, will be 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.

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]	31/12/2010	31/12/2009
Assets		
Non-current assets		
Intangible assets	8.7	10.2
Property, plant and equipment	9.6	10.5
Financial assets	16,690.8	15,018.7
	16,709.1	**15,039.4**
Current assets		
Receivables from affiliated entities	2,123.6	2,664.3
Other receivables and other assets	494.3	496.9
Cash and cash equivalents	1,711.5	1,450.5
	4,329.4	**4,611.7**
Prepaid expenses	**51.8**	**60.8**
Excess of covering assets over pension and similar obligations	**0.1**	**-**
	21,090.4	**19,711.9**
Equity and liabilities		
Equity		
Subscribed capital	640.0	640.0
Treasury shares	(14.7)	-
Issued capital	625.3	-
Capital reserve	22.2	22.2
Revenue reserves	1,592.5	1,433.6
Retained earnings	673.2	480.3
	2,913.2	**2,576.1**
Provisions	**4,055.6**	**3,548.0**
Liabilities		
Liabilities to affiliated entities	13,182.0	12,885.4
Other liabilities	927.0	687.3
	14,109.0	**13,572.7**
Deferred income	**12.6**	**15.1**
	21,090.4	**19,711.9**

[1] According to German commercial law.

Financial assets increased by € 1,672.1 million. The main reasons were the acquisition of shares in Pražská energetika a.s. and loans granted to affiliated entities as part of central treasury management.

The equity ratio of EnBW AG rose slightly by 0.7 percentage points on the prior year to 13.8%. As a result of introduction of the German Accounting Law Modernisation Act (BilMoG), the treasury shares disclosed under securities in the prior year were deducted from subscribed capital in the balance sheet as of 1 January 2010. The difference was offset against the reserve for treasury shares.

The increase in provisions is primarily due to the new rules introduced by BilMoG for calculating provisions for pensions and similar obligations. EnBW has applied the transitional provisions of Art. 67 Introductory Law of the German Commercial Code (EGHGB) with regard to pensions and similar obligations. The unrecognised provision for pensions and similar obligations amounts to € 503.8 million as of the balance sheet date.

Net profit of EnBW AG and dividend

Condensed income statement of EnBW AG in € millions[1]	2010	2009
Investment result	1,997.9	1,291.0
Interest result	-481.5	-391.4
Personnel expenses	-57.7	-208.4
Other income and expenses	102.0	-109.6
Profit from ordinary activities	**1,560.7**	**581.6**
Extraordinary expenses	-346.9	-
Taxes	-297.2	-125.4
Profit for the year	**916.6**	**456.2**

[1] According to German commercial law.

The profit for the year 2010 recorded by EnBW AG amounts to € 916.6 million, € 460.4 million above the prior-year level. Retained earnings total € 673.2 million and include the profit carried forward of € 106.6 million as well as the € 350.0 million transferred to other revenue reserves. The investment result was up € 706.9 million compared to the prior year. Positive non-recurring effects included income of € 519.0 million from the disposal of investments and lower impairment losses of € 102.5 million on affiliated entities and other investments.

The decline in personnel expenses is largely attributable to pension costs. The high pension costs recognised in the prior year were due to a framework collective agreement concluded with a term of 21 months.

The positive balance of other income and expenses improved by € 211.6 million compared to the prior year. This improvement is the result of increased clearing within the group.

Extraordinary expenses were incurred exclusively from the first-time adoption of BilMoG. They mostly relate to an addition to the provision for pensions and similar obligations.

The tax expense is € 171.8 million higher than in the prior year. The change is principally due to higher taxes for the current year and tax back payments for prior fiscal years. The item relates to current tax only, as the option not to recognise deferred tax assets was exercised for the deferred tax assets net of deferred tax liabilities. The extraordinary result is not reduced by income taxes.

We will propose to the annual general meeting on 19 April 2011 that, the same as in the prior year, a dividend of € 1.53 per share be distributed from the retained earnings of EnBW AG. As of 31 December 2010, 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 2010 will total € 373.7 million.

Comments on reporting

In accordance with Sec. 315a (1) German Commercial Code (HGB), the consolidated financial statements of the EnBW group are prepared according to the International Financial Reporting Standards (IFRSs) the adoption of which is mandatory in the EU at the 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 2010. This details relationships with affiliated entities, 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. We did not take, or refrain from taking, any reportable actions motivated by or in the interest of the controlling companies or their affiliated entities."

Sustainability

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EnBW's mission is to supply individuals and companies with energy. In this context, sustainability means providing energy in a way that is as economical, environmentally compatible, safe and efficient as possible. Performance indicators serve to provide the necessary transparency regarding the sustainability of our activities. As a company, EnBW also takes responsibility for its employees and in society. These activities are described in detail in our regular sustainability report. Our commitment to sustainable business is further reflected by our membership of the UN Global Compact initiative that aims to ensure compliance with social and ecological standards all over the world.

Sustainability		2010	2009	2008
Renewable energies				
Own generation from renewable energies	billions of kWh	7.1	7.1	7.2
Share of renewable energies in EnBW's own generation portfolio[1]	%	10.5	11.0	11.2
Capital expenditure on renewable energies	€ millions	536.4	153.7	143.1
Renewable energies generation capacity[2]	MW	2,771.0	3,362.0	3,246.0
Share of renewable energies in EnBW's total capacity	%	18	21	22
Grids				
Average energy needed to cover losses in the transmission grid	%	1.2	1.3	1.2
Average energy needed to cover losses in the distribution grid	%	–[3]	2.3	2.5
Emissions, waste, water				
CO_2 emissions from electricity generation[1, 4, 5]	g/kWh	299	251	245
NO_x emissions from electricity generation[1, 4]	mg/kWh	204	166	159
SO_2 emissions from electricity generation[1, 4]	mg/kWh	192	163	135
Dust emissions	t	275	451	376
Conventional waste	t	776,929	748,141	461,882
Percentage recycled	%	96.3	95.5	91.8
Radioactive waste	g/kWh	–[3]	0.0015	0.0015
Cooling water discharged	millions of m^3	2,965	2,741	3,103
Surface and river water drawn	millions of m^3	3,027	2,808	3,164
Energy efficiency and environmental protection				
Consulting in energy efficiency measures	Number	21,318	20,876	16,456
Energy saved through energy efficiency projects at customers	millions of kWh	198	218	103
Capital expenditure on environmental protection	€ millions	184	200	51
Current environmental protection expenses	€ millions	190	168	173
Employees				
Employees	Number	20,952	21,124	20,501
Full-time equivalents	Number	20,119	20,064	19,610
Trainees at the core companies	%	7.3	7.6	7.9
Women	%	25.5	25.2	24.8
Women in managerial positions	%	9.9	8.3	7.2
Health rate	%	95.8	95.8	95.8
Employee turnover	%	4.2	4.2	5.4

1 Prior-year figures restated.
2 Run-of-the-river power stations, storage power stations using the natural flow of water and other renewable generation capacities.
3 Information not available at the time of printing.
4 Own generation includes long-term procurement agreements and generation from partly owned power stations.
5 Preliminary data.

Employees

The just under 21,000 employees of the EnBW group are a critical success factor for the company. The personnel strategy is designed to position EnBW as an attractive employer both inside and outside the group. The assessment of human capital has improved further in many areas compared to the good results reached in the prior year.

Headcount development and personnel composition

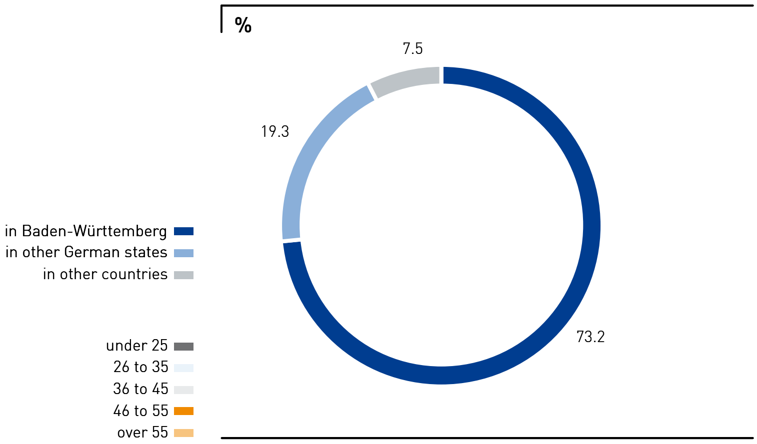
As of the end of the year 2010, the EnBW group employed 20,952 people. This is approximately the same level as at the end of the prior year. There were movements in the headcount throughout 2010 due to consolidation effects. In the electricity generation and trading segment headcount remained largely stable. Although KNG Kraftwerks- und Netzgesellschaft mbH, the operator of Rostock power station, was consolidated for the first time, the associated effect was offset by the deconsolidation of Pražská teplárenská Holding a.s. and its subsidiaries with a proportionate share of 230 employees. In the electricity grid and sales segment, headcount fell by 13.8%. While Pražská energetika a.s. was consolidated in full in this segment, some operations of the previous entity EnBW Vertriebs- und Servicegesellschaft mbH were spun off into the new entity incorporated as of 1 October, EnBW Operations GmbH, in the energy and environmental services segment. Also, in the energy and environmental services segment, ESG Operations GmbH and Awista Logistik GmbH were consolidated for the first time. In contrast, GESO Beteiligungs- und Beratungs-AG and its subsidiaries with a total of 1,487 employees, who were allocated primarily to this segment, were deconsolidated. Overall, this increased the number of employees in the segment by 9.2% as of the end of the reporting year. The holding company was reorganised in the reporting year to focus on strategic tasks. This meant that the share of operating activities was reduced and tasks were transferred to other group entities. This caused the number of employees in the holding company to fall by 106 employees to 485. Adjusted for the above changes in the consolidated companies, the number of employees in the EnBW group increased by 1.7% as of year-end 2010 compared to the end of the prior year.

Employees of the EnBW group[1]	31/12/2010	31/12/2009	Variance %
Electricity generation and trading	4,850	4,794	1.2
Electricity grid and sales	5,535	6,420	-13.8
Gas	704	733	-4.0
Energy and environmental services	9,378	8,586	9.2
Holding	485	591	-17.9
Total	**20,952**	**21,124**	**-0.8**
Number of full-time equivalents[2]	20,119	20,064	0.3

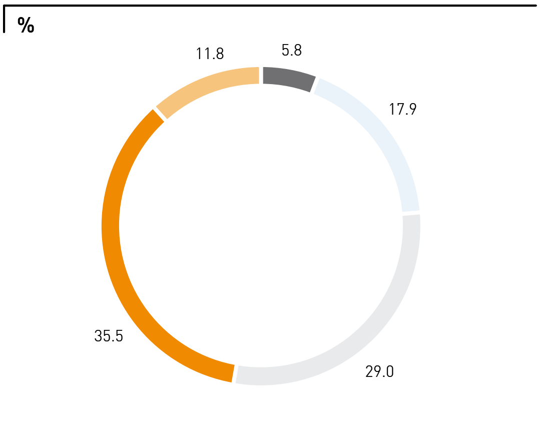
[1] Number of employees without apprentices/trainees and without inactive employees.
[2] Number of employees translated into full-time equivalents.

A share of 23.8% of employees at EnBW have a degree from a university, university of applied sciences or university of cooperative education (prior year: 22.9%); 69.9% of staff have completed a training programme at a technical college or an apprenticeship (prior year: 71.5%), while the remaining 6.3% have school-leaving certificates without further professional training (prior year: 5.6%). The proportion of female employees in the total workforce was 25.5% as of the end of 2010 (prior year: 25.2%). The proportion of women in managerial positions reached 9.9%, after 8.3% as of the end of the prior year. In a year-on-year comparison, the proportion of part-time employees, including employees participating in the phased retirement scheme, fell by 1.0 percentage points to 11.3% or 2,373 employees. The percentage of female part-time employees rose from 59.4% in the prior year to 59.5% or 1,412. Employee turnover at EnBW amounted to 4.2% in 2010 as in the prior year. At 95.8%, the health rate was unchanged compared to the prior year.

Employees by region



Employees by age group



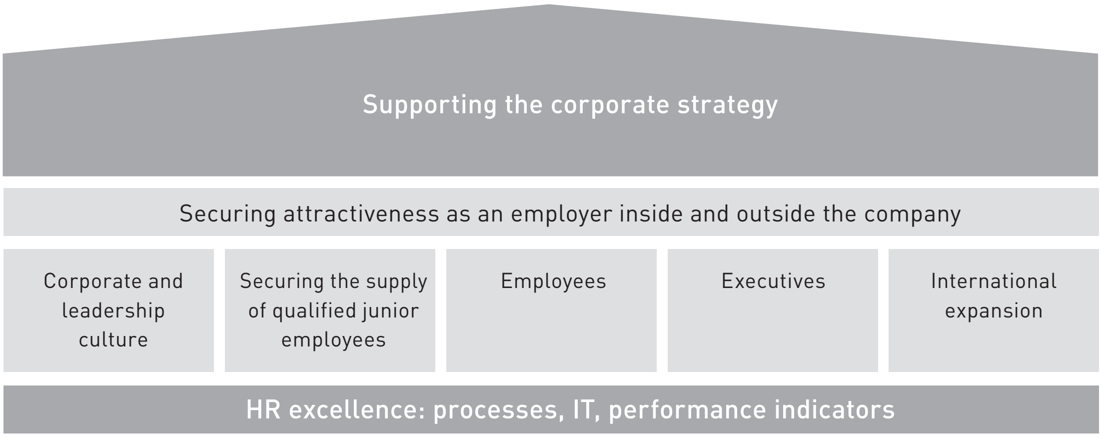
The regional distribution of our employees has changed only marginally since the prior year. The majority of our employees are located in Baden-Württemberg. Most of the 7.5% of the workforce outside Germany are employed at our subsidiaries in the Czech Republic. At 43.7, the average age of employees in the EnBW group remained practically unchanged in 2010 compared with the prior year. Four years ago, the average age was 42.4. The two age groups "36 to 45" and "46 to 55" make up 64.5% of the workforce. The distribution by age group was largely unchanged in the fiscal year 2010. Compared to 2006, the share of employees over 55 has increased from 5.5% to 11.8% and the proportion of employees aged 36 to 45 has fallen from 37% to 29% over the same period. However, the share of the other age groups has remained stable over time.

At the end of the third quarter of 2010 some 330 young people started their training or studies at 14 EnBW locations, as was the case in the prior year. The traditionally high percentage of trainees at the core companies in Baden-Württemberg was 7.3% as of year-end 2010, approximately at the prior-year level (7.6%). EnBW has close to 1,300 trainees and students in its employ.

The focus of HR work in the reporting year was placed on expanding the common understanding of leadership within the company and promoting diversity in the personnel structure. It was defined as a strategic personnel objective to significantly increase the share of women occupying specialist and management posts. Particular emphasis was placed on recruiting female academics. With regard to the demographic challenges, workforce development scenarios were prepared on the basis of qualification groups and corresponding action plans were derived. In addition, EnBW attaches great value to instruments designed to safeguard employee performance (such as health management and learning processes) and to facilitate knowledge sharing (knowledge relay).

Personnel strategy

Personnel management at EnBW centres around recruiting, retaining and developing employees in order to support implementation of the corporate strategy. One objective of the personnel strategy is to safeguard the attractiveness of EnBW as an employer in the long term, both inside and outside the group. With this in mind, the personnel measures are geared towards the five areas: corporate and leadership culture, securing the supply of qualified junior employees, employees, executives and internationalisation. The personnel strategy also includes anticipating the challenges of the future labour market through systematic employer branding. EnBW has defined its own employer brand in order to position itself as an attractive employer. The measures derived serve to attract new employees and cover the entire personnel marketing activities including the career pages on the internet, advertisements, job fairs or other events.



Corporate and leadership culture

Based on the corporate philosophy, fairness, respect and trust constitute the yardstick for working together within the company in a motivating atmosphere. We are one of Germany's most attractive employers for the sixth time in succession. In the "Germany's Top Employers 2010" company ranking, EnBW achieved good or excellent marks in all categories. EnBW was awarded the title of "Fair Company" by the magazine "Karriere" (Handelsblatt), an award conferred on companies that comply with responsible principles in integrating new members in the workforce. A new employee survey took place in October 2010 following the last one held in 2008. The key elements of the survey were the level of commitment of the employees to the group and their respective entity as well as significant factors impacting commitment. The results from the survey will be incorporated in the personnel measures in the course of 2011. The corporate culture involves keeping employees informed on a constant basis and encouraging the exchange of ideas. The monthly EnBW newspaper for employees, the group's intranet and the "Quo vadis" information event covering current topics are key tools in our internal communication. The "in the lead" process launched in July 2010 is intended to boost the common understanding of leadership at EnBW. The process is based on predefined fields of action. They provide the entities and executives with the scope to set their own priorities and to reinforce the strategic success factors they deem decisive in leadership.

Securing the supply of qualified junior employees

Trainees: The training of young people and a job guarantee for twelve months or more constitute a considerable contribution to securing a constant supply of young talent. The apprenticeships in technical and commercial areas include, among others, plant and industrial mechanics, mechatronics fitters, construction mechanics, industrial clerks, information technology officers and office clerks. EnBW also has students on placement from universities of cooperative education who, in addition to the periods of practical work on location, are registered at universities such as Heidenheim, Karlsruhe or Stuttgart.

FURTHER INFORMATION
www.enbw.com › Careers

Student programmes: We cooperate closely with universities to approach qualified young people at an early stage and raise awareness for EnBW as an employer. Among other things, this involvement takes the form of speaker activities, seminars, events, scholarships and foundation chairs. Our special student programmes are aimed at supporting particularly committed and motivated students and attracting them as future employees. In the fiscal year 2010, a total of 1,200 students were on placement, completing their theses or working as casual workers in EnBW's core companies in Baden-Württemberg.

Group trainee programme: With its group trainee programme, EnBW offers university graduates in technical, science or business courses an interesting start to their careers. Over twelve months the trainees get a first-hand insight into EnBW's value added chain in the course of several practical phases at various entities and functions within the group.

Employees

Development and advancement: Executives and employees work together at the annual performance review discussions to set out tasks, responsibilities and objectives. One key component is the development plan for the employee, which can in particular use the extensive offering by EnBW Akademie, with seminars, events as well as one-to-one training sessions on methodology, social and technical competence as well as leadership skills. In the event that an employee leaves the company or moves to another department the knowledge relay tool ensures that knowledge and experience are transferred systematically.

Additional offers: These days, the world of work and life in general is subject to continuous change. An important part of personal life planning is to strike a balance between one's professional and private life. EnBW meshes the two areas in order to safeguard the motivation and performance of its employees in the long term. One central component of this approach involves active health promotion and health care for EnBW employees, including company sport groups, an occupational health service, annual vaccination campaigns and physiotherapy offerings. Other measures to help employees achieve a work-life balance include, for example, childcare offers (family offices, places in child day-care centres, childcare during school holidays), counselling talks for parents-to-be, gifts at the birth of their child and events about returning to work after parental leave as well as support offers for employees with family members in need of care.

Remuneration: Effective 1 April 2010, the collectively bargained pay was raised by 2% at the entities bound by the collective agreement in Baden-Württemberg. This was the second phase of the collective bargaining agreements reached in April 2009. Furthermore, in recognition of their commitment to the company, employees covered by the collective agreement are granted profit participation bonuses based on group-related corporate targets.

Executives

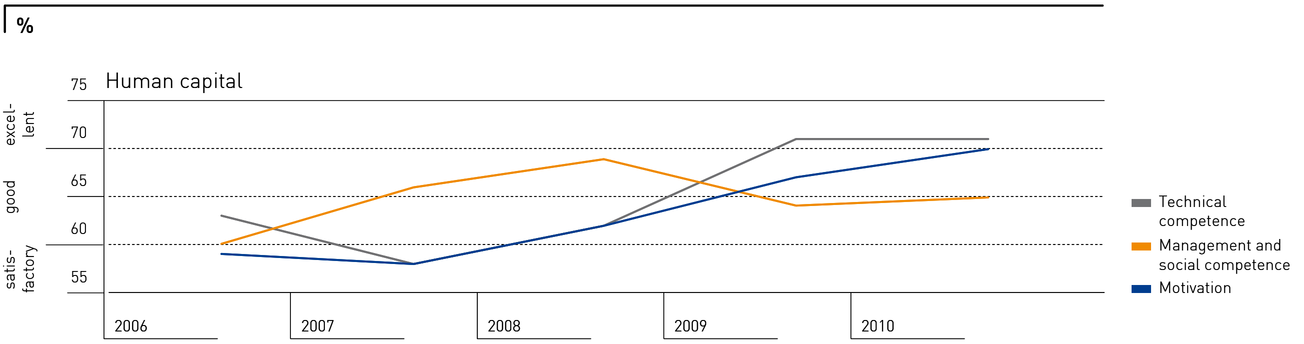
The composition of the management team is guided by the requirements of the corporate strategy. The instruments and processes of management development centre around the leadership performance strategy developed in 2009, that is designed to ensure modern, targeted and efficient development and successor planning at all management levels. A development pool is available in order to promote high potentials at EnBW. This pool is regularly filled with the group's high potentials, and an individual development plan is developed and implemented with them. Successor planning is the basis for appointment and recruiting decisions for all top management positions. A new communication platform between the Board of Management and top management was introduced as a series of events entitled "The executive group in dialogue with the Board of Management". The Board of Management and top management come together at these quarterly events to discuss corporate management issues.

Internationalisation – EnBW employees abroad

Thinking and acting in an international context is important to EnBW. EnBW regularly sends employees on international assignment to manage its shareholdings in central and eastern Europe or in Turkey, often for periods of several years. This is conducive to the advancement of our employees and opens up a whole range of potential working areas and career paths to them. In addition, this way we guarantee that knowledge sharing, to which we attach such great importance, is put into practice between entities within the group.

Assessment of our intellectual capital: human capital

Development of the factors influencing the intellectual capital of EnBW



Since 2005, EnBW has assessed its human capital using the method "Intellectual Capital Statement – Made in Germany" and its overall rating has been "good" in recent years. Technical competence has even been rated as excellent since last year. Due to changed circumstances, for instance through entering new business fields, many group entities are constantly looking for qualified staff. These needs are covered by the HR processes, which are thought to function well throughout the group. The improved rating in management and social competence compared to 2009 is a result of the larger number of executives. Potential for improvement was still seen in building up management competence, due to the extreme complexity of the business. The assessment of motivation has improved further. This is due to the greater flexibility afforded to employees in arranging their work, combined with motivating framework conditions such as a working time model based on the principle of trust or employee surveys.

FURTHER INFORMATION
The EnBW group
› Relationship and structural capital › p. 73ff.

Research and development

EnBW develops practical solutions that create added value in the company or for its customers now and in the future. It is guided by implementation of the climate protection targets and the requirements of an environmentally compatible, safe and competitive energy supply in the future. EnBW increased its R&D expenditure by 6% in 2010 compared to the prior year to € 33.8 million, above all for large projects in the field of electromobility.

Research and development objectives and guidelines

EnBW's research and development work forms the basis for solutions that create added value in its own plants and at our customers, thereby making a contribution to increasing the company's value. R&D activities are subject to a holistic approach and geared to sustainable energy supply and optimised energy logistics. EnBW implements new developments along the company's entire value added chain and directly at customer applications – with special emphasis placed on pilot and demonstration projects – and pursues the following aims:

- **Using conventional[1] energy sources more efficiently and reducing emissions:** Our projects focus on raising the efficiency of power stations, capturing carbon dioxide from flue gases and identifying new possibilities for the use of carbon dioxide.
- **New viable sources of energy:** With regard to geothermal energy, we will continue our efforts in future in collaboration with EDF to raise the efficiency of generating electricity from this form of energy. We are also working on solutions to improve how fluctuating volumes of energy from renewable sources are integrated in the grid via the market for electricity. Other projects are aimed at tapping new sources of bioenergy for the purpose of extracting biogas.
- **Better grid management at both the consumer and generation ends (smart grid):** In order to avoid greenhouse gas emissions and to reduce costs, work is going ahead on integrating decentralised renewable sources of energy into the grid and making them available locally, also using storage technology. Other focal points are the development of new small-scale power stations and improvements in geothermal heating systems for retail customers.
- **Pressing forward with electromobility:** EnBW is cooperating with partners in a number of model and pilot projects to research and test ways of providing energy and the charging infrastructure for the locally emission-free mobility of tomorrow.

In addition, we are active in developing methods of generating CO_2 allowances in international climate protection projects (Clean Development Mechanism, CDM).

Efficient research and development structure

EnBW's research and development function is characterised by a lean structure. The objective is to promote the development of innovations with practical relevance. The focus is placed on early cooperation with the world of science, our suppliers and new companies. Within the EnBW group, each EnBW entity initiates its own R&D activities in its area of the value added chain. This process is coordinated and supported by the research unit in the holding company, which also pursues the strategic research goals and the development of higher-level projects. Applications that are about to reach market maturity are one core area. Instead of having our own laboratories, we have a close and trusting working relationship with academia and our technology suppliers. We implement new developments within our company or at our customers in cooperation with our research partners.

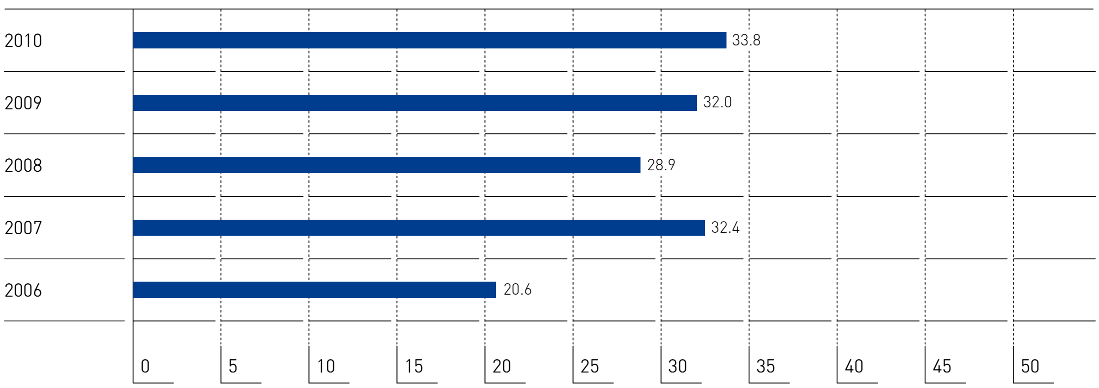
[1] Including thermal and nuclear power facilities.

Expenditure and personnel

EnBW's R&D expenditure amounted to € 33.8 million in the reporting year after € 32.0 million in the prior year. The main reasons for this increase included the higher cost of activities in the field of electromobility. One priority of R&D work in 2010 was to further improve energy efficiency at the generation stage. The number of employees involved in research, development and innovation in the EnBW group remained stable year-on-year in 2010 at around 170. In 2009, we had increased headcount in this area by 20 employees to cater to the increased electromobility activities. Some 150 out of the total of 170 employees are based at EnBW entities and also carry out R&D projects in the course of their operational work. As in the prior year, there are 19 employees at the holding company's research and innovation unit, who are assigned to strategic projects. Most of them are engineers and people with a background in natural and business sciences, and they are also supported by numerous students.

Research expenditure of the EnBW group

in € millions



Incorporating external know-how

In 2010, we again extended cooperation with universities in the area of research across the entire group. The most important external research and innovation partners are the universities, colleges and research institutes in Baden-Württemberg, in particular in Karlsruhe, Stuttgart and Hohenheim. Germany-wide, close ties also exist to universities and research institutes in Aachen, Berlin, Cologne, Cottbus, Darmstadt, Dortmund, Dresden, Düsseldorf, Hamburg-Harburg, Munich and Oldenburg.

Another cornerstone of our research activities was our cooperation with EDF. We launched a range of new projects with the European Institute for Energy Research (EIfER) in 2010. In March 2010 EnBW joined EDF's European Centre and Laboratories for Energy Efficiency Research (ECLEER) in Paris. This centre is the heart of a scientific network with many European partners and its purpose is to speed up innovation in low-carbon energy technologies. EnBW has entered into cooperation with the French grid operator RTE in a German-French pilot project for testing low-loss local network transformers. Electronic testing of the prototypes from various manufacturers was carried out in EDF's laboratories.

Selected research and development results

Nuclear power

EnBW was involved in some 146 joint nuclear power research projects in Germany in 2010 that are coordinated by the professional association VGB PowerTech. Most of these span several years and relate to current issues of optimising power plant operations.

Besides funding various grants for doctorates in the field of nuclear power research, in 2010 EnBW also played a role in the foundation of "ENELA GmbH – European Nuclear Energy Leadership Academy". This Munich-based institute will train future executives and professionals in the nuclear industry with a focus on Europe.

In order to optimise treatment of contaminated areas when dismantling power plants, EnBW is working on a project in collaboration with the Karlsruhe Institute of Technology (KIT) to automate decontamination using a robot. The robot removes the necessary cement layer unaided and collects the dust in the process.

Increasing efficiency in traditional power generation and CO_2 separation

Increasing efficiency in power station technology: A higher degree of power station efficiency automatically results in the use of less coal and in lower CO_2 emissions. When using conventional fuels, the ability to increase pressure and temperature as steam parameters plays an important role. Power station components made from new materials were put to the test at the large-scale power station in Mannheim in over 2,000 hours as part of the development process for 700 °C power station technology. These tests were accompanied by projects to manufacture, process and test materials and power station components.

CO_2 capture: It is our aim to test various CCS (carbon capture and storage) technologies that come closest to the requirements of power station operators in terms of energy and cost efficiency, environmental protection and supply reliability. The greatest challenge is to keep the energy consumed in the process of capturing CO_2 to a minimum, thereby forfeiting only a few percentage points of power station efficiency. In this way, EnBW has chosen to focus on optimising methods in test facilities in a first step. Together with the University of Stuttgart, EnBW put a test plant into operation on the campus in May 2010 which uses the carbonate looping method. This method uses burnt lime at temperatures of between 600 and 700 °C to bind CO_2 from the power station's flue gases. The limestone thus created is then heated to 900 °C. This way, the carbon dioxide is captured from the lime and is available for storage after cleaning and liquefaction. Later in the year EnBW established another test facility in Heilbronn. The methods applied there use aqueous amine solutions to clean CO_2 from the flue gases created in the course of incineration. Test operations are scheduled for three years in both projects.

International climate protection projects/CDM

In the reporting year the United Nations Framework Convention on Climate Change approved a method developed by EnBW to generate CO_2 allowances in the field of substitutes for fossil fuels in the generation of electricity and transportation (Clean Development Mechanism, CDM). EnBW had initiated a research project in Madagascar where barren wasteland was used to capture bioenergy by cultivating oleaginous jatropha plants.

Tapping new energy sources

Geothermal energy: As part of the efforts to achieve cost-effective electricity from geothermal power in Germany, research work began in 2010 to complement the geothermal power station established in Bruchsal in 2009. The aim is to optimise the thermal water circuit and adapt the power station better to this heat source. These measures are intended to increase the number of operating hours a year to the high level of base load power stations. The geothermal power station in Soultz-sous-Forêts in Alsace, in which EnBW holds an interest, began feeding electricity into the French electricity grid as scheduled in January 2011 following a further optimisation of operations.

Local generation of energy

Natural-gas-based micro gas turbine CHP plant: In a joint project EnBW and the German Aerospace Center (DLR) are constructing a pilot plant for a small-scale natural-gas-based power plant with a micro gas turbine and combined generation of heat and electricity. In terms of the future energy supply, this power plant constitutes an efficient and low-emission supplement to large-scale power stations and can be used to generate electricity and heat close to where it is needed by consumers in hospitals, industrial businesses or in residential homes. In addition, these power stations will play an even more important role as scalable facilities in the smart grids of the future.

Fuel cells for power supplies to households: Fuel cell heating systems consume less primary energy and reduce CO_2 emissions. Since 2001, EnBW has been actively driving forward this environmentally friendly source of energy to serial use. By the end of 2010 EnBW had already installed 55 systems. The plans are to increase this number to a total of 222 fuel cell heating systems in Baden-Württemberg over the next two years. EnBW is also active in the CALLUX project, in which the participating companies intend to commission 800 plants throughout Germany by the end of 2012.

Smart grids

MeRegio: By the end of 2010 all 1,000 retail, business and industry customers involved in the MeRegio (Minimum Emission Region) project had been equipped with the intelligent electricity meter, dynamic charging rates and EnBW's StromAmpel® displays that show the current electricity price. The aim is to analyse consumer behaviour in response to the different electricity prices charged in the course of the day. The second phase in which 250 smart end appliances (freezers) were installed has now also been completed. Initial analyses confirm that the overall system is capable of responding to signals with a view to managing future electricity shortfalls. Further project components are in progress and will be introduced in 2011.

FURTHER INFORMATION
www.meregio.de

Electromobility: EnBW expanded its electromobility activities visibly in the fiscal year 2010. Fleet tests have started with a growing number of different vehicles and the planned charging stations have been set up. Various field tests are intended to provide information on the vehicle, the charging infrastructure and the driving habits of the users.

- **Stuttgart as a model region:** The largest fleet of electric vehicles in Germany at present started up in July of this year. All of EnBW's fleet of 500 electric scooters are now in use in Stuttgart. In addition, Deutsche Post postmen and women have been equipped with electric scooters in the Stuttgart region since September. Electric cars and vans are also being used in the framework of another project.
- **Kléber project:** Ten prototypes of the new Toyota Prius plug-in hybrid were delivered to EnBW and several other partners in Karlsruhe. EnBW will install charging stations along the Rhine axis, making it possible for German and French test drivers to travel across the border.
- **Electromobility initiative for towns and villages:** The focal point of EnBW's new e-mobility initiative is on analysing the mobility and charging behaviour in rural areas. The project is intended to bring the benefits of expanding electromobility to towns and villages throughout Baden-Württemberg. The aim is to develop an infrastructure to cover the entire state. The official start of the project is scheduled for early 2011. Questionnaires and the data saved in the charging stations provided by EnBW will be used to examine mobility patterns and charging behaviour over a period of 18 months.
- **MeRegioMobil:** This project focuses on connecting electric vehicles to an energy management system for households – a smart home – by means of smart charging stations. The specifications for the charging stations and invoicing were defined in 2010. The first charging stations and vehicles were delivered in late 2010. Interaction between the components is being tested in various ways including a model smart home set up at the Karlsruhe Institute of Technology (KIT).

Hydrogen (H_2) mobility: EnBW joined the "H_2Mobility" initiative in September 2009. Its goal is to achieve a nationwide service station infrastructure for fuel cell vehicles in Germany over the next few years. EnBW is concentrating on the potential that a hydrogen service station infrastructure offers. Two research projects in the cities of Karlsruhe and Stuttgart are setting up one hydrogen service station in each city by the end of 2011, the first in Germany using a new, fast refuelling method. In December EnBW received two B-Class F-Cell vehicles with fuel cell drive from Daimler in this context. In the following operating phase a technology validation will be performed at the service stations to examine their readiness for the market in terms of performance and expected life cycle costs. Our hydrogen service station in Stuttgart will be equipped with an electrolysis device which we want to use to test the economic feasibility of hydrogen as a storage medium for wind energy. In order to put a functioning infrastructure in place, a number of different industries have to work together closely. The key objective is to ensure the safe supply of the hydrogen generated (from renewables) to consumers at the service stations.

Risk and opportunities report

The EnBW group's risk exposure remained at a high level in 2010. The risk management system identified risks at an early stage and initiated measures to reduce exposure. Material uncertainties were caused in the course of the year by the introduction of the nuclear fuel rod tax and the extension of nuclear power plants' working lives in Germany. We have observed a further deterioration in the risk situation on the market and in the field of competition. There were no risks to the group's ability to continue as a going concern. At the same time, EnBW sees a wide range of opportunities that we intend to exploit by strategic and operational measures.

Principles of risk management

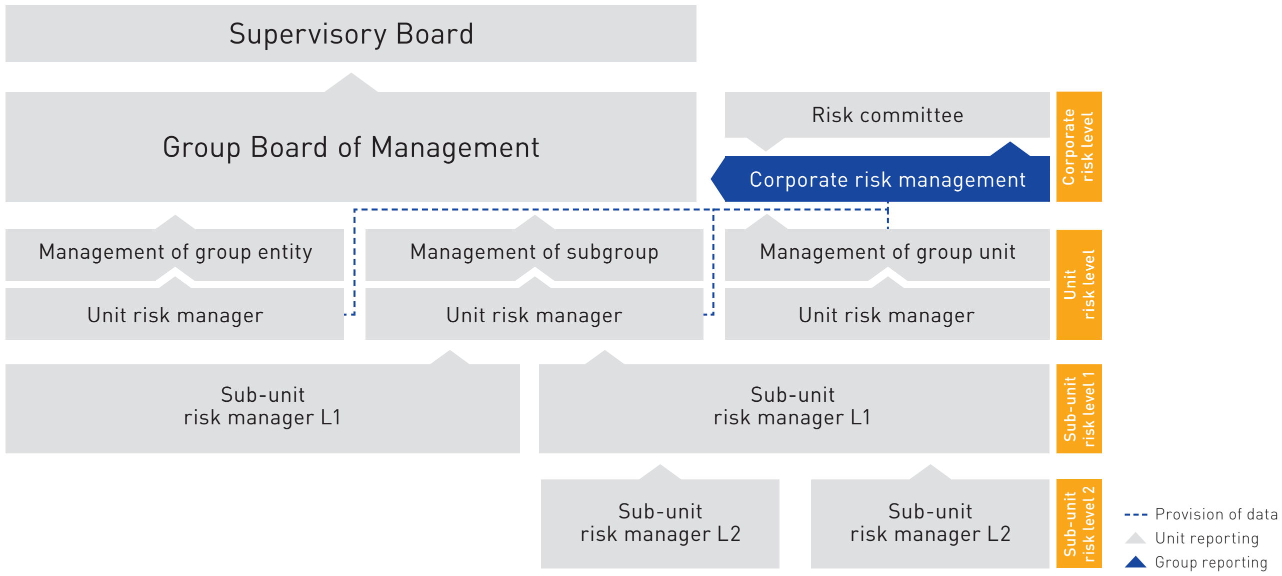
In the course of its business activities, the EnBW group is constantly exposed to intrinsic and extrinsic risks. Risk is defined as a circumstance that can have a negative impact on results of operations, financial position and net assets and make it more difficult to achieve operating and strategic targets. Risks arise from events that either can basically be planned, but are still subject to chance, or that are not foreseeable. The risks for the EnBW group can be subdivided into the following categories: systemic and industry risks, strategic, IT, personnel, financial, operating and other risks. In accordance with the chosen definition of risk and the respective objective, risk management coordinates the proactive and preventive process of managing risk. This covers risk identification, risk analysis and assessment, early warning system, risk management as well as risk documentation and reporting. Risk management involves measures to avoid, reduce or transfer risk, to make provision in the balance sheet for risk or accept the risk. The observation period analysed by risk management generally extends to the medium-term planning horizon. Any other risks of special importance are also taken into account.

Structure and process of risk management

The EnBW group's risk management system is divided into central and local units. The group risk management function at the level of the holding company is responsible for specifying group-wide methods and processes and risk reporting to the Board of Management. The risk manual governs the handling of risks in the entire group. Starting at the level of the individual entities, risks are aggregated along defined reporting lines throughout the group.

The group's interdisciplinary risk committee addresses questions and issues relating to risk management from various group perspectives and is responsible for the quality of the group's risk report. The group's Board of Management reports on the risk situation at regular meetings with the Supervisory Board. Within the Supervisory Board, the audit committee is specifically responsible for the detailed assessment of the group's risk situation.

Structure

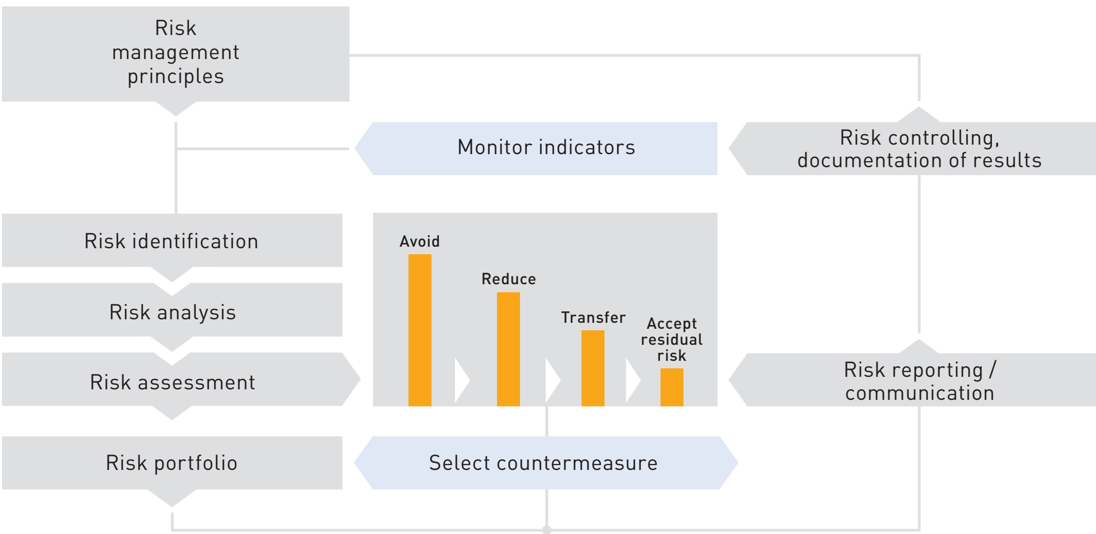


The risk management process is integrated in the operational processes of the EnBW group companies and at the level of the holding company as a continuous procedure. Risk management covers the identification, analysis as well as the assessment and reporting of risks. The process facilitates the early detection of risks in an appropriate manner and supports risk management. There are various stages of reporting and escalation. The materiality threshold for risks is a potential loss of € 1 million. Management of these risks is the responsibility of the respective entity's management. Risks of up to € 20 million in the three-year planning horizon or € 10 million in the first budget year are reported to the relevant member of the Board of Management. The group risk threshold is € 50 million over the planning horizon. Such risks are presented to the entire Board of Management. A standardised risk report is issued each month. The Board of Management is informed without delay of the occurrence of any acute risk situations needing immediate attention.

Any risks with a probability of occurrence of less than 50% are subject to a review as to whether they have to be dealt with in the next forecast or planning round. If there are any risks that are more likely than not, then accounting measures should be taken as far as possible. Such risks have to be taken into consideration in the next planning round.

In the fiscal year 2010 the risk management function was interlinked further with the company's governance functions. A further priority was to integrate new entities in the risk management system, in Turkey and the Czech Republic for example.

Process



It is our aim to continually fine-tune the available risk management methods and procedures. We increase our employees' professional expertise with regard to risk management in workshops and events held on a regular basis.

Systemic and industry risks

Economic risks

Development of the economy: Our projection of unit sales of electricity and gas are based on forecasts of future economic development and the related demand for energy. Any significant negative deviation between actual and projected economic development gives rise to numerous risks for EnBW. They include sales risks in the sales function arising from erosion of sales margins as well as smaller quantities being transmitted via EnBW's grids and a resulting fall in network user charges. Any quantities already purchased for sale have to be resold if they are not purchased. These effects were reflected in EnBW's earnings in 2009 due to the economic crisis. The overall economic situation improved considerably over the course of the year 2010. This led to an increase in the demand for electricity and gas. The potential exposure from economic developments fell considerably in 2010 as a result. However, risks can also arise from an unforeseen economic recovery when wholesale prices rise at the same time, as this would mean that additional primary energy sources and electricity would have to be procured.

Allocation of CO_2 emission allowances: The current planning horizon reveals uncertainties regarding the third allocation period for CO_2 allowances that starts in 2013. All allowances are to be allocated by way of an auction, but not all details are available yet. The risk pertaining to the procurement and use of the CO_2 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.

Market development

Almost all assets and transactions of our group entities in the areas of generation, trading and sales 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. Compliance with these requirements is verified by the auditor during the audit of the financial statements. 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 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. The core business of ETG is to market our own generation products, and to hedge them against market price risks, primarily via the wholesale market. Notwithstanding its hedging strategy, when selling the electricity quantities generated EnBW is to a great extent exposed to the risk of falling electricity prices and the risk of an unfavourable development of the fuel prices in proportion to electricity prices. This risk affects a key segment of EnBW and can be hedged only over a limited period of time. 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. Through risk management in the sales function EnBW ensures that the anticipated sales volume is available. 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 continuously optimised on the basis 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, load 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 2010, the nominal value of all energy derivatives totalled € 39,930.3 million. The market value of all energy derivatives as of the same date was € 48.0 million.

The EnBW group has exposure to foreign currency risks from procurement and hedging of prices for fuel needs, as well as from 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, Swiss francs and Czech koruny. The net assets tied up at foreign group entities outside the euro area 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.

Both the EnBW group and 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 to 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 area. A sensitivity analysis is provided in the section on "Accounting for financial instruments" in the notes to the consolidated financial statements. The nominal volume of interest and currency derivatives amounted to € 4,727.1 million as of 31 December 2010. These derivatives had a total market value of € 203.8 million.

Competitive and price risks: In the reporting year competition in the B2C business increased further, both in the electricity and in the gas market, and the risk of losing customers has grown accordingly. As in the B2C business, the electricity and gas business in the B2B sector is also exposed to increased price and margin risks due to the keen competition. EnBW's sales functions are confronted with the risk that passing on to customers the cost allocations under the German Renewable Energies Act (EEG) set in mid-October 2010 could incite customers to change provider. Similarly, there is a risk of unplanned additional expenses arising because the EEG cost allocations have not yet been set for subsequent years.

Energy needed to cover grid losses: EnBW's grid companies have to purchase on the market the energy lost during transmission through the networks. While the amount of energy needed to cover grid losses in the distribution grid can be estimated quite accurately based on past experience, it is difficult to budget the amount needed for the transmission grid. Market prices for purchasing the energy needed to cover grid losses are volatile and may exceed the budgeted prices. Thanks to a risk-averse procurement strategy, in 2010 EnBW Transportnetzte AG (TNG) was able to purchase the energy needed at the budgeted price.

Political and regulatory risks

Nuclear fuel rod tax and agreement on the fund to promote renewable energies: The German Nuclear Fuel Rod Tax Act enters into effect on 1 January 2011. It provides for a tax rate of € 145/g of nuclear fuel employed. The new tax will be levied over the period from 2011 to 2016. The additional income at federal level is expected to total around € 2.3 billion per annum. The share payable by EnBW is estimated at around € 440 million. The federal government and the operators of nuclear power plants have also signed an agreement on a fund to promote renewable energies. It comprises three components: an extension of the working life of nuclear power plants, nuclear fuel rod tax and promotion of renewable energies. According to the agreement, an extension of the working life of nuclear power plants is linked to prepayments into a fund to promote renewable energies. Such prepayments can be credited to the contribution payable as of 2017 of € 9/MWh on the additional volume of electricity generated from the extension of working life. For EnBW, this gives rise to non-refundable advance payments of an estimated € 65 million in each of the years 2011 and 2012 and € 43 million for the following years until 2016. The agreement makes express reference to the fact that the operators reserve the right to take legal action against the Nuclear Fuel Rod Tax Act and any tax imposed. EnBW is currently investigating this option. Some of the federal states have announced that they are examining the possibility of bringing an action against the amendment of the Atomic Power Act before the Federal Constitutional Court. All in all, the nuclear fuel rod tax will place a considerable burden on EnBW's operating result.

German Energy Industry Act (EnWG): Among other things, the third energy liberalisation package provides for a stricter separation of transmission systems on the one hand and generation and sales functions on the other. The directive suggests three unbundling models to this end. The directive must be transposed into national law by 3 March 2011. On 27 October 2010, the Ministry of Economics issued a green paper on the implementation of the third energy liberalisation package. It sets 3 March 2012 as the deadline for applications by transmission system operators wishing to obtain the necessary certification. The risk situation has eased somewhat for the EnBW group as there are three options that are considered possible and that green paper does therefore not require disposal of the grids. Nevertheless, the stricter separation of transmission system operators from other corporate functions will of course lead to higher costs.

Directive on industrial emissions: In amending the industrial emissions directive (IED), the European Parliament passed the proposal for a compromise negotiated between the European Council and the European Parliament. The formal approval of the Council is still necessary for the directive to come into final effect. The thresholds are to apply from 1 January 2016. The directive presented gives rise to the risk of retrofitting work becoming necessary at individual EnBW power stations in the medium term.

Amendments to the German radiation protection ordinance: The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety has presented draft amendments to the German radiation protection ordinance (StrlSchV) and the German x-ray ordinance (RöV). These contain a dramatic reduction in the permitted limits and approval levels for tritium. As a result, the amount of waste classified as radioactive would increase considerably, leading to considerably higher costs for the operation and decommissioning of nuclear facilities and the preparation of nuclear waste for ultimate storage as well as for the operation of ultimate storage facilities.

Network user charges: As part of incentive regulation, an individually set cap on the revenue from network user charges was imposed on all electricity and gas network operators in Germany over four and five years for gas and electricity grids, respectively, as of the beginning of 2009. We continue to pay close attention to how incentive regulations and any other potential regulatory measures introduced by the Federal Network Agency will be structured.

Abuse proceedings relating to balancing energy: The abuse proceedings by the Federal Network Agency against the transmission system operators in Germany were still pending in 2010. The object of the proceedings is the balancing energy purchased by the transmission system operators and the system-related contradirectional non-harmonised use of balancing energy between the four German balancing zones. 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 will reduce network user charges in future periods. Optimised network operations were introduced to reduce the amount of contradirectional non-harmonised use of balancing energy in future.

Anti-trust pricing reviews: In the course of 2010 the anti-trust authorities turned their attention towards pricing on the markets for heater current, district heating and water. The abuse proceedings did not affect entities of the EnBW group. The Federal Anti-Trust Office issued a disclosure notice on electricity generation costs. According to the Federal Anti-Trust Office the cost control concept would be a conceivable area of application for abuse proceedings, which have not yet been initiated, however. Although EnBW is not considered to dominate the market, EnBW could be affected indirectly if the general price level was influenced as a result of abuse proceedings against third parties.

Strategic risks

Viability of investments: As is the case with any business undertaking, EnBW's strategic development involves risks by its very nature. Opportunities harbour the risk of a potential loss of income. The latter may arise from a misinterpretation of customer requirements and framework conditions as well as technological misjudgements. The investment projects that we have launched include construction projects for a range of new facilities that are highly complex and involve the interaction of a large number of participants. It is impossible to rule out disruptions during the process of construction which may cause temporary delays or cost increases. From today's perspective this applies to the construction of the new RDK 8 coal-fired power station. Such factors and changes to the market environment entail the risk that the investments will be impaired and impairment losses may need to be recognised. The current market environment may make it impossible for the planned volume of divestitures to be achieved.

Equity investments: The group's strategy includes the acquisition of shareholdings. There are uncertainties as to the success of a transaction and the integration of the new entity in the group. The risk of impairment of shareholdings arises from changes in assumptions regarding the equity investment's business development. This applies to newly acquired equity investments in particular, but is also valid for existing ones. This risk already became reality in 2010. Impairment losses were recorded on our shareholdings in Turkey and in Stadtwerke Düsseldorf. Impairment losses of a high eight-digit euro amount were also recognised on equity instruments held by entities accounted for using the equity method. The reason was a prolonged decline in market price. One key parameter in the measurement of investments is WACC. This depends on the risk-free interest rate, among other things. In the event of an increase in the corresponding interest rates and, consequently, in WACC, this could necessitate recognising impairment losses on our equity investments of up to a nine-digit figure. Other changes in the assessment of the future profitability of group entities could lead to additional impairment losses.

Renewal of franchise agreements: A franchise agreement is a contract between a municipality and an energy supply company granting the energy supply company the right to lay and operate lines on public roads in order to directly supply end consumers within the municipality. In return the municipality receives a franchise fee. Upon expiry of a franchise agreement, the municipality has the right to commission other energy suppliers to operate the network, who then buy the network from the previous network operator. Some 300 electricity and gas franchise agreements within the network territory of EnBW and its main equity investments expire by 2014 and are up for renegotiation. Major franchise agreements for us are those with Neckar-Elektrizitäts-Verband (NEV) and the city of Stuttgart. We are currently in intensive negotiations with these two franchise partners and are aiming to continue the constructive cooperation in the long term. The loss of a franchise territory may have a detrimental impact on the capitalised earnings value. There is the additional concern that customers will be lost to the new franchisee as a consequence of fiercer competition. The interest shown by third parties in the franchises we hold is still high. At the same time, towns and municipalities are increasingly demonstrating an interest in returning their electricity, gas and water supply networks to public ownership. These moves back to municipal ownership additionally increase this risk.

EnBW underlines its role as a strong partner in Baden-Württemberg through active franchise agreement and relationship management with regard to towns and municipalities. In 2010, some 270 franchise agreements were successfully renegotiated and concluded. This means that the EnBW group has managed to maintain virtually the same number of franchises despite the increased competition with municipal utilities.

Operating risks

The production processes along our value added chain in the business segments of the EnBW group involve complex and highly specialised plant and equipment. Our objective is to avoid damage to our plants and minimise downtimes. To prevent intrinsic risks, we use cutting-edge technology, carry out regular maintenance at our facilities and train our staff. Despite the high standards, it is not possible to rule out risks completely. Risks from extrinsic factors are more difficult to ascertain, as external effects tend to impact our processes very rapidly and unexpectedly. We strive to counter such risks with preventive measures.

Where possible and economically feasible, we minimise the economic losses arising from operating risks, among other things, by taking out insurance. In order to guarantee that we are adequately insured should damage to property occur, we analyse the effectiveness of the insurance cover and any additional requirements every year. We select the amount of the deductible based on what makes economic sense. Business interruptions, particularly of power plants, can significantly impact the operations of the group, depending on how long they last.

Power station dismantling: Long-term and complex large-scale projects such as dismantling Obrigheim power station generally involve exposure to risk. The main categories of risk are technical, regulatory and market risks that jeopardise budgets and schedules.

New power stations: EnBW's current construction projects include power stations in Karlsruhe, Mannheim (through the shareholding in Großkraftwerk Mannheim AG), Eisenhüttenstadt and Rheinfelden. EnBW is further expanding its generation capacities in the field of renewable energies. Investment projects of this scale and complexity are exposed to risks relating to quality, cost and deadlines that we counter with a closely meshed project risk management. It is important that the new power station projects are accepted by the general public.

IT risks

Communication and information systems are of central importance for the smooth running of a large number of EnBW's business processes. We endeavour to avoid malfunctions in the IT networks and applications and support the implementation of processes in the best possible way. The provision and integration of software and hardware solutions is organised centrally. Throughout the group IT security is given high priority.

We minimise potential IT risks by means of high security standards. One core element of those standards are the EnBW group principles for security in information and communication technology (EKSIT@). These are a group-wide binding set of rules for the use of our information and communication systems. Special importance is attached to IT security, data protection and data security. Our guidelines are based on international and industry-specific security standards.

Applications in the IT network are protected according to their significance and the assigned level of protection. Service level agreements are in place with IT service providers to guarantee that the requirements are met. The IT risk is assessed by comparing the status required with the level of protection installed. The variance is used to derive any measures necessary for the further development of the IT systems in order to create the required level of security. IT and risk managers perform the analysis and evaluation process together and refine it continually.

Personnel risks

Our employees make a significant contribution to the company's development. In this respect, EnBW is exposed to the risk of not having a sufficient number of employees with the necessary qualifications to meet operational and strategic requirements. This risk arises from competition with other companies on the labour market and is exacerbated by demographic developments. We counter this risk with numerous internal personnel development measures and positioning the company as an attractive employer. In addition, we use demographic scenarios to analyse in which areas we need to take action most.

A risk regarding the development of personnel expenses arises from collective bargaining. Collectively bargained salary increases may be higher than budgeted in the planning. The 2009 collectively bargained agreement fixed employee remuneration until December 2010. New collective bargaining agreements will need to be negotiated for the period thereafter. There is uncertainty concerning the amount and term of the collectively bargained wages and salaries in the planning period.

Financial risks

Counterparty risk

Apart from customer transactions, transactions on the over-the-counter (OTC) market are the main business transactions involving counterparty risks for EnBW. OTC transactions are entered into to hedge and optimise power station capacity in the trading area. On the trading side, counterparty risk consists of settlement risk and mark-to-market risk. Settlement risk arises from unsecured receivables from trading partners. This risk is also prevalent in the customer business of the sales function. The mark-to-market risk arises from the market valuation of open positions in the trading portfolio. It comprises the price risk in the event of default by a trading partner, since the position then has to be repurchased at the then current market prices.

With respect to bilateral margining agreements in the trading area, the counterparty risk is managed by the provision of collateral. This limits the counterparty risk in the business relationship concerned within the defined limits. For trading partners on the OTC market, we define individual credit limits on the basis of their credit standing. Counterparty risk is established and adherence to the line of credit and spread thereof are monitored on a regular basis. We generally carry out OTC market transactions on the basis of master agreements, for example those published by the European Federation of Energy Traders (EFET), the International Swaps and Derivatives Association (ISDA) or the International Emissions Trading Association (IETA). There is no counterparty risk in transactions through energy exchanges such as the EEX or ICE because the transactions are cleared via the exchange and the necessary clearing bank. None of our OTC business partners filed for insolvency in fiscal 2010.

In a severe economic crisis, such as that seen in the fiscal year 2009, it is likely that the number of businesses becoming insolvent will increase. As a result, the risk of bad debt losses is higher and leads to longer terms to maturity for receivables. A growing number of company insolvencies also leads to uncertainties regarding future obligations to the cross-industry pension guarantee association. These effects were also reflected in the earnings reported for 2010. In the second half of the year 2010, however, the risk situation stabilised again. In order to minimise negative effects to the extent possible, we actively manage customer and trading partner credit risks.

Rating

EnBW has for many years assured the capital market of its commitment to maintaining an A rating in the medium term. To date, EnBW has always been true to its word, and all rating agencies have awarded EnBW a credit rating in the A category. They have however indicated that they want to use the changed conditions as an opportunity to review the credit ratings once again. Should EnBW not be able to convince the agencies of the effectiveness of the countermeasures it has taken, it may be downgraded. That could potentially reduce its ability to refinance itself, and the terms and conditions for financing EnBW could potentially deteriorate.

Financing and liquidity risks
EnBW was able to cover its financing needs at all times in the fiscal year 2010. Key elements were the company's stable internal financing and fixed lines of credit granted. There are no maturities on the capital market in 2011. The next maturities will be in 2012. EnBW will investigate whether they can be prefinanced appropriately. Overall, we currently do not perceive any liquidity bottlenecks on the capital markets.

Asset management
In pursuit of its conservative cash investment strategy, EnBW is guided by the aims of achieving a good credit standing, a high level of liquidity and broad diversification of the investments. We continued to pursue this strategy in 2010. In 2010, there was a heightened risk of impairment with regard to the portfolio of securities in connection with the negative market development. This risk became reality in some cases. It decreased again, however, as prices started to rise again. Irrespective of this, the nature of the markets means that there remains a risk of target returns not being achieved as well as other impairments. The value at risk determined per security as of the balance sheet date is € 82.6 million (95%/10 days). In the prior year, this figure came to € 103.2 million (95%/10 days).

The volatile financial markets mean that our financial assets are subject to price risks and other risks of potential losses. Impairment losses have to be recognised on securities if these risks lead to a significant or prolonged decline in the fair value of these investments below their cost. In fiscal 2010, impairment losses due to a significant decline in fair value totalled € 65.1 million (prior year: € 57.0 million). If the capital market environment remains unchanged in 2011, there is a risk that impairment losses of a seven-digit figure will have to be recognised on the portfolio of securities held as of the end of the reporting period due to a prolonged decline in fair value.

Other risks

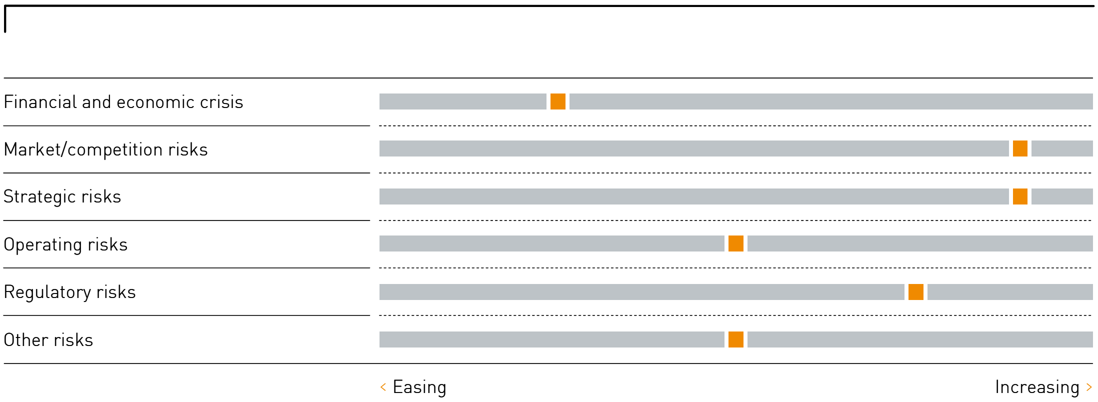
Legal risks
EnBW's entrepreneurial activity brings with it a series of legal risks from our contractual relationships with customers and business associates and from regulatory developments. In the operating business, the legal risks primarily relate to the pricing of energy supplies (in particular Secs. 315, 307 German Civil Code (BGB)), the conditions for network usage and power plant operation as well as activities requiring licences.

The Federal Court of Justice (BGH) has issued rulings on a range of issues relating to price adjustment clauses in energy supply agreements. However, not all open issues have been resolved by existing supreme court rulings. Where necessary, the price adjustment clauses employed by the EnBW group have been reworded to reflect more recent court rulings. Besides civil law disputes with business partners, anti-trust and regulatory measures are also relevant here. In particular these include anti-trust reviews pursuant to Secs. 19 and 29 German Act against Restraints on Competition (GWB) as presented above under political and regulatory risks. Court cases and other legal disputes are in the field of civil law and of public law – in some cases relating to matters of great economic significance. Adequate risk provisioning has been made accordingly with the approval of the departments concerned and the legal department.

Overall assessment

The ongoing development of the risk management system continued in 2010. The economic impact of risks is assessed on a regular basis. EnBW's overall risk position did not undergo any major changes in 2010. Numerous factors continue to jeopardise earnings targets.

Development of the risk position in 2010



With respect to earnings reported for 2010, the generally low level of market prices and strong competitive pressure made themselves felt. High extraordinary burdens on earnings arose from impairment losses on investments and financial assets. The EnBW group's risk management system identified risks at an early stage, enabling measures to be taken at operational level to reduce exposure wherever possible. While political decisions made in the course of the year reduced planning uncertainties to some extent, they do still harbour a great risk potential. Overall, we anticipate a material negative impact on group earnings over the period from 2011 to 2013 due to the nuclear fuel rod tax and a generally more difficult income situation as a result of the other risk factors mentioned above. In addition, we expect an increase in competition and market risks that may have a long-term impact on the net assets, financial position and results of operations of the EnBW group. Future investment projects will also lead to an increase in project risks.

We used 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. Material risks are included in current projections.

There were no risks to the EnBW group's ability to continue as a going concern in 2010.

Risk management system

In 2010, the group risk management function kept EnBW's Board of Management and the management of the group entities and heads of corporate functions informed of the current risk situation in monthly reports. In addition, we reported changes in the group's risk position to the general public in our quarterly reports. Where unforeseen risks occurred, decision-makers were informed by ad-hoc reports. The EnBW Board of Management 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 group's results of operations, financial position and net assets.

The group's internal audit function regularly reviews the risk management system within the group and at the individual entities – both in terms of compliance with legal requirements and also in terms of the way it works and how effective it is. The group's internal audit function reports the results of its review to the Supervisory Board.

Opportunity management

Principles

EnBW's business activities and developments in its operating environment constantly open up opportunities for the company. Decisions relating to energy policy at European level, entering new markets and suggestions made by individual employees under the company-wide suggestion scheme can provide EnBW with new opportunities. If opportunities are recognised and seized at an early stage, they can increase the profit for the company. Our aim is to use opportunities to enable us to return higher profits than planned wherever possible. We firmly believe in the advantages of a competitive market to the benefit of our customers. All employees, irrespective of their area and level of responsibility, are encouraged to think and act entrepreneurially and to constantly search for and exploit any opportunities as they arise. In the operating business, this enables the group entities to identify opportunities that might materialise in the course of operating activities or due to an improved market environment or other extrinsic factors. In cooperation with EnBW's market entities, the group strategy function systematically records and assesses any strategic opportunities arising within EnBW or its environment and develops measures to exploit them. EnBW's Board of Management discusses strategic opportunities on a regular basis and decides on associated measures.

Categories of opportunities

Opportunities may arise anywhere within EnBW's sphere of operations or in the course of a specific activity. Opportunities and risks are often two sides of the same coin. Opportunities arising from developments in the company's environment can be broken down into opportunities from changes in the political and regulatory environment, opportunities arising from the general economic situation and opportunities from market and technological developments. Changes in the prevailing conditions may be more or less relevant to EnBW in comparison to competitors.

Company-specific opportunities

The extension of the term of nuclear power plants' working lives in Germany by twelve years on average provides EnBW with the opportunity to improve profits. However, there is uncertainty as to the amount, as the revenue will be absorbed to a large extent through various measures and there are plans to require operators to take additional measures to retrofit the nuclear power plants. The increase in the shareholding acquired in the Czech energy company PRE in 2010 translates into new opportunities on the Czech market. The investment is also expected to have a positive effect on earnings. EnBW's electricity generation portfolio has an above-average share of CO_2-efficient generation capacities. This gives us an advantage in the allocation of CO_2 allowances in relation to the competition as we do not need as many allowances. In addition, we invest in renewable energies, which will play a major role in energy generation in Germany and elsewhere in the medium and long term. Further opportunities continuously arise from the possibility to realise synergies. Within the EnBW group we have therefore implemented a number of programmes to raise efficiency. In cooperation with our partners, for instance with EWE Aktiengesellschaft, we seek to identify and tap potential synergy effects. At the same time, cooperation also offers additional opportunities for growth.

We also perceive opportunities of relevance for our corporate strategy in the changes that the energy industry is undergoing. The corporate image that we wish to present is not just that of a traditional utility company, but of an energy consultant and energy service provider for our customers. The topics of energy efficiency and energy management are of key importance in this respect. We believe that there is great potential for growth in this area. EnBW has been active in this field for several years now and offers a whole range of products and services with concrete benefits to customers. In addition, we see it as an opportunity to respond to the growing environmental awareness on the part of customers by offering an extended green electricity range. We are aware of our responsibility for climate and environmental protection. EnBW champions an energy mix that combines a range of fuels in an economically and ecologically efficient way. Our expertise in renewable energies opens up additional business opportunities for EnBW.

Opportunities in line with our corporate strategy also arise when entering new areas of business. Electromobility in combination with the smart home concept is just one example of our activities. We want to use intelligent products to open up completely new sales markets for EnBW electricity and heating. As part of the refined regionalisation concept, we plan to win new municipalities and municipal utilities as customers for established business activities. We also want to seize strategic opportunities by entering markets in other countries. In this context, EnBW is focusing on selected countries in central and eastern Europe as well as Turkey. These countries exhibit higher growth dynamics in economic output and energy consumption. We see an opportunity to participate in this dynamic growth through local investments.

Overall assessment of the economic situation of the group

In the fiscal year 2010 EnBW was able to raise the results of operations compared to the prior-year level in spite of the decline seen in unit sales of electricity and gas. The regulated business in particular enjoyed a positive development. The performance indicators for financial position and net assets also remained at a satisfactory level or have improved. These include a high positive free cash flow and the lower level of adjusted net debt. The value added generated was positive, roughly matching the prior-year level.

Pursuant to our strategy we made targeted investments in our five strategic moves. These included in particular expanding generation capacities and increasing the shareholding in the Czech electricity company PRE. Our aim is to have a well-balanced business portfolio that will allow EnBW to defend its market position in Germany and Europe. At the same time, we sold GESO Beteiligungs- und Beratungs-AG, thus strengthening the company's financial position. EnBW's current ratings by three agencies are still in the targeted A region. Two of the three rating agencies, Fitch and Moody's, give EnBW a stable outlook. The energy policy decisions made in 2010 present new challenges for EnBW. The agreements, made in connection with the extension of working life of nuclear power plants, to make payments to promote renewable energies and the decision to introduce a nuclear fuel rod tax will have a noticeable impact on EnBW's earnings over the next few years. To secure the company's financial stability, we have adjusted our investment programme and have scaled it back considerably. In addition, we have launched the "Fokus" programme in order to realise additional efficiency gains over the next few years. Further divestitures are also planned. This is the basis on which we can uphold the group's currently sound economic position in the future. We are reviewing our options for refinancing the bonds maturing in 2012 and 2013 at an early stage with the aim of maintaining the balanced maturity profile of the company's liabilities. The impending costs will reduce the EnBW group's earnings power. The challenge for the future will be to keep a balance in all decisions between the company's financial stability and its future sustainability. With regard to the adjusted group net profit, we plan to continue distributing a dividend of around 40% to 60% to our shareholders.

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Remuneration report

The remuneration report contained on pages 236 – 242 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

On 17 January 2011 the Supervisory Board of EnBW Energie Baden-Württemberg AG appointed Thomas Kusterer Chief Financial Officer (CFO) effective 1 April 2011 for a three-year term of office.

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. 176 (1) Sentence 1 German Stock Corporations Act (AktG).

Composition of subscribed capital

The subscribed capital of EnBW Energie Baden-Württemberg AG (EnBW) amounts to € 640,015,872.00 and is divided into 250,006,200 no par value bearer shares with an imputed value of € 2.56 each.

Direct or indirect capital investments exceeding 10%

OEW Energie-Beteiligungs GmbH, which is based in Ravensburg (Germany), and E.D.F. INTERNATIONAL SA, which is based in Paris (France), each held 45.01% of the share capital of EnBW as of 31 December 2010.

The sole shareholder of OEW Energie-Beteiligungs GmbH is Zweckverband Oberschwäbische Elektrizitätswerke with registered offices in Ravensburg. The latter therefore has an indirect shareholding of 45.01% in EnBW's share capital via OEW Energie-Beteiligungs GmbH.

The sole shareholder of E.D.F. INTERNATIONAL SA (EDFI) 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 (EDF) and the French Republic thus each indirectly held a 45.01% interest in EnBW via EDFI as of 31 December 2010.

On 6 December 2010, NECKARPRI GmbH, an entity wholly owned by the federal state of Baden-Württemberg, announced that it had concluded a purchase and assignment agreement with EDFI for a total of 112,517,569 EnBW shares (around 45.01% in the capital stock of EnBW) for a price of € 41.50 per EnBW share. At the same time, NECKARPRI GmbH announced its intention of making a voluntary public takeover offer to all EnBW shareholders to buy their EnBW shares for the same price. NECKARPRI GmbH published tender documents on 7 January 2011 stating that the above share purchase agreement will be executed on the fifth banking day following approval of the share purchase by the anti-trust authorities. Until that date, EDFI still remains a shareholder of EnBW. At the time when this management report was prepared, the above-mentioned share purchase agreement had not yet been executed.

Restrictions relating to the voting rights or transferability of shares

Dated 4 August 2010, EDF published the 2009 reference document issued for the French financial market supervisory authorities (Autorité des Marchés Financiers) in which it also reported on 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 possibilities open to 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, which has 20 members, 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.

In its tender documents published on 7 January 2011 for the voluntary public takeover offer made to EnBW shareholders, NECKARPRI GmbH announced that, based on an agreement concluded with EDF, EDFI, OEW and OEW Energie-Beteiligungs GmbH, once the share purchase agreement has been executed NECKARPRI GmbH together with the state of Baden-Württemberg will accede to the shareholder agreement with OEW and OEW Energie-Beteiligungs GmbH dated 26 July 2000 in EDFI and EDF's place, releasing the latter from their obligations. The tender documents published by NECKARPRI GmbH do not specify information on any potential changes made to the shareholder agreement dated 26 July 2000 compared to the version published by EDF in its reference document. According to the tender documents, the shareholder agreement contains customary clauses governing the relationship between the two major shareholders of EnBW AG and their relationship with EnBW and coordination of their influence on EnBW. These include but are not limited to clauses prescribing that voting rights are to be exercised in a coordinated and in some cases uniform manner, establishing a shareholders' committee for these purposes and clauses stipulating that each party shall consult with the other party on significant transactions and decisions. In addition, NECKARPRI GmbH stated in the tender documents that the shareholder agreement may potentially be amended or cancelled in full or in part during the term of the acceptance period of the voluntary public takeover offer.

At the time when this management report was prepared, the above-mentioned share purchase agreement had not yet been executed. NECKARPRI GmbH and the state of Baden-Württemberg had therefore not yet acceded to the shareholder agreement with OEW and OEW Energie-Beteiligungs GmbH dated 26 July 2000 in EDFI and EDF's place, releasing the latter from their obligations, at the time when this management report was prepared.

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 option pursuant to Sec. 179 (1) Sentence 2 German Stock Corporations Act (AktG) is incorporated in Art. 18 (2) 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 2010, 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. The treasury shares held by EnBW do not grant the company any rights in accordance to Sec. 71b German Stock Corporations Act (AktG).

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

The following 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 and Sec. 315 (4) No. 8 German Commercial Code (HGB):

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A syndicated line of credit of € 2.442 billion, which had not been drawn by 31 December 2010, and a bond of JPY 20 billion issued on 12 December 2008 under the debt issuance programme 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.

In addition there is a bilateral long-term bank loan of € 500 million that can be terminated by the lenders and fall due for repayment if a third party acquires control, provided the change of control may have a negative effect on repayment of the loan in future. This does not apply if the third party is EDF or OEW.

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.

In the event of a change of control at EnBW, EnBW is required to offer its shareholding in EWE Aktiengesellschaft (EWE) to EWE's municipal shareholders, Weser-Ems-Energiebeteiligungen GmbH and Energieverband Elbe-Weser-Beteiligungsholding GmbH. The purchase price is the market price as determined by an expert appraisal. A change of control is deemed to have taken place when a shareholder other than EDF or OEW directly or indirectly obtains the majority of the voting rights in EnBW; this may also be achieved through joint control together with another shareholder.

Nos. 4, 5 and 9 of Secs. 289 (4), 315 (4) German Commercial Code (HGB) were not relevant for EnBW in the fiscal year 2010.

Key features of the financial reporting internal control system

In the following, the Board of Management provides the information prescribed by Secs. 289 (5) and 315 (2) No. 5 German Commercial Code (HGB).

Principles

The purpose of EnBW's financial reporting internal control system (ICS) is to ensure that the financial reporting is reliable and in compliance with laws and regulations. In order to guarantee that the ICS is effective, the group-wide control mechanisms are tested regularly at entity and group level to ascertain that they are suitable and functioning. This enables the identification of control weaknesses and evaluation of their relevance for the financial statements. They are then remedied on a timely basis. The ICS methodology in the EnBW group is based on the COSO standard, an internationally accepted framework for internal control systems.

If the control mechanisms reach a standardised and monitored degree of maturity and there are no material control weaknesses, then the financial reporting ICS qualifies as effective. The degree of maturity reflects the understanding of an ICS within the company as a useful method of risk provisioning and the level of implementation of the group-wide ICS methodology at group entities. Materiality of control weaknesses is measured as the probability of occurrence and the extent of a potential misstatement in proportion to the financial statement items concerned. As a component of the financial reporting ICS, the financial reporting risk management system defines measures for identifying and assessing risks that jeopardise the objective of compliant financial statements.

Despite having established an ICS, there is no absolute assurance with respect to the objectives and completeness. The effectiveness of the ICS can be impaired in exceptional cases by unforeseeable changes in the control environment, fraud or human error. The structure of the ICS, which is designed to guarantee reliable financial reporting in terms of the accounting process, is described below.

Structure

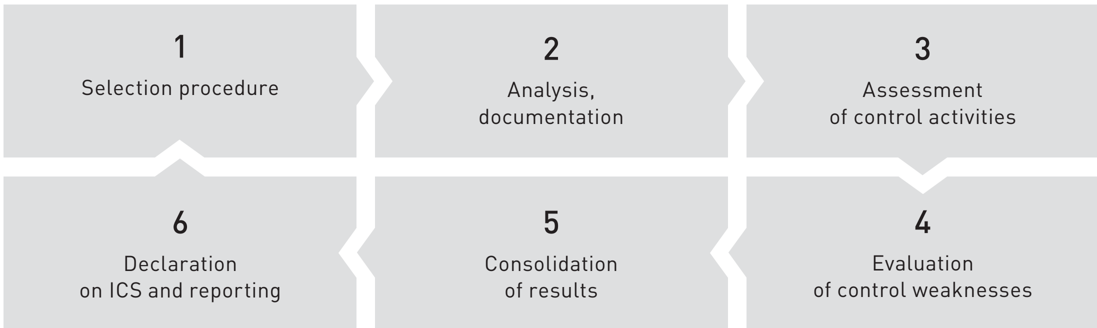
The EnBW group's ICS is divided into a central and a local organisation. All major entities have an ICS officer, who monitors the effectiveness of the ICS at entity level and evaluates any control weaknesses as they occur. An ICS report is prepared for the entity on an annual basis and approved by the entity's management. The ICS officer at group level assists the entities with implementing a harmonised approach and consolidates the data surveyed. A consolidated ICS report for the group is provided to the group's Board of Management every year. This report forms the basis for the group's Board of Management in its reporting to the audit committee set up by the Supervisory Board.

Process

Standardised processes ensure completeness and consistency in the preparation of the financial statements and financial reporting. The financial reporting ICS defines controls designed to guarantee compliance with the group's accounting policies, the entities' accounting guidelines and procedural instructions as well as deadlines for the individual accounting processes.

The ICS has an annual cycle to monitor that documentation is up to date, that the controls are suitable and functioning and identify and assess any control weaknesses.

ICS stages at EnBW



Entities, significant financial statement items and processes as well as controls that are material to the accounting process from the group's perspective are identified in a risk-based selection procedure. The procedure is based on quantitative and qualitative risk indicators.

The processes and controls defined in the selection procedure are recorded in a central documentation system. The documentation phase is followed by an assessment of the effectiveness of the control activities, which evaluates whether the control activities are in principle suitable for reducing the risks of misstatement in financial reporting. The defined controls are also reviewed to ascertain that they are functioning by monitoring the implementation of the controls and appropriate documentation of the same at defined intervals. If any control weaknesses are identified in the process, their effect on the financial statements is evaluated. The results are presented in a report at entity level and in a consolidated report for the group.

Forecast

Triggered by extrinsic factors such as the introduction of the nuclear fuel rod tax, we anticipate a major decline in adjusted EBIT in the next two years. Running efficiency programmes were supplemented by the "Fokus" programme launched in October 2010. It is our aim to continue to ensure EnBW's financial stability and its future sustainability.

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.

Anticipated economic climate

Future economic development

After considerable growth impetus worldwide in 2010, the International Monetary Fund (IMF) predicts a strong rise in global economic output of for 2011 and 2012. An increase of 4.2% is forecast for 2011, and of 4.5% for 2012. Nevertheless, developments will vary from one country to another. For emerging and developing countries the growth forecasts are well above 6.0% for the two years. Industrialised countries, however, are expected to reach growth rates of 2.2% in 2011 and 2.6% in 2012. Eurostat estimates growth rates for the next two years of 1.5% (2011) and 1.8% (2012) of gross domestic product (GDP) in the euro area. For the countries in central and eastern Europe, the IMF works on the assumption that economic growth will reach 3% to 4% in the next two years. In the Czech Republic – one of EnBW's strategic international markets – growth rates of 3.5% are forecast. For Turkey, also a growth market for EnBW, the IMF estimates growth rates of close to 4.0%. For 2011 the German economic research and development institutes have issued a joint forecast, of an increase in GDP in Germany amounting to 2.0%. The German Institute for Economic Research (DIW) predicts an increase of 2.2% in GDP for 2011. The year after, the increase is expected to be 1.3%.

Demand for energy: Periods of strong expansion or contraction of the economy as a whole have a great influence on industrial demand for energy. This was clearly apparent in 2009 and 2010. Based on the forecasts of moderate growth for Germany over the next two years, we therefore also expect the demand for electricity and gas to rise slightly over the next two years.

Future development of the markets for primary energy sources, CO_2 allowances and electricity

Oil market: At year-end 2010, the forward market prices for 2011 and 2012 stood at US$ 92.00/bbl and US$ 94.82/bbl, respectively. The average price for short-term oil deliveries was around US$ 80.34/bbl in 2010. Prices are expected to increase based on the continuing economic growth and the associated rise in demand for oil. However, price levels will be affected primarily by the actual development of supply and demand, the US dollar exchange rate and whether crude oil remains attractive as an asset class.

Coal market: Towards the end of 2010 the market prices for forward delivery of hard coal in the ARA ports (Amsterdam, Rotterdam, Antwerp) showed a declining trend (2011: US$ 122.22/t; 2012: US$ 120.48/t), i.e. they were at a lower level than spot prices at the end of December 2010. This reflects the currently uncertain situation on the world market. In the medium term, participants expect prices to be slightly lower than the current spot price level. Import quantities in China and India will remain crucial factors in this respect. There is a high level of uncertainty associated with the Chinese import volume in particular as it varies according to the domestic development of production.

Gas market: The prices of long-term gas procurement agreements tend to track the development of oil prices with a time lapse. Due to the higher level of prices for oil on the forward market, the price of gas from long-term procurement agreements is also likely to increase further. On the wholesale markets, however, gas prices are subject to supply and demand. On the Dutch wholesale market TTF, the price in December 2010 for gas deliveries in 2011 averaged € 22.67/MWh and that for deliveries in 2012 averaged € 23.45/MWh. Compared to the average spot market price in 2010 of € 17.38/MWh, this is a mark-up of around 30% for 2011 or around 35% for 2012. In view of the currently good supply situation based on a stable supply of pipeline gas and liquefied natural gas (LNG), it is unlikely that prices will increase sharply even if demand should rise.

CO_2 emission allowances: The major factors affecting the price of CO_2 allowances are the general economic development, future energy demand and the related volume of emissions. The price of EU allowances (EUA) is also influenced by fuel switch costs (for switching from coal to gas, a fuel which involves lower CO_2 emissions), which is determined by how coal and gas prices develop. Another factor that can affect price levels are political decisions. Most of all, market participants are awaiting the upcoming announcement in early 2011 of the quantities for the 2013 allowances. Auctioning of these allowances is not expected to start until 2012. Following the climate protection conference in Copenhagen at the end of 2009 which produced virtually no results, the climate summit held in Mexico at the end of 2010 also failed to define binding targets and climate protection measures. The countries signing the Kyoto Protocol merely reaffirmed the necessity that industrialised countries reduce their greenhouse gas emissions by between 25% and 40% by 2020 compared to the 1990 levels.

Electricity market: With spot market prices averaging € 44.49/MWh in 2010, forward prices for base load products stood at € 51.40/MWh (2011) and € 53.60/MWh (2012) at the end of 2010. The slightly higher level of prices for future electricity deliveries reflects the rising forward price curves for gas, oil and CO_2 for 2011 and 2012. We expect volatility on the wholesale market to continue to increase as the volume of renewable energies – wind energy in particular – that is fed in, and required to be purchased, grows. As a result, there will more frequently be low or even negative prices in some hours. However, the price-reducing effect on the wholesale market will be offset by higher costs for final customers as a result of the German Renewable Energies Act (EEG). The amendment of the German Renewable Energies Act (EEG) that is to be issued in 2012 will impact the subsidisation of renewable energies. The agreed extension of working life for nuclear power plants could affect wholesale market prices, depending on the outcome of potential legal action. The extension of working life for nuclear power plants and the auctioning of all CO_2 allowances as of 2013 may lead to a reduction in the profitability of power plants with a comparatively low degree of efficiency and relatively high CO_2 emissions.

Future political and regulatory environment

EnBW's business operations will continue to be impacted to a significant degree by European and German energy policy over the coming years.

Europe: Following the large number of consultations that took place in 2010 discussing future measures, specific details are likely to be announced for some of these topics in 2011 and 2012. The topics include above all an EU energy strategy, grid infrastructure issues, biodiversity and approval procedures. Climate protection continues to enjoy priority with the European Commission, and further rules and regulations can be expected in this field as a result.

Germany: The federal government's energy concept will lead to further initiatives and measures being introduced in the next few years. Legislative initiatives in the field of building efficiency are already being tabled. In addition, a ten-point immediate action programme is to be implemented before year-end 2011. It includes, for example, a loan programme for the expansion of offshore wind farms, the exemption of storage power stations from network user charges as part of the flexible structuring of load and a ten-year plan for expanding grids in Germany coordinated between the network operators. The upcoming Energy Industry Act should bring about a concluding regulation concerning ownership of the grids.

Regulatory framework: The individual caps on revenue from network user charges for electricity and gas grids have been set and are valid until 2013 and 2012, respectively. It is not possible to foresee whether the Federal Network Agency will take any additional regulatory measures before then. The Gas Grid Access Ordinance (GasNZV) adopted in July 2010 is intended to reduce the number of gas market territories from currently six to no more than two by 2013. We therefore believe that further steps in this direction are likely to follow in the near future.

Future industry development

Within the European energy industry, the trend is continuing towards internationalisation and consolidation of energy companies. They are increasingly focusing their efforts on international markets, either by acquiring equity investments or by entering the markets themselves. The emphasis is on establishing generation capacity for electricity. On the gas market, the focus is mostly on gaining access to transmission capacity such as pipelines or LNG terminals. To some extent, capital expenditure planning for the future is also shaped by changes in the regulatory environment, in demand by individual consumer groups, in supplies on the European market and in the required levels of flexibility. EnBW is ready to face these challenges. We want to grow in selected foreign markets and expand the gas midstream business.

We expect business in the B2C and B2B areas to remain highly competitive, both for electricity and for gas, and believe that competition may become even fiercer in some sectors. The reasons that we see are the high level of price sensitivity on the part of customers and a rising number of providers from other industries. Besides these factors, energy efficiency awareness is increasing across all customer groups and there is a growing need for smart solutions. We see this as an opportunity for us to set ourselves apart from the competition. EnBW will address the smart home concept with future service offerings including, for example, energy-optimised management of domestic appliances, rates that differ according to the time of day, private use of renewable sources of energy, as well as the networking of local generation, consumption and storage of energy. For contracting services, current surveys forecast annual growth rates of 8% up to 2020 in business with industry and commercial customers. These growth rates will be supported by the high level of work required to renew energy generation facilities on the one hand and scarce resources available to the owners for capital expenditure on the other. As the complexity of power plants, in particular of co-generation and biomass facilities, increases, more contracts will be awarded to external specialists such as EnBW.

Corporate strategy and future development of the company

Future development of the company

Investment programme

In recent years, EnBW has gradually expanded the volume of its investments. On account of the impending financial burdens, however, we have reviewed our investment programme and scaled it back. We have budgeted gross investments of € 5.1 billion for the period from 2011 to 2013. Capital expenditures account for around € 4.3 billion of this total, financial investments for € 0.8 billion. These amounts are distributed as follows by strategic move of the group:

- **Developing generation capacity:** € 2.6 billion. In addition to some € 1.1 billion for completing ongoing projects and renewal work on existing facilities in the area of convention power stations, the focus is on completing and expanding facilities to exploit renewable energies (around € 1.5 billion), mostly wind and hydro-electric power.
- **Expanding the gas business:** € 0.7 billion. The focus is placed on implementing the business model as commercial optimiser.
- **Core market Germany, selective growth abroad:** € 1.4 billion. In Germany, we are concentrating on implementing our regional strategy. The further development of our position in the Czech Republic will be one key aspect of our international activities.
- **Establishing new fields of business:** € 0.4 billion. Efforts centre on expanding the integrated sales function by introducing new products, including contracting and energy services.

Growth projects account for a share of investments of around 60%. Of the remaining 40%, about two thirds are attributable to replacement measures and around one third to renewal measures, in particular for power stations and grids.

In order to safeguard the financial stability of the group and increase financial headroom for investments, our investment programme also includes divestitures. We examine equity investments on an ongoing basis to determine whether they are significant to EnBW's core business. As a result, we plan to make divestitures amounting to € 1.8 billion by 2013. Net investments are therefore expected to total € 3.3 billion for the period from 2011 to 2013.

Future generation capacities, sales markets, products, services and processes
Our objective is to maintain a generation portfolio capable of providing a stable output of 14,000 to 15,000 MW in the long term. When reviewing and scaling back the volume of investments, we gave priority to completing the construction of new thermal power stations (RDK 8 with 912 MW). At present we have no specific plans for new construction projects in this area. Instead, we will focus on the expansion of renewable energies. EnBW Baltic 1 wind farm with 48 MW is scheduled to be commissioned in the first quarter of 2011 as the first commercial wind farm in Germany. In other projects, we are seeking partners to participate in project financing.

As part of our efforts to expand the gas business we are examining the existing options to acquire shares in VNG. Commissioning our gas storage facility in Etzel in 2011 will enable us to expand our storage capacities by as much as 200 million cubic metres. In implementing our business model as commercial optimiser, we also aim to conclude long-term gas procurement agreements with importers and to add transmission rights and LNG capacities to our portfolio.

Major selling activities in the end customer business are now managed centrally by EnBW Vertrieb GmbH. When establishing new fields of business EnBW intends to offer an increasing number of smart solutions to raise its profile as energy consultant and energy services provider in future. The topic of energy efficiency plays a decisive role in this context. Products launched in 2010, such as the photovoltaics services from EnBW and Yello, will be expanded if sales develop successfully.

In addition, we will increase our national presence in 2011 by providing green electricity throughout Germany under the NaturEnergie+ brand. We estimate the associated market potential at up to three million households.

EnBW and Watt Deutschland GmbH will step up their gas sales activities, started in 2010, with commercial customers and chains throughout Germany. Under our regional strategy, we want to increase cooperation with municipalities in Baden-Württemberg. We also intend to expand our activities in the areas of heating and contracting, for instance through a clearer focus on industrial SMEs, large commercial properties as well as municipalities and the housing industry. To complement our regional strategy in Baden-Württemberg, we will investigate taking a comparable approach in cooperation with EWE Aktiengesellschaft in northern Germany. We also want to cooperate more closely on the topics of generation, sales, grids, research and development as well as telecommunications.

With respect to our international markets, we intend to gradually transform PRE into an integrated supply company. The main aims for 2011 and 2012 are to realise cost synergies. In Switzerland we see good chances for Energiedienst Holding to expand renewable energies and win new customers. We aim to expand our electricity generation capacity considerably in Switzerland by 2020.

We launched the "Fokus" efficiency programme in October 2010. The objective is to improve EBIT sustainably by a target volume of € 300 million per year as of 2013.

Anticipated business development

Due to the change in framework conditions seen in 2010 we will not be able to reach our original growth targets for 2011 or 2012. The political decision to extend the working life of nuclear power plants in Germany was accompanied by the introduction of a nuclear fuel rod tax. This will reduce EnBW's operating result by up to € 440 million per year.

The EEG cost allocation is payable for every kilowatt-hour purchased by end consumers. In 2010, the EEG cost allocation was 2.047 ct/kWh. For 2011, the cost allocation has risen to 3.530 ct/kWh. In EnBW's sales activities this led to an increase in electricity prices charged to customers at the start of the year, as the company would otherwise have had to bear the higher EEG cost allocations. In the present competitive environment, electricity price increases involve the risk of losing customers.

The description of the anticipated economic development of the company centres around organic growth of the EnBW group based on operations. Any consolidation effects will be presented separately in the forecast for 2011. PRE will play an important role here as, following the increase in shareholding in 2010, it will now be consolidated in full, whereas it had been included by way of proportionate consolidation before. For the purpose of the forecast for 2011, the comparative period 2010 was adjusted for the profit or loss of the companies sold in 2010, GESO and PT, and included in the income from consolidation. Gains on sale from the disposal of equity investments are always shown as extraordinary effects in the non-operating result of the EnBW group.

Anticipated development of unit sales and revenue

The revenue of the EnBW group in absolute terms is of secondary importance for earnings performance. This is because revenue in the electricity generation and trading segment is determined in particular by the trading activities of our trading entity and depending on how the market develops over the year, revenue may be subject to considerable fluctuations without this being reflected as such in the profit or loss. In the gas segment, the development of revenue tends to be influenced by the indexing of the gas price to the oil price, but that is not decisive for the gross margin in the gas segment.

Rather, the company's future results of operations are influenced to a greater extent by unit sales in the B2C and B2B sectors of the electricity grid and sales segment and the gas segment. We have based our forecast for 2011 on average weather temperatures. The year 2010, however, was colder than average and therefore the forecast naturally shows a negative effect on sales for 2011, in comparison to 2010, based on the weather. Overall, we expect unit sales to fall slightly in the electricity grid and sales segment in 2011. The B2C sector will experience a stronger decline as competition becomes ever-more intense and more efforts are made towards more efficient energy consumption. This situation is likely to continue throughout 2012. In the B2B business, we assume that following a slight drop in unit sales in 2011, we will be able to hold that level in 2012. In the gas segment we will also face a minor decrease. Besides competition, the temperature effect described above will have a greater impact on gas sales than on electricity sales. Adjusted for the temperature differences, however, we expect unit sales in the gas segment to rise slightly in 2011, driven by the B2B business. Even adjusted for weather effects, unit sales in the B2C business will decrease marginally. In 2012, we hope to return to an increase in unit sales.

In the energy and environmental services segment we expect revenue from the water, thermal disposal and contracting business to rise slightly by between 1% and 3% in 2011.

(External) sales or revenue in the segments in 2011[1] compared to the prior year

Electricity grid and sales segment (unit sales)	falling slightly
Gas segment excluding trading (unit sales)	falling slightly
Energy and environmental services segment (revenue)	rising slightly

1 Segments adjusted for changes in the consolidated companies.

Anticipated development of earnings (adjusted EBIT)

In order to offset the costs arising primarily from the German nuclear fuel rod tax, we added the "Fokus" programme to the range of existing efficiency programmes in October 2010. Together, all efficiency programmes are to produce long-term savings of € 400 million as of 2013 (of which "Fokus": € 300 million). The other programmes were mainly geared towards the sales function, Stadtwerke Düsseldorf and the shared services in the group. These will enable savings of around € 14 million in 2011 compared to 2010. Under the "Fokus" programme, efficiency measures will target overhead costs and margins.

Adjusted EBIT in the electricity generation and trading segment will be lower in 2011. This is mainly the result of the burdens from the nuclear fuel rod tax. The level of prices achieved by means of the hedging strategy in 2011 should match that of the prior year. The quantity effects through our generation capacity will have a positive effect. Owing to the agreed extension of working life for nuclear power plants, our GKN 1 unit will continue to produce electricity. Further quantities of electricity will be provided by the hard coal power station commissioned in Walsum in 2011, and EnBW Baltic 1 wind farm will be available for generating electricity for almost a whole year. The "Fokus" programme should also help to ease the pressure on results of operations in this segment, with a large share of efficiency gains in the upstream area. Even for 2012, we do not anticipate a reversal of the trend in earnings in this segment compared to 2011. The falling prices seen on wholesale markets for electricity in the past will be reflected in the figures for that year.

We also expect earnings in the electricity grid and sales segment to fall considerably in 2011. In the regulated area, network user charges are likely to decline slightly. The reasons here are the temperature effects described above, according to which the volume transmitted in 2011 will fall due to milder weather compared to 2010. In addition, we assume that the cost of connecting offshore wind farms and solar power plants to the grid will rise, and that increase will not be included in network user charges until later periods. The sales function is once more facing ever-fiercer competition. There is also a risk that earnings may fall as a result of customers lost on account of an increase in electricity prices due to the higher EEG cost allocations. The product developments launched in the course of 2010 will translate into higher start-up costs for 2011. Positive effects stem from existing efficiency programmes, in particular in the regulated area. For 2012, we anticipate a positive development of earnings in this segment.

The gas segment will face a decline in adjusted EBIT in 2011. It is the first year that positive margin effects from the gas midstream strategy will not be sufficient to offset negative factors relating to the grids and sales. These factors include falling quantities on account of the temperature effects and the loss of customers in the B2C sector. This will lead to falling margins and lower revenue from network user charges. We expect earnings in 2012 to stabilise at 2011 levels.

In the energy and environmental services segment, the positive contribution to earnings stemming from the CHP plant commissioned in Eisenhüttenstadt will be partly offset by cost increases for shared services in the contracting business. The latter are attributable to collective bargaining, among other factors. In addition, start-up costs for further efficiency programmes will reduce earnings in 2011. As a result, we expect earnings in this segment to fall in 2011. In 2012, the efficiency programmes launched should then, however, lead to a considerable rise in adjusted EBIT.

The impact of the consolidation effect on the group's adjusted EBIT for 2011 is expected to be negligible. The positive effect from full consolidation of PRE will be offset by a decrease in earnings due to the disposal of GESO and PT in 2010.

At group level adjusted EBIT will be between -10% and -15% below the 2010 level. The current efficiency programmes and the new ones launched will only offset some of the additional costs incurred. The trend is not expected to reverse in the fiscal year 2012.

Development of earnings 2011 (adjusted EBIT)[1] compared to the prior year

Electricity generation and trading segment	falling
Electricity grid and sales segment	falling strongly
Gas segment	falling
Energy and environmental services segment	falling
Consolidated companies	no effect
Adjusted EBIT, group	**–10% to –15%**

[1] Segments adjusted for changes in the consolidated companies.

Adjusted group net profit, dividend, non-operating result and ROCE

We expect to see a marked improvement in adjusted investment result and adjusted financial result in 2011 compared to the reporting year. The adjusted tax rate should decrease by the investment result accounting for a larger share of profit for the year 2011 compared to 2010. We anticipate the decrease in results of operations, which can to some extent be offset by the increase in the financial result, to lead to a lower adjusted group net profit for 2011 (down by between -5% and -10%). This development will continue into 2012. The non-operating result for 2011 will be below the 2010 level, which had included extremely positive effects from the sale of GESO and the restructuring of our shareholdings in the Czech Republic.

We plan to finance the investments announced from cash flow from operating activities. Owing to the reduced investment volume and stable cash flows, adjusted net debt will be reduced further. Despite the forecast decrease in earnings, this will ensure that the dynamic leverage ratio does not exceed the threshold value of 3.5. Our objective is to maintain the A rating. Taking financial stability into consideration, we aim to achieve a distribution rate of 40% to 60% of adjusted group net profit.

The fall in return on capital employed (ROCE) seen in 2010 will continue in 2011. While capital employed will increase further, as capital expenditures exceed depreciation, earnings are set to fall.

Business development at EnBW AG

EnBW AG's net profit for the year is primarily affected by the investment result, and the anticipated decrease in earnings in the group's operating business will therefore also have an impact on the net profit for the year reported by EnBW AG. Application of the transitional provisions for pensions and similar obligations in accordance with Art. 67 Introductory Law of the German Commercial Code (EGHGB) will again give rise to negative effects on the profit for the year 2011 due to extraordinary expenses. In addition, in 2010 EnBW AG's profit for the year reflected significant positive non-recurring effects from the disposal of affiliated entities and investments. As these effects will not reoccur in fiscal 2011, we expect a significant decrease in net profit for the year 2011. For the fiscal year 2012 we anticipate net profit at the 2011 level.

Significant opportunities and risks of the next two years

The generation margin, which reflects how commodity and electricity prices develop, is decisive in determining the level of future earnings at EnBW. As part of our hedging strategy we have, however, entered into forward contracts to hedge the major volumes for 2011 and to a large extent for the following year as well. The unhedged quantities naturally increase in the years thereafter, as do opportunities and risks.

Another risk factor for the results of operations is the availability of our power stations. In the past, our power stations always achieved above-average availability in a national comparison.

In the sales function, there are significant risks in relation to customer behaviour in response to price increases, which became necessary as a result of the EEG cost allocations. Changes in consumer behaviour may also be brought about by other factors (subsidy programmes for energy efficiency). Risks relating to electricity and gas sales as well as the customer base further arise from unforeseeable activities of competitors and the uncertain political and legal framework for pricing measures. Gas sales are generally highly dependent on temperatures. In addition, consumption in trade and industry in particular is influenced by the economic development.

The EU's third energy liberalisation package has not yet been transposed into German law. The federal government has the possibility to allow grid operators to retain ownership of their grids. However, the risk of ownership unbundling cannot be ruled out.

On the market for contracting business we see additional potential for growth especially in the area of local generation based on efforts in climate protection and to increase energy efficiency. The co-generation of heat and electricity as well as possibilities for use of biogenic fuels in local generation solutions are of particular relevance in this respect. In our experience, the interest on the part of companies from all industries in holistic and complex contracting models is on the rise. This will open up new market opportunities for us as one of the leading contracting service providers in Germany. There are sales opportunities arising from the new products introduced and planned in 2010. Notable examples are in the area of electromobility, photovoltaics services and green electricity products.

Opportunities and risks relating to EnBW's financial assets also depend on developments on the volatile capital markets. If price developments lead to a significant or prolonged decline in the fair value of investments below their cost, impairment losses have to be recognised on the securities. The weighted average cost of capital (WACC) is a major factor in the measurement of EnBW's investments. This depends on the risk-free interest rate among other things. In the event of an increase in the corresponding interest rates and, consequently, in WACC, this could necessitate recognising significant impairment losses on our equity investments. Changes in the assessment of the future profitability of group entities could also lead to impairment losses.

Developments in human resources and welfare

In a continually changing work environment, one area of focus for human resources activities is to secure our employees' performance. The skills and abilities of staff and executives are a company's most valuable resources. We secure our ability to remain competitive in the long term through optimum training and the ongoing development of our employees. It will be the task of the competence management system to describe the competences of each employee and make them transparent and to use them effectively and for the purposes of the strategic corporate goals. The competence management system will complement the annual performance review discussions that are already an established component in the group. It will be used in future as a management tool in the meeting that takes place between the employees and their superiors.

The introduction of ME EnBW, a systematic process for management development, aims to further strengthen management skills at all levels. The process will include tried-and-tested personnel management tools for identifying and developing (young) executives, such as the annual management conferences. In order to ensure a professional top management, the mandatory "Fit in Top Management" development programme will be launched in 2011. The rules codified by the German Act on the Appropriateness of Management Board Remuneration (VorstAG) are also applied to board members of group entities. As of 2011 a compensation system will be introduced for this group of persons, to satisfy above all the requirements of appropriateness and long-term incentive effect of the compensation.

Building on the outcome of the most recent employee survey, a group-wide project was launched in 2010 with the aim of achieving "excellence in training". Internal demographic analyses have revealed that in the medium and long term a large number of employees who have completed vocational training will need to be replaced. At the same time, the falling numbers of students will lead to keener competition for the best trainees. The aim of the project is to increase the competitiveness and sustainability of training at EnBW (apprenticeships and courses of study) in the long term.

With the aim of promoting women in specialist and management positions, EnBW will become a cooperation partner of Femtec in 2011. It is a university-based career centre for women and its purpose is to sustainably improve job entry and career opportunities for female MINT graduates (mathematics, information technology, natural science and technology). EnBW wants to use the cooperation within the powerful network with renowned universities, such as Karlsruhe Institute of Technology (KIT) and RWTH Aachen University, and with other German companies, including Siemens and Bosch, to establish close ties with talented female students and graduates. Besides offering student jobs, EnBW wants to raise its profile by organising excursions, networking events or innovation workshops within Baden-Württemberg and beyond.

The headcount in the EnBW group is expected to grow at a moderate rate in the medium term. Key factors are strategy-oriented hiring (new business fields), hiring based on regulatory and statutory requirements and in anticipation of the loss of personnel for demographic, age-related reasons. Personnel expenses will rise accordingly in the medium term, driven by volume and collective bargaining effects.

Development of research and development

Research and development expenditure in 2011 and 2012 is expected to match the level of 2010 (€ 33.8 million). We also assume that headcount will remain unchanged in this area. The guiding principles for our research and development activities along the entire value added chain will remain valid. The next few years will continue to focus on research into chemical and biological methods to reduce CO_2 emissions at power stations. We plan to increase our investment in local small-scale power stations, in particular in connection with fuel cells and the development of smart grids as well as local storage facilities. Another focal area of our R&D work is electromobility. Here, we will continue practice tests for the provision of energy for transportation purposes and start tests on the use of hydrogen as a fuel.

Overall assessment of the anticipated development

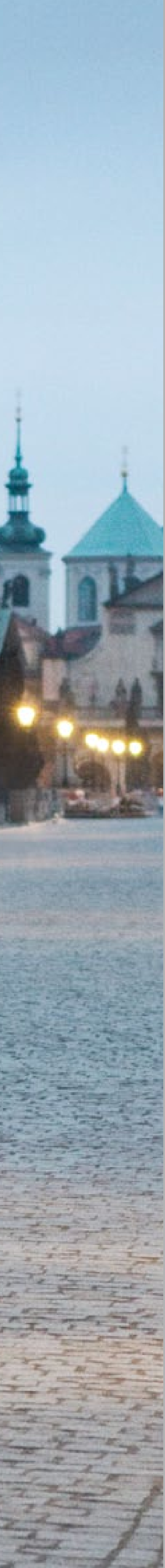
In view of the costs arising from the German nuclear fuel rod tax as well as the intensive competition, we expect adjusted EBIT to decline by between 10% and 15% in 2011. Running efficiency programmes and the new “Fokus” programme will only compensate for some of the effects from these developments. We expect this to be similar in 2012. Accordingly, we have reduced our investment volume. We have budgeted net investments of € 3.3 billion for the period from 2011 to 2013, which we plan to finance from cash flows. We will reduce adjusted net debt to preserve EnBW’s sound financial position. At the same time our aim is to maintain our rating in the A category.

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.

MARKET DIVERSITY

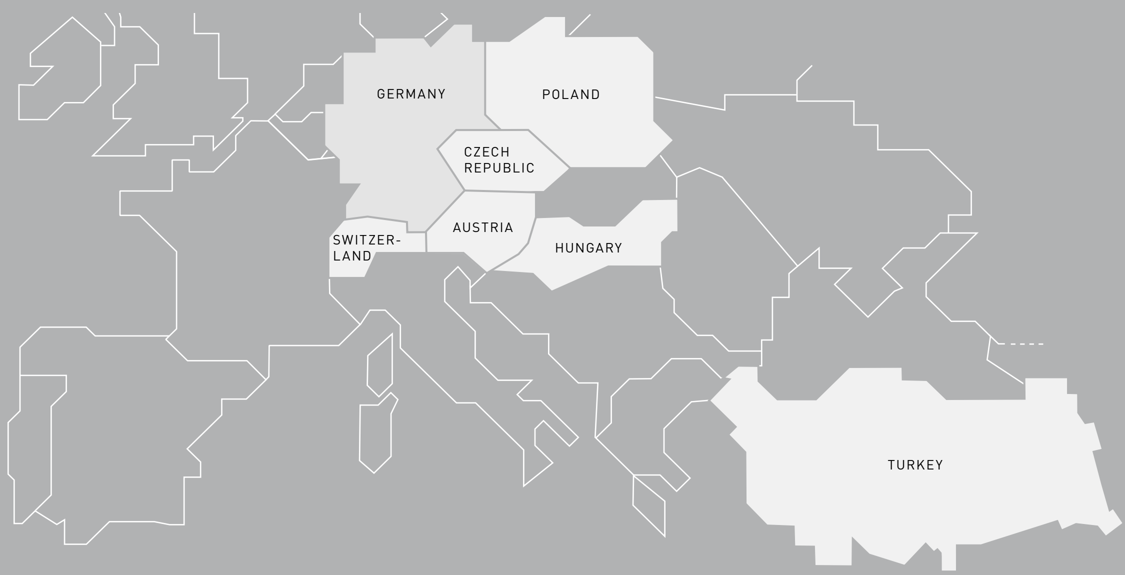
Together with Pražská energetika a. s., EnBW plans to exploit future opportunities and develop projects in the Czech Republic.



Every alliance needs an entrepreneurial outlook. Alliances where the partners' abilities complement each other and both sides benefit are particularly promising.

As part of its strategy, EnBW is also investing in foreign growth markets. In addition to the Czech Republic, we have equity investments in Turkey, Hungary, Poland, Switzerland and Austria. For us, it is important that new market activities and new partners are compatible with our strategy. We intend to adapt to the particularities of each national market. Our local partners generally have better access to the markets and are able to point out opportunities for equity investments and business transactions. Ideally, this gives rise to a win-win situation for both us and our partners. Our respective abilities complement each other, ultimately providing local customers with an improved, wider range of services. This is exactly what we intend to achieve in cooperation with Pražská energetika a.s. The MOST cooperation project ("most" is Czech for bridge) forms the basis for knowledge-sharing between the two companies.

ENBW'S INTERNATIONAL NETWORKS AND ALLIANCES



Switzerland / Austria

Energiedienst Holding AG (81.72%)

Kraftwerk Ryburg-Schwörstadt AG (38.00%)

EVN AG (32.47%)

Hungary

Budapesti Elektromos Művek Nyrt. (27.25%)

Észak-Magyarországi Áramszolgáltató Nyrt. (26.83%)

Mátrai Erőmű ZRt. (21.71%)

Turkey

Borusan EnBW Enerji yatırımları ve Üretim A.Ş. (50.00%)

Poland

Elektrownia Rybnik (32.45%)

Zespół Elektrociepłowni Wrocławskich Kogeneracja S.A. (15.59%)

Czech Republic

Pražská energetika a.s. (overall shareholding 69.62%)

Jiří Kalousek, project manager for the MOST cooperation project of Pražská energetika a.s. (PRE)

"In order to survive on the liberalised electricity market, PRE is aiming to provide even better, top-quality customer service. EnBW is helping us to do just that."

Financial statements

of the EnBW group

Income statement of the EnBW group

€ millions	Notes	2010	2009
Revenue including electricity and natural gas tax		18,406.2	16,537.5
Electricity and natural gas tax		-897.2	-973.3
Revenue	(1)	**17,509.0**	**15,564.2**
Changes in inventories		7.8	-2.1
Own work capitalised		65.1	69.6
Other operating income	(2)	1,317.4	1,014.2
Cost of materials	(3)	-12,997.7	-11,121.1
Personnel expenses	(4)	-1,670.4	-1,617.6
Other operating expenses	(5)	-951.4	-1,159.0
EBITDA		**3,279.8**	**2,748.2**
Amortisation and depreciation	(6)	-1,162.8	-858.9
Earnings before interest and taxes (EBIT)		**2,117.0**	**1,889.3**
Investment result	(7)	103.2	82.3
of which net profit from entities accounted for using the equity method		(93.0)	(80.7)
of which other income from investments		(10.2)	(1.6)
Financial result	(8)	-689.7	-714.4
of which finance revenue		(371.0)	(374.3)
of which finance costs		(-1,060.7)	(-1,088.7)
Earnings before tax (EBT)		**1,530.5**	**1,257.2**
Income tax	(9)	-365.0	-432.8
Group net profit		**1,165.5**	**824.4**
of which profit shares attributable to non-controlling interests		(-5.0)	(56.2)
of which profit shares attributable to the equity holders of EnBW AG		(1,170.5)	(768.2)
Shares outstanding (millions), weighted average		**244.257**	**244.257**
Earnings per share from group net profit (€)[1, 2]		**4.79**	**3.15**

[1] Basic and diluted; in relation to the profit shares attributable to the equity holders of EnBW AG.
[2] Further disclosures are presented in the notes to the consolidated financial statements under "Other notes".

Statement of comprehensive income of the EnBW group

€ millions	2010	2009
Group net profit	**1,165.5**	**824.4**
Difference from currency translation	-47.7	1.5
Cash flow hedge	367.8	11.5
Available-for-sale financial assets	178.1	347.9
Entities accounted for using the equity method	-17.1	-108.0
Income taxes on other comprehensive income	-119.3	23.2
Other comprehensive income	**361.8**	**276.1**
Total comprehensive income	**1,527.3**	**1,100.5**
of which profit shares attributable to non-controlling interests	(-1.8)	(67.8)
of which profit shares attributable to the equity holders of EnBW AG	(1,529.1)	(1,032.7)

Balance sheet of the EnBW group

€ millions[1]	Notes	31/12/2010	31/12/2009
Assets			
Non-current assets			
Intangible assets	(10)	2,197.0	1,746.9
Property, plant and equipment	(11)	13,343.3	11,925.2
Investment properties	(12)	99.0	70.3
Entities accounted for using the equity method	(13)	3,752.5	3,756.7
Other financial assets	(14)	5,950.6	5,691.4
Trade receivables	(15)	479.2	425.9
Income tax refund claims	(16)	23.7	215.9
Other non-current assets	(17)	290.9	203.8
Deferred taxes	(23)	28.2	29.2
		26,164.4	**24,065.3**
Current assets			
Inventories	(18)	991.1	944.8
Financial assets	(19)	955.8	771.7
Trade receivables	(15)	3,213.8	2,807.5
Income tax refund claims	(16)	389.1	241.2
Other current assets	(17)	1,635.5	2,639.5
Cash and cash equivalents	(20)	1,878.3	1,470.8
		9,063.6	**8,875.5**
Assets held for sale	(25)	11.8	1,698.0
		9,075.4	**10,573.5**
		35,239.8	**34,638.8**
Equity and liabilities			
Equity	(21)		
Equity holders of EnBW AG			
Subscribed capital		640.0	640.0
Capital reserve		22.2	22.2
Revenue reserves		5,443.3	4,646.5
Treasury shares		-204.1	-204.1
Other comprehensive income		583.8	225.2
		6,485.2	**5,329.8**
Non-controlling interests		1,133.0	1,077.9
		7,618.2	**6,407.7**
Non-current liabilities			
Provisions[2]	(22)	9,767.8	9,399.8
Deferred taxes	(23)	1,798.6	1,677.0
Financial liabilities	(24)	6,677.4	6,737.0
Other liabilities and subsidies	(24)	1,965.7	1,948.3
		20,209.5	**19,762.1**
Current liabilities			
Provisions[3]	(22)	1,213.2	1,006.2
Financial liabilities	(24)	643.5	447.3
Trade payables	(24)	3,164.4	2,803.4
Income tax liabilities	(24)	47.7	27.1
Other liabilities and subsidies	(24)	2,343.3	3,416.9
		7,412.1	**7,700.9**
Liabilities directly associated with the assets classified as held for sale	(25)	0.0	768.1
		7,412.1	**8,469.0**
		35,239.8	**34,638.8**

[1] Prior-year figures restated. Further disclosures are presented in the notes under "Restatement of prior-year figures".
[2] Of which non-current income tax provisions: € 195.6 million (prior year: € 143.3 million).
[3] Of which current income tax provisions: € 163.0 million (prior year: € 84.2 million).

Cash flow statement of the EnBW group

€ millions[1]	2010	2009
1. Operating activities		
EBITDA	3,279.8	2,748.2
Change in non-current provisions	-90.6	-393.0
Gain/loss on disposal of non-current assets	-182.3	-14.6
Other non-cash expenses/income	-259.2	87.1
Funds from operations (FFO) before taxes and financing	**2,747.7**	**2,427.7**
Change in assets and liabilities from operating activities	124.8	212.7
Inventories	(-83.2)	(-64.1)
Net balance of trade receivables and payables	(-155.2)	(-194.6)
Net balance of other assets and liabilities	(278.9)	(513.1)
Current provisions	(84.3)	(-41.7)
Income tax paid	-311.6	-197.0
Cash flow from operating activities	**2,560.9**	**2,443.4**
2. Investing activities		
Capital expenditures on intangible assets and property, plant and equipment	-1,624.8	-1,309.4
Cash received from disposals of intangible assets and property, plant and equipment	45.7	93.0
Cash received from construction cost and investment subsidies	78.3	65.1
Cash paid for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method	-631.0	-3,016.7
Cash received from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method	780.9	45.0
Cash paid for investments in other financial assets	-1,099.4	-1,227.5
Cash received from the sale of other financial assets	746.8	572.2
Cash received/paid for investments in connection with short-term finance planning	49.3	-229.8
Interest received	230.4	235.8
Dividends received	151.2	142.7
Cash flow from investing activities	**-1,272.6**	**-4,629.6**

[1] Further disclosures are presented in the notes to the consolidated financial statements under "Other notes".

€ millions[1]	2010	2009
3. Financing activities		
Interest paid for financing activities	-355.1	-357.4
Dividends paid	-419.2	-542.3
Proceeds from financial liabilities	431.1	2,084.9
Repayment of financial liabilities	-658.0	-506.6
Cash flow from financing activities	**-1,001.2**	**678.6**
Net change in cash and cash equivalents	**287.1**	**-1,507.6**
Net foreign exchange difference	12.3	2.0
Change in cash and cash equivalents	**299.4**	**-1,505.6**
Cash and cash equivalents at the beginning of the period	1,578.9	3,084.5
Cash and cash equivalents at the end of the period	**1,878.3**	**1,578.9**
of which cash and cash equivalents recognised as current assets	(1,878.3)	(1,470.8)
of which cash and cash equivalents of assets held for sale	(0.0)	(108.1)

[1] Further disclosures are presented in the notes to the consolidated financial statements under "Other notes".

€ millions	2010	2009
Interest paid for investing activities (capitalised borrowing costs)	-50.5	-22.7
Interest paid for financing activities	-355.1	-357.4
Total interest paid in the period	**-405.6**	**-380.1**

Statement of changes in equity of the EnBW group

€ millions[1]	Subscribed capital	Capital reserve	Revenue reserves	Treasury shares
As of 1 January 2009	**640.0**	**22.2**	**4,369.3**	**-204.1**
Other comprehensive income				
Group net profit			768.2	
Total comprehensive income	**0.0**	**0.0**	**768.2**	**0.0**
Dividends paid			-491.0	
Other changes				
As of 31 December 2009	**640.0**	**22.2**	**4,646.5**	**-204.1**
Other comprehensive income				
Group net profit			1,170.5	
Total comprehensive income	**0.0**	**0.0**	**1,170.5**	**0.0**
Dividends paid			-373.7	
Other changes				
As of 31 December 2010	**640.0**	**22.2**	**5,443.3**	**-204.1**

[1] Further disclosures are presented in note (21) "Equity".

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

Other comprehensive income[2]						
Difference from currency translation	Cash flow hedge	Available-for-sale financial assets	Entities accounted for using the equity method	Equity holders of EnBW AG[2]	Non-controlling interests[2]	Total
-3.2	**-184.7**	**16.8**	**131.8**	**4,788.1**	**803.4**	**5,591.5**
-1.1	54.4	319.2	-108.0	264.5	11.6	276.1
				768.2	56.2	824.4
-1.1	**54.4**	**319.2**	**-108.0**	**1,032.7**	**67.8**	**1,100.5**
				-491.0	-51.3	-542.3
				0.0	258.0	258.0
-4.3	**-130.3**	**336.0**	**23.8**	**5,329.8**	**1,077.9**	**6,407.7**
-46.3	233.1	188.9	-17.1	358.6	3.2	361.8
				1,170.5	-5.0	1,165.5
-46.3	**233.1**	**188.9**	**-17.1**	**1,529.1**	**-1.8**	**1,527.3**
				-373.7	-45.5	-419.2
				0.0	102.4	102.4
-50.6	**102.8**	**524.9**	**6.7**	**6,485.2**	**1,133.0**	**7,618.2**

Notes to the 2010 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 (IFRSs) the adoption of which is mandatory in the European Union at the reporting 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 comply with those IFRSs and IFRICs issued by the International Accounting Standards Board (IASB) which have been endorsed by the EU.

The consolidated financial statements are presented in millions of euros (€ millions). The income statement as well as statement of comprehensive income, the balance sheet, the cash flow statement and the 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 reporting 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.

EnBW's principal activities are described in the segment reporting.

EnBW's Board of Management authorised the consolidated financial statements for issue on 4 February 2011.

Basis of consolidation

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

Subsidiaries are consolidated in accordance with the acquisition method. The cost of a business combination is measured based on the fair value of the assets acquired and liabilities assumed or entered into as of the acquisition date. Non-controlling interests are measured at the proportionate share of fair value of the identified assets and liabilities assumed. From 2010 acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's equity interest previously held in the acquiree is remeasured at fair value as at the acquisition date through profit and loss from 2010. Goodwill is measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets acquired, the difference is recognised immediately in profit or loss following further review.

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

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

Consolidated companies

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

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

The equity method is used when a significant influence may be exercised over the business policy of the associate, but the entity does not qualify as a subsidiary or a joint venture. When measuring shares this means that only the pro rata equity of the entity is included in consolidated financial statements, and not its assets and liabilities. Goodwill is included in the carrying amount of the investment. Negative differences are recognised in profit or loss via investment result.

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

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

The companies have been consolidated as follows:

Type of consolidation and number	31/12/2010	31/12/2009
Full consolidation	114	99
Proportionate consolidation (joint ventures)	31	36
Entities accounted for using the equity method (associates)	18	17

Changes in the consolidated companies

Of the companies fully consolidated in the consolidated financial statements, 20 (prior year: 11) German companies and 5 (prior year: 1) foreign companies were consolidated for the first time in the reporting year. Eight (prior year: 0) German companies and 1 (prior year: 0) foreign company were deconsolidated and 1 company (prior year: 3) was merged. The deconsolidations mostly related to the sale of GESO Beteiligungs- und Beratungs-AG and its subsidiaries.

Of the joint ventures, our share of which was included in the consolidated financial statements, 1 foreign company (prior year: 1 German company) was consolidated in full for the first time and 1 German company (prior year: 0) as well as 3 foreign companies (prior year: 0) were deconsolidated. There were 0 (prior year: 27) companies included for the first time by way of proportionate consolidation in the reporting year. In the prior year, the foreign entity Borusan EnBW Enerji yatırımları ve Üretim A. Ş. was included for the first time as a subgroup by way of proportionate consolidation. The subgroup includes 24 foreign subsidiaries of Borusan EnBW Enerji yatırımları ve Üretim A. Ş.

Of the associates, 0 (prior year: 0) foreign companies and 2 (prior year: 1) German companies were included using the equity method for the first time in the reporting year. One (prior year: 1) German and 0 (prior year: 0) foreign companies were no longer included using the equity method in the reporting year.

Acquisitions in 2010

Kraftwerk Rostock mbH

In order to increase its domestic generation capacities, EnBW acquired a 100% share in Gesellschaft für die Beteiligung an dem Kraftwerk Rostock mbH, Hanover, with effect as of 1 January 2010. The company holds a 50.4% shareholding in Rostock power station. The purchase price came to € 320.9 million and was settled in cash. No major acquisition-related costs were incurred for the transaction. The company accounted for revenue of € 85.7 million and earnings after tax of € 4.0 million in the 2010 annual financial statements. The following assets and liabilities were assumed in the acquisition:

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

Compared to the reporting in the nine-monthly financial report for January to September 2010 and in the six-monthly financial report for 2010, there were no significant changes in determining fair value. Compared to the reporting for the first quarter of 2010, the following significant changes occurred in determining fair value based on a final valuation report that has been made available in the meantime: The value of property, plant and equipment rose from € 116.7 million to € 266.9 million. In contrast, intangible assets fell from € 164.2 million to € 2.4 million.

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

Onshore wind farms

In order to further expand its generation capacity in wind power, EnBW acquired a 100% share in Plambeck Neue Energien Windpark Fonds CVI GmbH & Co. KG, Cuxhaven, Plambeck Neue Energien Windpark Fonds CVII GmbH & Co. KG, Cuxhaven, Plambeck Neue Energien Windpark Fonds LXXXV GmbH & Co. KG, Cuxhaven, Plambeck Neue Energien Windpark Fonds XCIX GmbH & Co KG, Cuxhaven, and PNE WIND Oldendorf GmbH & Co. KG, Cuxhaven, effective as of 18 March, 5 May, 17 June, 22 September and 30 November 2010, respectively. The purchase price came to € 20.5 million and an amount of € 16.1 million thereof was settled in cash at the acquisition date. This includes contingent consideration of € 4.4 million, relating mostly to earn-out obligations, of which € 1.0 million was already paid as of year-end 2010. The earn-out obligations involve further consideration if the entities acquired meet the conditions for an increase in the consideration required by law in the form of bonus payments. Contingent consideration is expected to amount to € 4.4 million. No major acquisition-related costs were incurred for the transaction. The entities' wind power plants were completed mid-December 2009, mid-March, mid-June, mid-September and mid-September to early December 2010, respectively. The effect arising from these entities on revenue and earnings after tax in the annual financial statements for 2010 is immaterial, even when including the entities as of the beginning of the year. The following assets and liabilities were assumed in the acquisition:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Property, plant and equipment	51.5	56.3
Current assets	8.4	8.4
Total assets	**59.9**	**64.7**
Non-current liabilities	0.1	0.5
Current liabilities	43.7	43.7
Total liabilities	**43.8**	**44.2**
Net assets[1]	16.1	20.5
Cost (paid in cash)		16.1
Contingent consideration liabilities		4.4
Total consideration transferred		**20.5**
Goodwill		0.0

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

The fair value of other receivables acquired in the business combination amounted to € 7.2 million. The total amount of these receivables is expected to be recoverable.

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

In order to obtain a majority shareholding in the Czech energy company Pražská energetika a.s. (PRE) and thereby expand our presence in the Czech Republic, a target strategic market, as of 20 September 2010 EnBW swapped the 24.3% share it had previously held primarily via Pražská teplárenská Holding a.s. (PT Holding) in the Prague-based district heating supplier Pražská teplárenská a.s. (PT) in return for the 41.1% share held by EPH Group (Energetický a průmyslový holding Group) in PRE. With around 745,000 customers, PRE is the third largest electricity company in the Czech Republic, bringing together grid operations and sales in the capital city of Prague and the surrounding region.

PRE and PT had previously been included as joint ventures in the EnBW group by way of proportionate consolidation. Since the transaction, EnBW overall holds 69.6% of the shares in PRE. EnBW has obtained economic and industrial control over PRE through the contractual agreements in connection with the share increase, and the entity is therefore included in the consolidated financial statements by way of full consolidation. Following the share swap, EnBW no longer holds any shares in PT, which therefore no longer belongs to the group.

The consideration transferred in the course of the share acquisition includes the PT shares, measured at fair value, of € 200.5 million and a cash component of € 305.1 million. The PT share swap generated other operating income of € 81.1 million. The following assets and liabilities were disposed of in the PT share swap:

€ millions	Carrying amount under IFRS
Intangible assets held for sale	0.7
Property, plant and equipment held for sale	106.1
Other non-current assets held for sale	1.2
Cash and cash equivalents held for sale	37.5
Other current assets held for sale	11.1
Total assets held for sale	**156.6**
Non-current liabilities held for sale	9.4
Current liabilities held for sale	8.6
Total liabilities held for sale	**18.0**
Other comprehensive income	19.2
Net assets attributable to equity holders of EnBW AG	**119.4**

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

Costs directly attributable to the transaction amounted to € 6.0 million and were recognised in other operating expenses. The non-controlling interest was measured on the basis of PRE's identifiable net assets and amounts to € 213.8 million. The amount of goodwill is preliminary since the determination of the assets' and liabilities' fair value is not yet final. Among other things, it represents non-separable synergies in the electricity grid and sales segment.

Since its consolidation in full, PRE has accounted for revenue of € 215.4 million and earnings after tax of € 18.8 million. If PRE had been fully consolidated since the beginning of the year, group revenue would have increased by € 462.8 million to € 17,971.8 million and earnings after tax would have increased by € 44.3 million to € 1,209.8 million. The following assets and liabilities were assumed in the acquisition:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Intangible assets	7.9	197.5
Property, plant and equipment	720.3	754.5
Current assets	93.5	93.5
Total assets	**821.7**	**1,045.5**
Non-current liabilities	243.6	235.2
Current liabilities	106.9	106.9
Total liabilities	**350.5**	**342.1**
Net assets[1]	471.2	703.4
EnBW's interest in net assets 69.6%		489.6
Cost (paid in cash)		305.1
Fair value of PT shares		200.5
Total consideration transferred		**505.6**
Fair value of previously held PRE shares		307.5
Goodwill		323.5

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

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

Compared to the reporting in the nine-monthly financial report for January to September 2010, the following significant changes occurred in determining fair value based on a draft valuation report that has been made available in the meantime: The value of intangible assets increased from € 153.9 million to € 197.5 million. The value of property, plant and equipment rose from € 720.3 million to € 754.5 million.

Disposals of entities in 2010

GESO Beteiligungs- und Beratungs-AG

Based on a condition imposed by the anti-trust authorities in connection with the purchase of shares in EWE Aktiengesellschaft, EnBW AG decided in December 2009 to sell the shares in GESO Beteiligungs- und Beratungs-AG (GESO). The sale of GESO and its subsidiaries was completed in March 2010. The purchaser was Technische Werke Dresden GmbH (TWD), an entity wholly owned by Dresden, the capital city of the German state of Saxony. Other operating income before costs to sell generated from the sale came to € 176.6 million. The proceeds of € 834.4 million were paid in cash. They include repayment of group loans amounting to € 220.6 million. The following assets and liabilities were disposed of as part of the sale:

€ millions	Carrying amount under IFRS
Intangible assets held for sale	157.3
Property, plant and equipment held for sale	814.2
Other non-current assets held for sale	414.7
Cash and cash equivalents held for sale	24.2
Other current assets held for sale	208.3
Total assets held for sale	**1,618.7**
Non-current liabilities held for sale	547.9
Current liabilities held for sale	508.7
Total liabilities held for sale	**1,056.6**
Other comprehensive income	9.3
Net assets	552.8
Non-controlling interests	115.6
Net assets attributable to equity holders of EnBW AG	**437.2**

Acquisitions in 2009

Onshore wind farms

Effective as of 31 March 2009 and 21 April 2009, respectively, EnBW acquired 100% of the shares in Plambeck Neue Energien Windpark Fonds LX GmbH & Co. KG, Cuxhaven, Plambeck Neue Energien Windpark Fonds CI GmbH & Co. KG, Cuxhaven, and Plambeck Neue Energien Windpark Fonds CIV GmbH & Co. KG, Cuxhaven for a purchase price of € 33.1 million. The entities' wind power plants were completed at the end of March and mid-April 2009, respectively. In the 2009 financial statements, the entities contributed € -1.7 million to earnings after tax. The effect of including the entities in the 2009 financial statements from the beginning of 2009 on group revenue and earnings after tax was immaterial. The following assets and liabilities were assumed in the acquisition:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Intangible assets	0.0	0.4
Property, plant and equipment	77.5	86.3
Current assets	12.6	12.6
Total assets	**90.1**	**99.3**
Non-current liabilities	48.1	49.0
Current liabilities	19.6	19.6
Total liabilities	**67.7**	**68.6**
Net assets	22.4	30.7
Cost		33.1
Goodwill		2.4

Lippendorf and Bexbach power stations (E.ON's share)
As of 29 May 2009, EnBW acquired a 100% share in Gesellschaft für die Beteiligung an dem Kraftwerk Lippendorf mbH, Hanover. The company holds a 50% shareholding in Unit S of Lippendorf coal power station. At the same time, EnBW acquired all the shares in Kraftwerk Bexbach mbH, Hanover, which holds 8.3% of the shares in Bexbach coal power station. The purchase price totalled € 906.7 million. In the 2009 financial statements, the newly acquired shares in the power stations contributed € –2.2 million to earnings after income tax, excluding borrowing costs. If the new share in the power stations had already been consolidated since the beginning of the year 2009, group revenue would have increased by € 77.9 million to € 15,642.1 million and earnings after income tax would have increased by € 1.0 million to € 825.4 million in 2009. The following assets and liabilities were assumed in the acquisition:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Intangible assets	0.0	225.1
Property, plant and equipment	109.7	528.4
Current assets	58.5	197.0
Total assets	**168.2**	**950.5**
Non-current liabilities	2.0	4.5
Current liabilities	20.0	40.2
Total liabilities	**22.0**	**44.7**
Net assets	146.2	905.8
Cost		906.7
Goodwill		0.9

Bexbach power station (STAWAG's shares)
Effective as of 1 October 2009, EnBW acquired a further 16.7% shareholding in Bexbach coal power station. The purchase price amounted to € 83.6 million. In the 2009 financial statements, the newly acquired shares in the power station contributed € –1.0 million to earnings after income tax. If the new share in the power station had already been consolidated since the beginning of the year 2009, group revenue would have increased by € 48.9 million to € 15,613.1 million and earnings after income tax would have increased by € 0.7 million to € 825.1 million in 2009. The following assets and liabilities were acquired in the acquisition:

€ millions	Carrying amount under IFRS	Recognised on acquisition
Property, plant and equipment	6.3	68.7
Current assets	0.0	19.4
Total assets	**6.3**	**88.1**
Non-current liabilities	0.0	5.3
Current liabilities	0.0	0.0
Total liabilities	**0.0**	**5.3**
Net assets	6.3	82.8
Cost		83.6
Goodwill		0.8

Acquisition of entities accounted for using the equity method and of joint ventures in 2009

EWE Aktiengesellschaft

The German Federal Anti-Trust Office approved the acquisition of a 26% shareholding in EWE Aktiengesellschaft on 6 July 2009 subject to certain conditions. The conditions stipulated that EnBW would have to divest its subsidiary GESO or EWE's investment in VNG – Verbundnetz Gas Aktiengesellschaft would have to be sold to a third party. The acquisition took the form of a share purchase and a capital increase. The total transaction volume amounted to around € 2 billion. EWE Aktiengesellschaft is accounted for as an associate in the consolidated financial statements using the equity method. Headquartered in Oldenburg, EWE Aktiengesellschaft specialises in the areas of electricity and gas supply, gas transmission as well as telecommunications and information technology. For the purposes of segment reporting, EWE Aktiengesellschaft is allocated to the holding segment.

Joint venture with Borusan Holding A. Ş.

On 31 July 2009, EnBW acquired a 50% shareholding in Borusan EnBW Enerji yatırımları ve Üretim A. Ş., a joint venture with Borusan Holding A. Ş. The objective of the joint venture is to build up generation capacities over the next few years primarily in the field of renewable energies. The joint venture is based in Istanbul and is consolidated proportionately in the consolidated financial statements.

Changes in accounting policy

The IASB and the IFRIC have issued the following new standards and interpretations, the adoption of which is mandatory as of the fiscal year 2010:

- **Omnibus of amendments to various IFRSs (2009) "Improvements to International Financial Reporting Standards":** The amendments are the product of the IASB's annual improvements project and affect a number of IFRSs. The amendments are intended to clarify the wording of the standards and remove any unintended inconsistencies between them. First-time adoption of these amendments did not have any significant effect on EnBW's consolidated financial statements.
- **IFRS 1 (2008) "First-time Adoption of International Financial Reporting Standards":** The amendments to IFRS 1 only relate to the formal structure of the standard. The amendments to IFRS 1 did not have any effect on EnBW's consolidated financial statements.
- **Additional Exemptions for First-time Adopters – amendment to IFRS 1 (2009) "First-time Adoption of International Financial Reporting Standards":** The amendments concern the retrospective application of IFRSs in special situations and are designed to ensure that first-time adopters do not incur unreasonably high costs when transitioning to IFRSs. The amendments did not have any effect on EnBW's consolidated financial statements.
- **Group Cash-settled Share-based Payment Transactions – amendments to IFRS 2 (2009) "Share-based Payment":** The amendments are intended to clarify the accounting for cash-settled share-based payment transactions within the group. First-time adoption of the amended IFRS 2 did not have any effect on EnBW's consolidated financial statements.

- **IFRS 3 (2008) "Business Combinations":** The main changes relate to the scope and accounting for business combinations achieved in stages. The standard also introduces an option: Non-controlling interests can either be measured at fair value or at the proportionate share of the net identifiable assets. Depending on how the option is used, any goodwill arising in the course of the business combination is either disclosed in full or on a pro rata basis. The revised standard also contains new provisions regarding the recognition and measurement of acquired assets and liabilities. The amendments to IFRS 3 have an effect on the accounting for business combinations in the EnBW group.
- **IAS 27 (2008) "Consolidated and Separate Financial Statements":** The amended IAS 27 contains in particular amended rules on accounting for changes in ownership interests. In future, the transactions by which a parent company has changed its ownership interest in a subsidiary without losing control of the subsidiary will be recorded directly in equity. The amended IAS 27 affects accounting for changes in ownership interests.
- **Eligible hedged items – amendment to IAS 39 (2008) "Financial Instruments: Recognition and Measurement":** The amendment to IAS 39 clarifies how the principles of hedge accounting should be applied in the designation of inflation as a hedged risk and the designation of a one-sided risk in a hedged item. The amendment did not have any effect on EnBW's consolidated financial statements.
- **IFRIC 12 "Service Concession Arrangements":** IFRIC 12 governs the accounting for arrangements under which a public sector entity as the grantor awards contracts to private operators for the provision of services to the public such as airports, prisons and utilities. In order to perform these duties, the operator uses infrastructure which continues to be controlled by the grantor. Nevertheless, the operator is responsible for construction, operation and maintenance. First-time adoption of IFRIC 12 did not have any material effect on EnBW's consolidated financial statements.
- **IFRIC 15 "Agreements for the Construction of Real Estate":** IFRIC 15 addresses the accounting treatment for the sale of real estate where an agreement is reached with a third party before the construction of the real estate is completed. IFRIC 15 clarifies when IAS 11 "Construction Contracts" or IAS 18 "Revenue" apply. In addition, the interpretation determines the timing of revenue recognition. The interpretation did not have any effect on EnBW's consolidated financial statements.
- **IFRIC 16 "Hedges of a Net Investment in a Foreign Operation":** IFRIC 16 provides guidance on identifying the risks that qualify for hedge accounting in the hedge of a net investment in a foreign operation and on where within the group the hedging instruments can be held in the hedge of a net investment. The interpretation did not have any effect on EnBW's consolidated financial statements.
- **IFRIC 17 "Distributions of Non-cash Assets to Owners":** This interpretation addresses the accounting treatment for distributions of non-cash assets in the financial statements, prepared in accordance with IFRSs, of the entity making the distribution. The obligation arising from a distribution of non-cash assets is measured in accordance with IAS 37. It is recognised when the distribution is appropriately authorised and is no longer at the discretion of the entity. First-time adoption of IFRIC 17 did not have any effect on EnBW's consolidated financial statements.
- **IFRIC 18 "Transfers of Assets from Customers":** This interpretation applies to the accounting for assets that an entity receives from a customer and must use to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. First-time adoption of IFRIC 18 did not have any material effect on EnBW's consolidated financial statements.

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 2010. Their application in the future is subject to their endorsement by the EU into European law.

- **Omnibus of amendments to various IFRSs (2010) "Improvements to International Financial Reporting Standards":** The amendments are the product of the IASB's annual improvements project and affect a number of IFRSs. The amendments are intended to clarify the wording of the standards and remove any unintended inconsistencies between them. Unless stipulated otherwise in the respective standard, the amendments are effective for the first time for fiscal years beginning on or after 1 July 2010. The amendments have not yet been endorsed by the EU. The effects on EnBW's consolidated financial statements are currently being assessed.

- **Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters – amendment to IFRS 1 (2010) "First-time Adoption of International Financial Reporting Standards":** This amendment exempts first-time adopters from the new disclosures about financial instruments introduced in March 2009. IFRS 1 (2010) is effective for the first time for fiscal years beginning after 30 June 2010. The amendments are not expected to have any effect on EnBW's consolidated financial statements.
- **Amendments to IFRS 1 (2010) "First-time Adoption of International Financial Reporting Standards":** The first amendment removed the reference to the fixed date for first-time adopters "1 January 2004" and replaced it with "the date of transition to IFRSs". The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period of severe hyperinflation, during which the entity had been unable to comply with IFRSs. The amendments are effective for fiscal years beginning on or after 1 July 2011. It has yet to be endorsed by the EU. The amendments are not expected to have any effect on EnBW's consolidated financial statements.
- **Disclosures – Transfers of Financial Assets – amendments to IFRS 7 (2010) "Financial Instruments: Disclosures":** These amendments will require extended disclosures on transfers of financial assets and are intended to help users of financial statements to gain a better understanding of such transactions. The amendments have not yet been endorsed by the EU. The amendments are applicable for the first time for fiscal years beginning on or after 1 July 2011. The effects on the consolidated financial statements are currently being assessed.
- **IFRS 9 "Financial Instruments":** Publication of IFRS 9 (2009) and IFRS 9 (2010) by the IASB represents the completion of the first part of a three-part project to reform accounting for financial instruments. The IASB intends to completely replace the existing IAS 39 "Financial instruments: Recognition and Measurement" with IFRS 9. In the first part, the standard addresses the classification and measurement of financial instruments. IFRS 9 reduces the existing measurement categories to two: at amortised cost and at fair value through profit or loss. The standard is effective for the first time for fiscal years beginning on or after 1 January 2013. IFRS 9 has not yet been endorsed by the EU. The effects on EnBW's consolidated financial statements are currently being assessed.
- **Amendment to IAS 12 "Income Taxes":** The amendment clarifies at least some of the issues relating to the treatment of taxable temporary differences when using the fair value model in IAS 40 "Investment Property". The amendment of IAS 12 also led to amendment of SIC 12 "Income Taxes – Recovery of Revalued Non-Depreciable Assets". The amendments are effective for the first time for fiscal years beginning on or after 1 January 2012. The amendments have not yet been endorsed by the EU. The effects on EnBW's consolidated financial statements are currently being assessed.
- **IAS 24 (2009) "Related Party Disclosures":** IAS 24 was revised initially to simplify disclosure requirements for state-controlled entities. Certain related party relationships arising from an interest held by government have been excluded from the scope of IAS 24. In addition, the definition of related parties was reworked completely. The revised standard is effective for the first time for fiscal years beginning after 31 December 2010. The amendments are not expected to have any significant effect on EnBW's consolidated financial statements.
- **Classification of Rights Issues – amendment to IAS 32 (2009) "Financial Instruments: Presentation":** The amendment governs the accounting by the issuing entity for foreign currency denominated rights issues as well as options and warrants to acquire the entity's own equity instruments. In future, such rights should be accounted for as equity and not as liabilities. The revised standard is effective for the first time for fiscal years beginning on or after 1 February 2010. The amendments are not expected to have any effect on EnBW's consolidated financial statements.
- **Prepayments of a Minimum Funding Requirement – amendment to IFRIC 14 (2009) "IAS-19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction":** The amendment to IFRIC 14 is relevant in cases where an entity has minimum funding requirements and makes prepayments to meet such minimum funding requirements. The amendment allows entities to recognise the economic benefit from such prepayment as an asset. IFRIC 14 is effective for the first time for fiscal years beginning on or after 1 January 2011. The amendments are not expected to have any significant effect on EnBW's consolidated financial statements.

- **IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments":** IFRIC 19 illustrates the requirements set forth in IFRSs when an entity issues shares or other equity instruments to extinguish all or part of a financial liability. This interpretation is effective for the first time for fiscal years beginning on or after 1 July 2010. The amendments are not expected to have any significant effect on EnBW's consolidated financial statements.

Restatement of prior-year figures

- **Goodwill/other liabilities:** Goodwill and other liabilities were restated retroactively for the 2009 fiscal year due to the change in the assessment of the probability of occurrence of contingent consideration in connection with our investment in Turkey. Restatement led to a decrease in both balance sheet items of € 59.5 million, but did not lead to any changes in the opening balance sheet as of 1 January 2009.
- **Capital employed:** To improve the presentation of the financial position and net assets, we have for the first time presented non-current receivables associated with nuclear power provisions within adjusted net debt in the fiscal year 2010 instead of within capital employed. The receivables relate to restoration obligations for nuclear power plants assumed from a contractual partner in connection with the supply of electricity. The prior-year level of capital employed was reduced accordingly by € 413.2 million.
- **Net debt:** Unlike in the prior year, net debt was presented on an adjusted basis for the first time in the reporting year. Adjusted net debt was derived as follows from the net debt presented in the prior year:

€ millions	31/12/2009
Net debt according to the 2009 management report	9,172.0
Valuation effects from interest-induced hedging transactions	49.1
Recognised net debt according to the 2010 management report	**9,221.1**
Actuarial gains (–)/losses (+) not yet offset arising from provisions for pensions and similar obligations	-144.2
Non-current receivables associated with nuclear power provisions	-413.2
Valuation effects from interest-induced hedging transactions	-49.1
Adjusted net debt according to the 2010 management report	**8,614.6**

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 acquired software ranges from three to five years; the amortisation period of franchises for power stations is between 15 and 65 years. Customer relationships are amortised over their expected useful life of between 6 and 30 years, water rights and the underlying franchises are amortised over 30 years. The useful lives and amortisation methods are reviewed annually.

In accordance with the provisions of IFRSs, 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 are measured at cost. Items that are subject to wear and tear are depreciated using the straight-line method over the expected useful life of their individual components. Depreciation is recorded pro rata temporis in the year of addition.

If an asset necessarily takes a substantial period of time (more than twelve months) to get ready for its intended use, the borrowing costs incurred until it is ready for its intended use that are directly attributable to its acquisition or production are capitalised as part of the respective asset. Where there are specific debt financing arrangements, the respective borrowing costs incurred are used. Where the debt financing arrangements are not specific, borrowing costs are capitalised using a uniform rate within the group of 5.0% (prior year: 5.0%). Borrowing costs totalling € 50.5 million (prior year: € 22.7 million) were recognised as an asset in the fiscal year.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Leases
A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. This also applies for agreements that do not explicitly describe the conveyance of such a right. Leases are classified either as finance leases or as operating leases.

Leases where the EnBW group as lessee retains substantially all the risks and rewards of ownership of the asset are classified as finance leases. The leased asset is recognised at the lower of fair value and the present value of the minimum lease payments and a corresponding liability is recognised. The recognised leased asset is depreciated over the shorter of its estimated useful life and the lease term. The liability is repaid in subsequent periods and recognised using the effective interest method. All other leases where the EnBW group is the lessee are classified as operating leases. Lease payments and instalments from operating leases are recognised immediately as an expense in the income statement.

Leases where the EnBW group as lessor transfers substantially all the risks and rewards of ownership of the asset to the lessee are recognised as finance leases at the lessor. A receivable is recognised for the amount of the net investment in the lease. The payments made by the lessee are recognised as repayments on the principal or interest income using the effective interest method.

All other leases where the EnBW group is the lessor are classified as operating leases. The leased asset remains in the consolidated balance sheet and is depreciated. The payments made by the lessee are recognised as income on a straight-line basis over the term of the lease.

Investment property

Investment property includes land and buildings held to earn rentals or for capital appreciation and not used by EnBW itself. Investment property is measured at cost less depreciation and, if it has a limited life, is 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 reporting 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 included 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 securities, are allocated to the “available-for-sale” measurement category. This measurement category includes all financial assets that are not “held for trading”, “held to maturity” or “loans and receivables”. They are measured at fair value if it can be determined reliably. If the fair value cannot be determined reliably because there is no active market, these financial assets are measured at amortised cost. Unrealised gains and losses are recognised directly in equity. If there is any permanent or significant impairment as of the reporting 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. 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.

The securities recognised as current financial assets and allocated to the “held for trading” category 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. Write-downs are 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 through 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 reporting date.

Trade and other receivables
Trade 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 reporting 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 using the straight-line method. 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 reporting date and which are uncertain in terms of amount and/or date of occurrence to the extent that it is probable that they will lead to an outflow of resources in future and their amount can be reliably estimated. 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 reporting 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 companies. Tax assets and tax liabilities are netted with each other by consolidated tax group or entity 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 cost subsidies and grants are released over the depreciation period of the subsidised assets. The amount released is offset against depreciation in the balance sheet.

Assets held for sale and liabilities directly associated with assets classified as held for sale
Assets held for sale are individual non-current assets and groups of assets 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 directly associated with assets held for sale” includes liabilities that are part of a group of assets held for sale.

Assets that meet the criteria to be classified as 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.

Derivatives
Derivatives are measured at fair value in accordance with IAS 39. They are recognised under other assets and other liabilities and subsidies.

Derivatives are measured using quoted prices in active markets such as stock market prices. Where such prices are not available, the fair values are determined by reference to generally accepted valuation techniques. Quoted prices in active markets are used as inputs wherever possible. If they are not available either, entity-specific planning assumptions are considered in the valuation.

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 fair 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 (other comprehensive income) 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 the probability of 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 reporting 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. Future changes in the overall economic, industry or company situation 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 (20% or more) or prolonged (over the last nine months) decline in the fair value of an investment in an equity instrument below its amortised cost is objective evidence of impairment. In the fiscal year 2010, impairment losses of € 79.4 million (prior year: € 57.0 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 2010, bad debt allowances on trade receivables and other assets totalled € 70.0 million (prior year: € 70.1 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 for future pension increases 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 obligation, 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 temporary differences arising from differences in the accounting treatment of certain financial statements items between the consolidated balance sheet in accordance with IFRSs and the tax accounts. Deferred tax assets or liabilities are recognised on temporary differences. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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.

Potential effects due to changes in estimates in other areas are explained in the respective sections. Please also refer to note 7 "Investment result", note 10 "Intangible assets" and note 22 "Provisions".

Changes in estimates in the application of the accounting policies

The assessment of whether there is a prolonged decline in the fair value of an investment in an equity instrument was changed compared to the fiscal year 2009. The change gave rise to an additional impairment loss of € 39.2 million. The risk of future impairment losses on equity instruments increased as a result of this change.

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	31/12/2010	31/12/2009
Non-current assets	242.8	378.1
Current assets	67.8	138.8
Assets held for sale	0.0	151.0
Non-current liabilities	85.9	139.9
Current liabilities	68.7	107.8
Liabilities directly associated with the assets classified as held for sale	0.0	17.3

Income statement in € millions	2010	2009
Revenue	318.2	443.9
Cost of materials	-224.1	-319.9
Operating profit	34.4	69.0
Investment and financial result	9.9	5.5
Earnings before tax	44.3	74.5
Income tax	-5.2	-15.3
Earnings after tax	39.1	59.2

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 reporting date. Exchange differences from monetary items that are allocable to the operating activities are recognised in other operating income or other operating expenses with effect on profit or loss. Translation differences from financing activities are disclosed in the interest result.

The reporting currency of EnBW, which is also the functional currency, is the euro (€). The financial statements of the group entities are translated to euros. Currency translation is performed in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" using the modified closing rate method. Under this method, the assets and liabilities of entities that do not report in euros are translated at the mean rate prevailing on the reporting date, while expenses and income are translated at the average annual rate. The companies concerned are foreign entities. 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 other comprehensive income. 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 area. 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:

€ 1	Closing rate		Average rate	
	31/12/2010	31/12/2009	2010	2009
Swiss franc	1.25	1.48	1.38	1.51
Pound sterling	0.86	0.89	0.86	0.89
US dollar	1.34	1.44	1.33	1.39
Hungarian forint	277.95	270.42	275.35	280.48
Czech koruna	25.06	26.47	25.30	26.45
Japanese yen	108.65	133.16	116.47	130.28

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 in the income statement.

Most of the revenue is generated from the sale of electricity and gas to industry customers, businesses and consumers. In addition, this item includes revenue from the distribution of electricity and gas, of steam, heat and water as well as own-account trading.

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 2010, the net energy trading revenue came to € 9,135.7 million (prior year: € 6,301.7 million).

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

(2) Other operating income

€ millions	2010	2009
Rent and lease income	24.4	28.3
Income from the release and reduction of specific bad debt allowances	5.3	15.5
Gains on sale and income from acquisitions achieved in stages	458.5	36.3
Income from the reversal of provisions	198.1	383.1
Income from the release and retirement of construction cost subsidies	104.5	110.7
Income from derivatives	90.4	100.3
Sundry	436.2	340.0
Total	**1,317.4**	**1,014.2**

The increase in gains on sale is mainly due to the deconsolidation of GESO and its subsidiaries as well as of PT Holding and its subsidiaries. The income from the acquisition achieved in stages relates to the measurement at fair value of shares previously held in PRE. Gains on disposal of non-current assets also contain income of € 3.1 million (prior year: € 3.0 million) from the disposal of real property held for sale.

Reversals of impairment losses on intangible assets, property, plant and equipment and investment property amounted to € 7.4 million in the reporting period (prior year: € 3.4 million).

In the reporting year, income from exchange rate gains came to € 60.6 million (prior year: € 11.7 million). This includes € 44.9 million (prior year: € 0.0 million) from the deconsolidation of equity investments.

Sundry other operating income for the fiscal year 2010 includes extraordinary income from EnBW's compensation claim on account of the premature termination of a long-term electricity supply agreement. Sundry other operating income otherwise mainly includes income from the reversal of accruals and income from insurance claims.

(3) Cost of materials

€ millions	2010	2009
Cost of materials and supplies and of purchased merchandise	10,688.8	8,834.6
Cost of purchased services	2,308.9	2,286.5
Total	**12,997.7**	**11,121.1**

Cost of materials and supplies and of purchased merchandise comprises in particular electricity and gas procurement costs as well as the necessary increase – other than due to the passage of time – in provisions for the decommissioning of nuclear power plants unless they are required to be recognised as part of the cost of the asset. 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	2010	2009
Wages and salaries	1,274.0	1,253.9
Social security, pension and other benefit costs	396.4	363.7
of which for post-employment benefits	(153.3)	(152.4)
Total	**1,670.4**	**1,617.6**

Average headcount for the year	2010	2009
Electricity generation and trading	4,925	4,671
Electricity grid and sales	6,315	6,444
Gas	700	727
Energy and environmental services	8,018	8,487
Holding	492	585
Employees	**20,450**	**20,914**
Apprentices and trainees in the group	1,203	1,262

Expenses for post-employment benefits arising from the increase in the benefit obligation amount to € 71.3 million (prior year: € 47.9 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 416 employees (prior year: 712) from entities included on a proportionate basis based on their EnBW share.

(5) Other operating expenses

€ millions	2010	2009
Rent and lease expenses	46.4	72.9
Expense from specific bad debt allowances	43.0	52.3
Loss on the disposal of non-current assets	21.5	21.7
Other personnel expenses	71.2	80.7
Advertising expenses	100.2	103.6
Administrative and selling expenses	101.5	121.9
Audit, legal and consulting fees	152.8	185.7
Expenses from derivatives	68.5	36.6
Insurance	46.5	44.8
Dues and levies	7.3	7.5
Other taxes	22.7	26.1
Extraordinary write-down of inventories and other current assets	0.0	116.5
Sundry	269.8	288.7
Total	**951.4**	**1,159.0**

In the reporting year, expenses from exchange rate losses came to € 10.0 million (prior year: € 14.2 million).

Sundry other operating expenses contain extraordinary expenses of € 21.1 million (prior year: € 48.4 million).

(6) Amortisation and depreciation

€ millions	2010	2009
Amortisation of intangible assets	161.2	115.0
Depreciation of property, plant and equipment	996.2	748.3
Depreciation of investment properties	10.0	1.8
Release of investment cost subsidies	-4.6	-6.2
Total	**1,162.8**	**858.9**

In the reporting year, the impairment losses on goodwill from capital consolidation came to € 35.1 million (prior year: € 0.0 million). The impairment losses related to the goodwill of the joint venture in Turkey.

The impairment losses recognised on other intangible assets, property, plant and equipment and investment properties amounted to € 222.5 million (prior year: € 37.5 million). They are mostly due to impairment losses on the generation facilities of Stadtwerke Düsseldorf AG. The recoverable amount based on fair value less costs to sell was below carrying amount in both cases due to a decline in profitability. The reduced profitability of Stadtwerke Düsseldorf AG's generation facilities is primarily attributable to lower expectations regarding the development of the price of electricity.

For segment reporting purposes the associated impairment losses recognised on the joint venture's goodwill and on Stadtwerke Düsseldorf AG's generation facilities are allocated to the electricity generation and trading segment.

(7) Investment result

€ millions	2010	2009
Share of profit of entities accounted for using the equity method	93.0	175.9
Write-downs of entities accounted for using the equity method	0.0	-102.0
Write-ups of entities accounted for using the equity method	0.0	6.8
Net profit from entities accounted for using the equity method	**93.0**	**80.7**
Investment income[1]	52.1	55.0
of which non-consolidated affiliated entities	(10.0)	(6.2)
Write-downs of investments	-14.3	-63.4
of which non-consolidated affiliated entities	(-1.9)	(-1.2)
Income from the sale of equity investments	-27.6	10.0
Other income from investments	**10.2**	**1.6**
Investment result	**103.2**	**82.3**

[1] Of which € 10.6 million (prior year: € 0.0 million) stems from investments held as financial assets.

In the reporting period, the share of profit of entities accounted for using the equity method includes impairment losses of € 47.2 million recognised on equity instruments held by an entity accounted for using the equity method. The main reason was a prolonged decline in market price. In the prior year, the net profit from entities accounted for using the equity method was affected primarily by impairment losses of € 95.0 million recognised on EWE Aktiengesellschaft. They became necessary in 2009 after expected earnings declined on account of the poor state of the economy as a whole.

Write-downs of investments include impairment losses on investments of € 12.4 million (prior year: € 62.2 million) that mainly relate to investments held as a financial assets. The impairment losses on shares in affiliated entities amount to € 1.9 million (prior year: € 1.2 million).

One key parameter in the measurement of investments is WACC. An increase in WACC by 0.5 percentage points would give rise to impairment losses on the entities accounted for using the equity method amounting to around € 300 million.

(8) Financial result

€ millions	2010	2009
Interest and similar income	220.7	252.3
of which non-consolidated affiliated entities	(0.3)	(0.3)
Other finance revenue	150.3	122.0
Financial revenue	**371.0**	**374.3**
Borrowing costs	-315.9	-332.2
Other interest and similar expenses	-31.4	-47.0
of which non-consolidated affiliated entities	(0.0)	(-0.1)
Interest portion of increases in provisions	-540.9	-511.2
Personnel provisions	(-227.4)	(-230.8)
Provisions relating to nuclear power	(-283.9)	(-272.7)
Other non-current provisions	(-29.6)	(-7.7)
Other finance costs	-172.5	-198.3
Finance costs	**-1,060.7**	**-1,088.7**
Financial result	**-689.7**	**-714.4**

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

Interest income of € 10.2 million was offset against economically related interest expenses in the 2010 reporting period (prior year: € 28.0 million).

Borrowing costs include expenses for bank interest and bonds of € 249.8 million (prior year: € 263.2 million), the interest portion for finance leases of € 32.7 million (prior year: € 38.0 million) and other borrowing costs of € 33.4 million (prior year: € 31.0 million).

Other interest and similar expenses principally consist of profit shares amounting to € 10.1 million (prior year: € 31.7 million) of non-controlling interests with put options. 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 contain expenses in the 2010 reporting period of € 65.1 million for impairment losses recognised on our investments in the available-for-sale category (prior year: € 57.0 million). In addition, the other finance costs comprise impairment losses of € 1.2 million on loans (prior year: € 14.8 million) and exchange rate losses on the disposal of securities of € 75.3 million (prior year: € 90.6 million). Other finance revenue contains, among other items, realised exchange rate gains on the sale of securities of € 121.6 million (prior year: € 82.8 million).

(9) Income taxes

€ millions	2010	2009
Current income tax		
Domestic corporate income tax	269.4	150.6
Domestic trade tax	171.8	82.2
Foreign income taxes	32.5	37.4
Total	**473.7**	**270.2**
Deferred taxes		
Germany	-96.4	168.0
Abroad	-12.3	-5.4
Total	**-108.7**	**162.6**
Income tax (-income/+expense)	**365.0**	**432.8**

Current income tax contains net expenses of € 175.2 million (prior year: € 69.6 million) that relate to prior periods. Deferred tax contains net income of € 112.6 million (prior year: € 26.4 million) that relates to prior periods. Net deferred tax contains income of € 18.9 million (prior year: € 0.0 million) from tax rate changes.

The corporate income tax rate came to 15.0% in the fiscal year plus a solidarity surcharge amounting to 5.5% of corporate income tax. The trade tax rate was 13.2%. This represents a tax rate on income of 29.0%. For the foreign entities, the tax rate applicable in their country of residence is used to calculate income taxes. Deferred tax assets and liabilities are measured at the tax rates expected to apply when the asset is realised or the liability is settled.

Deferred tax relates to the following:

€ millions	2010	2009
Origination or reversal of temporary differences	-114.5	116.2
Utilisation/expiry or origination of unused tax losses	5.8	46.4
Deferred tax (–income/+expense)	**-108.7**	**162.6**

In 2010, the deferred tax expense was not reduced by recognising previously unused tax losses (prior year: € 2.5 million).

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

€ millions	2010	%	2009	%
Earnings before tax	**1,530.5**		**1,257.2**	
Applicable tax rate		29.0		29.0
Theoretical income tax expense	**443.8**		**364.6**	
Tax effects				
Differences in foreign tax rates and tax rate differences	-31.0	-2.0	-14.0	-1.1
Tax-free income	-49.9	-3.3	-50.9	-4.0
Non-deductible expenses	55.5	3.6	82.5	6.6
Amortisation of goodwill from capital and equity consolidation	10.2	0.7	0.0	0.0
Addbacks and reductions for trade tax purposes	22.3	1.5	21.9	1.7
Measurement of associates using the equity method	-27.0	-1.8	-23.4	-1.9
Change in deferred tax assets relating to unused tax losses	2.3	0.2	24.8	2.0
Zero-rated disposals of investments	-117.5	-7.7	-16.8	-1.3
Taxes relating to other periods	62.6	4.1	43.2	3.4
Other	-6.3	-0.5	0.9	0.0
Current income tax (–income/+expense)	**365.0**		**432.8**	
Effective tax rate		**23.8**		**34.4**

(10) Intangible assets

€ millions[1]	Franchises, industrial rights, licences and similar rights	Internally generated intangible assets	Goodwill	Other	Total
Cost					
As of 1 January 2010	1,817.0	78.2	590.5	14.2	2,499.9
Increase/decrease due to changes in the consolidated companies	188.4	0.0	303.6	0.0	492.0
Additions	73.9	0.5	0.0	8.2	82.6
Reclassifications	13.0	2.2	0.0	-11.0	4.2
Currency adjustments	36.6	0.0	-3.2	0.0	33.4
Disposals	-16.2	-0.1	0.0	0.0	-16.3
As of 31 December 2010	2,112.7	80.8	890.9	11.4	3,095.8
Accumulated amortisation					
As of 1 January 2010	698.0	41.0	14.0	0.0	753.0
Decrease due to changes in the consolidated companies	-9.2	0.0	0.0	0.0	-9.2
Additions	101.3	11.5	0.0	0.0	112.8
Currency adjustments	7.2	0.0	0.0	0.0	7.2
Disposals	-10.2	0.0	0.0	0.0	-10.2
Impairment losses	13.3	0.0	35.1	0.0	48.4
Reversal of impairment losses	-3.2	0.0	0.0	0.0	-3.2
As of 31 December 2010	797.2	52.5	49.1	0.0	898.8
Carrying amounts					
As of 31 December 2010	1,315.5	28.3	841.8	11.4	2,197.0
Cost					
As of 1 January 2009	1,579.1	69.3	702.1	20.2	2,370.7
Increase/decrease due to changes in the consolidated companies	268.1	0.0	37.5	0.0	305.6
Additions	29.0	2.8	0.0	8.4	40.2
Reclassifications	10.7	6.1	0.0	-9.8	7.0
Reclassifications to assets held for sale	-56.4	0.0	-112.1	-3.2	-171.7
Currency adjustments	0.9	0.0	1.6	0.0	2.5
Disposals	-14.4	0.0	-38.6	-1.4	-54.4
As of 31 December 2009	1,817.0	78.2	590.5	14.2	2,499.9
Accumulated amortisation					
As of 1 January 2009	623.3	30.8	14.0	0.0	668.1
Additions	96.0	10.3	0.0	0.0	106.3
Reclassifications	2.2	-0.1	0.0	0.0	2.1
Reclassifications to assets held for sale	-20.5	0.0	0.0	0.0	-20.5
Currency adjustments	0.3	0.0	0.0	0.0	0.3
Disposals	-12.0	0.0	0.0	0.0	-12.0
Impairment losses	8.7	0.0	0.0	0.0	8.7
As of 31 December 2009	698.0	41.0	14.0	0.0	753.0
Carrying amounts					
As of 31 December 2009	1,119.0	37.2	576.5	14.2	1,746.9

[1] Prior-year figures restated.

Finance leases account for € 156.3 million (prior year: € 189.0 million) of the carrying amount of intangible assets. They mainly refer to an electricity procurement right of € 153.1 million (prior year: € 185.3 million). The contract expires in 2015. The carrying amount of intangible assets also includes operating licences for power stations of € 699.1 million (prior year: € 626.8 million) and customer relationships of € 264.6 million (prior year: € 105.8 million). The remaining terms of power station concessions is between 15 and 60 years.

In 2010, a total of € 33.8 million (prior year: € 32.0 million) was spent on research and development. The criteria for their recognition required under IFRSs were not satisfied.

Goodwill was allocated to the cash-generating units or groups of cash-generating units for impairment test purposes. An impairment loss was recognised on the Turkish joint venture in 2010. At the time of recognition, the impairment loss totalled € 35.1 million, taking exchange differences into account. The impairment loss is mainly due to the reduced profitability of the project portfolio.

Goodwill totalled € 841.8 million as of 31 December 2010 (prior year restated: € 576.5 million). Of this figure, 84.7% (prior year restated: 77.7%) 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]	After-tax discount rates (%)		Goodwill in € millions	
	2010	2009	2010	2009
PRE subgroup	7.1	-	317.2	-
Electricity sales and distribution	4.9 – 6.8	4.9 – 7.4	133.0	151.4
Stadtwerke Düsseldorf AG subgroup	4.9 – 6.3	4.9 – 7.4	127.4	127.4
Energiedienst Holding AG subgroup	4.9 – 6.8	4.9 – 7.4	135.6	135.6
Borusan EnBW Enerji yatırımları ve Üretim A. Ş. joint venture	10.1	11.9	0.0	33.4

[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 € 128.6 million (prior year restated: € 128.7 million).

The recoverable amount of the cash-generating unit is generally 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.

Key assumptions underlying the determination of fair value less costs to sell include projections of future electricity and gas prices, materials prices, company-specific investing activities, the regulatory framework as well as growth and discount rates.

The discount rates applied to the cash flows are determined on the basis of market data and range from 4.9% to 10.1% after tax and 7.0% to 12.7% before tax (prior year: 4.9% to 11.9% after tax and 7.0% to 15.0% before tax).

Constant growth rates of 1.0% and 1.5% (prior year: 1.0% and 1.5%) are used to extrapolate the cash flows beyond the detailed planning period, taking into account expected price and volume-related growth.

Regarding the Stadtwerke Düsseldorf AG subgroup, the impairment test for goodwill produced an excess of recoverable amount over carrying amount of € 170.2 million. The recoverable amount of the Stadtwerke Düsseldorf AG subgroup was determined using discount rates of 4.9% to 6.3%. An increase of two percentage points in the discount rates would give rise to an impairment loss.

Goodwill by segment developed as follows:

€ millions[1]	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Total
Carrying amounts as of 1 January 2010	172.5	283.2	75.2	45.6	576.5
Increase/decrease due to changes in the consolidated companies	0.0	303.6	0.0	0.0	303.6
Reclassification to assets held for sale	0.0	0.0	0.0	0.0	0.0
Other changes	-33.5	-4.8	0.0	0.0	-38.3
Carrying amounts as of 31 December 2010	139.0	582.0	75.2	45.6	841.8
Carrying amounts as of 1 January 2009	151.5	340.2	140.2	56.2	688.1
Increase/decrease due to changes in the consolidated companies	37.5	0.0	0.0	0.0	37.5
Reclassification to assets held for sale	0	-56.0	-56.1	0.0	-112.1
Other changes	-16.5	-1.0	-8.9	-10.6	-37.0
Carrying amounts as of 31 December 2009	172.5	283.2	75.2	45.6	576.5

[1] Prior-year figures restated.

(11) Property, plant and equipment

€ millions	Land and buildings	Power plants	Distribution plants	Other plant and equipment	Assets under construction	Total
Cost						
As of 1 January 2010	3,602.4	12,488.1	13,822.1	1,484.3	1,361.3	32,758.2
Increase/decrease due to changes in the consolidated companies	68.5	307.3	355.9	0.9	42.4	775.0
Additions	57.6	620.0	336.3	74.9	859.4	1,948.2
Reclassifications	106.6	235.5	157.5	-12.2	-570.7	-83.3
Reclassifications to assets held for sale	-0.1	0.0	-32.5	0.0	0.0	-32.6
Currency adjustments	2.4	28.0	17.1	3.5	5.3	56.3
Disposals	-31.0	-373.7	-157.1	-28.3	-2.7	-592.8
As of 31 December 2010	3,806.4	13,305.2	14,499.3	1,523.1	1,695.0	34,829.0
Accumulated depreciation						
As of 1 January 2010	1,364.7	9,998.9	8,498.1	934.9	36.4	20,833.0
Decrease due to changes in the consolidated companies	-11.3	0.0	-107.0	-0.1	0.0	-118.4
Additions	81.1	309.0	307.9	97.0	0.0	795.0
Reclassifications	39.7	-74.5	11.0	-19.1	0.0	-42.9
Reclassifications to assets held for sale	0.0	0.0	-22.0	0.0	0.0	-22.0
Currency adjustments	0.6	17.2	7.3	2.5	0.0	27.6
Disposals	-23.0	-23.9	-115.2	-25.2	0.0	-187.3
Impairment losses	37.8	141.3	5.6	4.2	12.3	201.2
Reversal of impairment losses	0.0	-0.1	-0.4	0.0	0.0	-0.5
As of 31 December 2010	1,489.6	10,367.9	8,585.3	994.2	48.7	21,485.7
Carrying amounts						
As of 31 December 2010	2,316.8	2,937.3	5,914.0	528.9	1,646.3	13,343.3
Cost						
As of 1 January 2009	3,674.5	11,731.7	14,764.9	1,516.3	802.1	32,489.5
Increase/decrease due to changes in the consolidated companies	50.4	643.0	0.0	0.2	74.7	768.3
Additions	22.7	220.1	266.6	87.6	759.2	1,356.2
Reclassifications	68.0	40.4	112.2	18.3	-249.4	-10.5
Reclassifications to assets held for sale	-181.5	-63.5	-1,136.2	-60.2	-15.9	-1,457.3
Currency adjustments	3.2	2.0	3.1	0.3	0.1	8.7
Disposals	-34.9	-85.6	-188.5	-78.2	-9.5	-396.7
As of 31 December 2009	3,602.4	12,488.1	13,822.1	1,484.3	1,361.3	32,758.2
Accumulated depreciation						
As of 1 January 2009	1,361.4	9,794.4	8,785.9	957.1	5.4	20,904.2
Additions	62.8	258.9	300.6	97.6	0.0	719.9
Reclassifications	6.8	-10.0	-0.8	-0.6	34.3	29.7
Reclassifications to assets held for sale	-43.5	-38.1	-460.6	-45.4	0.0	-587.6
Currency adjustments	0.5	1.0	1.1	0.1	0.0	2.7
Disposals	-26.0	-25.0	-132.8	-74.0	-3.3	-261.1
Impairment losses	2.7	17.8	7.8	0.1	0.0	28.4
Reversal of impairment losses	0.0	-0.1	-3.1	0.0	0.0	-3.2
As of 31 December 2009	1,364.7	9,998.9	8,498.1	934.9	36.4	20,833.0
Carrying amounts						
As of 31 December 2009	2,237.7	2,489.2	5,324.0	549.4	1,324.9	11,925.2

Items of property, plant and equipment are encumbered by property liens totalling € 66.9 million (prior year: € 46.7 million).

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

Finance leases account for € 75.7 million (prior year: € 12.9 million) of the carrying amount of property, plant and equipment. They principally refer to two natural gas caverns whose contractual term covers most of their useful life.

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

€ millions	31/12/2010	31/12/2009
Franchises, industrial rights and similar rights and assets	156.3	189.0
Land, land rights and buildings including buildings on third-party land	0.0	12.9
Technical equipment and machines	75.7	0.0
Total	**232.0**	**201.9**

Group capital expenditures on intangible assets and property, plant and equipment of € 1,624.8 million (prior year: € 1,309.4 million) are derived as follows from the statement of changes in non-current assets:

€ millions	2010	2009
Additions to intangible assets and property, plant and equipment according to the statement of changes in non-current assets	2,030.8	1,396.4
Additions to assets recognised under finance leases	-114.6	0.0
Additions to the provision recognised for the decommissioning and dismantling of property, plant and equipment	-296.5	-136.6
Additions to intangible assets and property, plant and equipment of assets held for sale	5.1	49.6
Capital expenditures on intangible assets and property, plant and equipment	**1,624.8**	**1,309.4**

(12) Investment property

€ millions	
Cost	
As of 1 January 2010	123.4
Additions	0.7
Reclassifications	48.4
Reclassifications to assets held for sale	-1.1
Disposals	-1.7
As of 31 December 2010	169.7
Accumulated depreciation	
As of 1 January 2010	53.1
Additions	2.0
Reclassifications	12.2
Disposals	-0.9
Impairment losses	8.0
Reversal of impairment losses	-3.7
As of 31 December 2010	70.7
Carrying amount	
As of 31 December 2010	99.0
Cost	
As of 1 January 2009	150.5
Additions	0.1
Reclassifications	5.1
Reclassifications to assets held for sale	-26.3
Disposals	-6.0
As of 31 December 2009	123.4
Accumulated depreciation	
As of 1 January 2009	63.9
Additions	1.4
Reclassifications	2.9
Reclassifications to assets held for sale	-10.6
Disposals	-4.7
Impairment losses	0.4
Reversal of impairment losses	-0.2
As of 31 December 2009	53.1
Carrying amount	
As of 31 December 2009	70.3

As of the reporting date, the market value of the real estate that is classified as investment property was € 126.8 million (prior year: € 87.4 million). The market value was determined either using the discounted cash flow method or from current market prices. Almost all of the investment property was valued by external valuers (prior year: about half). Rent income totalled € 12.5 million (prior year: € 9.2 million). The directly allocable operating expenses amounted to € 3.2 million (prior year: € 2.8 million). Operating expenses that were not offset by rent income totalled € 0.6 million (prior year: € 0.4 million).

The reclassifications are mostly attributable to the reclassification of the administrative building in Dresden used by GESO and its subsidiaries from owner-occupied property to investment property.

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

Gains on disposal of € 0.4 million were generated in the fiscal year 2010 from the sale of investment property (prior year: € 1.6 million).

The EnBW group's receivables from non-cancellable operating leases of € 87.5 million (prior year: € 76.4 million) mainly stem from the rental of business and residential properties. No contingent rent was recognised in the reporting period (prior year: € 1.2 million).

The minimum lease payments receivable are as follows:

€ millions	2010	2009
Due within 1 year	19.9	21.6
Due in 1 to 5 years	29.5	21.7
Due in more than 5 years	38.1	33.1
Total	**87.5**	**76.4**

(13) Entities accounted for using the equity method

€ millions	
Cost	
As of 1 January 2010	3,858.7
Increase/decrease due to changes in the consolidated companies	49.9
Increase/decrease due to profits/losses	93.0
Increase/decrease due to amounts recognised directly in equity	-17.1
Currency adjustments	7.3
Decrease due to dividend distributions	-99.1
Other additions/disposals	-38.2
As of 31 December 2010	3,854.5
Accumulated impairment	
As of 1 January 2010	102.0
Decrease due to changes in the consolidated companies	0.0
As of 31 December 2010	102.0
Carrying amount	
As of 31 December 2010	3,752.5
Cost	
As of 1 January 2009	1,939.0
Increase/decrease due to changes in the consolidated companies	2,138.1
Increase/decrease due to profits/losses	175.9
Increase/decrease due to amounts recognised directly in equity	-108.0
Reclassifications	-201.6
Currency adjustments	2.3
Decrease due to dividend distributions	-87.6
Other additions/disposals	0.6
As of 31 December 2009	3,858.7
Accumulated impairment	
As of 1 January 2009	6.8
Impairment losses	102.0
Reversal of impairment losses	-6.8
As of 31 December 2009	102.0
Carrying amount	
As of 31 December 2009	3,756.7

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	2010	2009
Revenue	14,553.7	11,088.4
Profit for the year	441.7	476.8
Adjustment to EnBW's interest and equity measurement	-348.7	-396.1
Net profit from entities accounted for using the equity method	93.0	80.7

Balance sheet figures of the entities accounted for using the equity method in € millions	31/12/2010	31/12/2009
Assets	21,873.2	21,415.7
Liabilities	13,650.3	13,124.9
Equity	8,222.8	8,290.8
Adjustment to EnBW's interest and equity measurement	-4,470.3	-4,534.1
Carrying amount of entities accounted for using the equity method	3,752.5	3,756.7

The EnBW group's share of the contingent liabilities and other financial commitments of entities accounted for using the equity method came to € 814.3 million as of 31 December 2010 (prior year: € 510.2 million).

The market value of those investments for which there are published price quotations amounts to € 965.2 million (prior year: € 1,010.3 million). The carrying amount of these investments is € 1,127.9 million (prior year: € 1,175.6 million). Because of their higher value in use, there is no need to recognise an impairment loss.

The following entities accounted for using the equity method have a different reporting date and are consolidated with the figures from their financial statements as of 30 September 2010:

- 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 2010	85.3	933.1	4,825.3	121.6	5,965.3
Increase/decrease due to changes in the consolidated companies	0.0	-62.3	0.8	0.5	-61.0
Additions	0.4	101.6	3,268.4	9.9	3,380.3
Reclassifications	7.1	-313.3	-8.5	-7.0	-321.7
Currency adjustments	0.0	4.6	0.0	4.0	8.6
Disposals	-8.8	-3.9	-2,664.2	-29.7	-2,706.6
As of 31 December 2010	84.0	659.8	5,421.8	99.3	6,264.9
Accumulated impairment					
As of 1 January 2010	26.8	131.4	114.9	0.8	273.9
Decrease due to changes in the consolidated companies	0.0	-20.8	0.0	0.0	-20.8
Impairment losses	1.9	12.4	65.1	0.7	80.1
Reclassifications	2.9	-2.9	0.0	0.0	0.0
Currency adjustments	0.0	0.1	0.0	0.0	0.1
Disposals	-0.6	0.0	-18.4	0.0	-19.0
As of 31 December 2010	31.0	120.2	161.6	1.5	314.3
Carrying amounts					
As of 31 December 2010	53.0	539.6	5,260.2	97.8	5,950.6
Cost					
As of 1 January 2009	79.4	941.2	4,030.5	119.3	5,170.4
Increase/decrease due to changes in the consolidated companies	0.0	1.1	-0.1	8.7	9.7
Additions	5.0	50.2	3,049.4	28.2	3,132.8
Reclassifications	15.2	-14.4	-242.3	-9.6	-251.1
Reclassifications to assets held for sale	-1.0	-22.1	-177.2	-0.5	-200.8
Currency adjustments	0.0	0.2	0.0	-0.3	-0.1
Disposals	-13.3	-23.1	-1,835.0	-24.2	-1,895.6
As of 31 December 2009	85.3	933.1	4,825.3	121.6	5,965.3
Accumulated impairment					
As of 1 January 2009	10.9	85.5	104.8	8.9	210.1
Impairment losses	1.2	62.2	48.5	0.3	112.2
Reclassifications	15.0	-14.8	0.0	-2.4	-2.2
Reclassifications to assets held for sale	-0.3	0.0	-5.8	0.0	-6.1
Disposals	0.0	-1.5	-32.6	-6.0	-40.1
As of 31 December 2009	26.8	131.4	114.9	0.8	273.9
Carrying amounts					
As of 31 December 2009	58.5	801.7	4,710.4	120.8	5,691.4

[1] Of the additions under cost, € 0.0 million (prior year: € 0.1 million) stems from market valuation, of the disposals under cost € 0.0 million (prior year: € 13.4 million).
[2] Of the carrying amount of cost, € 178.7 million (prior year: € 152.1 million) relates to investments held as financial assets.
[3] Of the additions under cost, € 304.8 million (prior year: € 368.0 million) stems from market valuation, of the disposals under cost € 138.1 million (prior year: € 81.1 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. Most of the reclassifications made in 2010 regarding other investments were related to the reclassification of an investment that is no longer of strategic importance to non-current securities. By contrast, non-current securities were affected by reclassifications from non-current to current securities. In the prior year, most of the reclassifications were from non-current securities to current securities.

Loans comprise loans to affiliated entities of € 0.5 million (prior year: € 0.6 million), loans to other investees and investors of € 20.8 million (prior year: € 21.2 million) and other loans of € 76.5 million (prior year: € 99.0 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			31/12/2010			31/12/2009
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	3,213.8	479.2	3,693.0	2,807.5	425.9	3,233.4
of which from affiliated entities	(26.3)	(10.0)	(36.3)	(21.2)	(10.0)	(31.2)
of which from other investees and investors	(21.9)	(0.2)	(22.1)	(26.2)	(1.9)	(28.1)
of which from entities accounted for using the equity method	(26.7)	(0.0)	(26.7)	(24.1)	(0.0)	(24.1)

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	2010	2009
As of 1 January	36.8	47.3
Reclassifications to assets held for sale	0.0	-5.0
Utilisation	-36.8	-32.6
Net additions	35.5	27.1
As of 31 December	**35.5**	**36.8**

The credit risks inherent in trade receivables are presented below:

€ millions	31/12/2010	31/12/2009
Not past due and not impaired	3,588.7	3,118.0
Past due, but not impaired		
Due within 3 months	47.1	38.8
Due in between 3 and 6 months	3.0	4.1
Due in between 6 months and 1 year	3.2	5.9
Due in more than 1 year	6.3	12.8
Impaired	44.7	53.8
Total	**3,693.0**	**3,233.4**

There was no indication as of the reporting 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 include, among other things, the corporate income tax credit arising from transition to the half-income method pursuant to the German Tax Reduction Act (StSenkG) of 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 from prior years and the current year.

(17) Other assets

€ millions			31/12/2010			31/12/2009
	Current	Non-current	Total	Current	Non-current	Total
Other tax refund claims	75.2	2.6	77.8	63.4	0.0	63.4
Derivatives	1,194.5	122.8	1,317.3	2,027.2	37.7	2,064.9
of which without hedges	(931.1)	(12.1)	(943.2)	(1,951.1)	(11.0)	(1,962.1)
of which cash flow hedge	(238.8)	(55.8)	(294.6)	(53.7)	(0.0)	(53.7)
of which fair value hedge	(24.6)	(54.9)	(79.5)	(22.4)	(26.7)	(49.1)
Finance lease receivables	7.0	31.0	38.0	7.0	34.6	41.6
Payments on account	70.4	65.0	135.4	91.9	42.7	134.6
Prepaid expenses	15.4	46.1	61.5	17.5	57.1	74.6
Sundry assets	273.0	23.4	296.4	432.5	31.7	464.2
Total	**1,635.5**	**290.9**	**1,926.4**	**2,639.5**	**203.8**	**2,843.3**

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 leases contain escalation clauses as well as renewal and purchase price options. The agreements are based on the following parameters and terms to maturity:

€ millions	31/12/2010	31/12/2009
Total lease instalments	46.7	51.6
Interest portion of outstanding lease instalments	8.7	10.0
Present value of outstanding lease instalments	**38.0**	**41.6**

The outstanding lease instalments are due as follows:

€ millions		Nominal value		Present value
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Due within 1 year	9.1	9.3	7.9	8.3
Due in 1 to 5 years	24.9	25.3	20.3	20.7
Due in more than 5 years	12.7	17.0	9.8	12.6
Total	**46.7**	**51.6**	**38.0**	**41.6**

As in the prior year, no impairment losses or reversals of impairment losses had to be recognised on outstanding finance lease receivables.

Payments on account contain prepayments for electricity procurement agreements of € 79.0 million (prior year: € 74.8 million). Of the total amount of prepaid expenses, € 23.5 million (prior year: € 28.5 million) relates to deferred lease instalments.

Sundry assets contain security deposits for over-the-counter transactions of € 16.8 million (prior year: € 142.8 million).

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

€ millions	2010	2009
As of 1 January	33.3	35.5
Reclassifications to assets held for sale	0.0	-0.5
Utilisation	-1.0	-11.4
Net additions	2.2	9.7
As of 31 December	**34.5**	**33.3**

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

€ millions	31/12/2010	31/12/2009
Not past due and not impaired	1,630.9	2,566.7
Past due, but not impaired		
Due within 3 months	0.2	0.2
Due in between 3 and 6 months	0.1	0.1
Due in between 6 months and 1 year	0.1	0.0
Due in more than 1 year	0.2	0.1
Impaired	3.4	0.3
Total	**1,634.9**	**2,567.4**

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

(18) Inventories

€ millions	31/12/2010	31/12/2009
Materials and supplies	566.8	566.0
Nuclear fuel rods (incl. payments on account)	327.9	291.7
Work in progress	49.8	41.0
Finished goods and merchandise	44.8	30.3
Payments on account	1.8	15.8
Total	**991.1**	**944.8**

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, write-downs of € 11.3 million (prior year: € 80.1 million) were recorded on inventories. The prior-year write-downs essentially referred to a write-down recognised on nuclear fuel rods.

For the fiscal year 2010, EnBW received emission allowances for 13.4 million t (prior year: 12.5 million t) free of charge from the government.

(19) Financial assets

Current financial assets mainly consist of 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 € 0.5 million in the fiscal year (prior year: € 3.5 million) and impairment losses to € 1.5 million (prior year: € 0.8 million).

In the reporting year, impairment losses of € 0.5 million (prior year: € 23.0 million) were recognised on other financial assets. In the prior year, impairment losses attributable to securities in the available-for-sale category amounted to € 8.5 million.

€ millions	31/12/2010	31/12/2009
Profit participation rights, funds and shares	839.8	686.5
Other current financial assets	116.0	85.2
Total	**955.8**	**771.7**

Current financial assets totalling € 124.8 million (prior year: € 102.2 million) were provided as collateral. The collateral was mainly provided for stock exchange transactions fluctuating according to the development of the trading volume. 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 entered into in the transactions.

(20) Cash and cash equivalents

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

Of the cash and cash equivalents, an amount of € 49.1 million (prior year: € 77.5 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. The components of comprehensive income are presented on an aggregated basis in the statement of comprehensive income.

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) no-par value bearer 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).

E.D.F. INTERNATIONAL SA and OEW Energie-Beteiligungs GmbH each directly hold 45.01% of the capital stock of EnBW AG as of 31 December 2010 (prior year: 45.01% each).

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 principally contain the pro rata revenue reserves of the parent company and the other companies included in the consolidation after the date of acquisition accounting.

Retained earnings of EnBW AG

Taking account of the profit carryforward of € 106.6 million (prior year: € 124.1 million) and after transferring € 350.0 million to other revenue reserves (prior year: € 100.0 million), retained earnings come to € 673.2 million (prior year: € 480.3 million). We will propose to the annual general meeting that a dividend of € 1.53 per share (prior year: € 1.53 per share) be distributed from the retained earnings of EnBW AG. As of 31 December 2010, 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 2010 will total € 373.7 million (prior year: € 373.7 million).

The retained earnings of EnBW AG are disclosed under revenue reserves.

Treasury shares

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

The company has no rights or dividend entitlements from the directly or indirectly held treasury shares. In accordance with the rulings of IFRSs, the treasury shares are not recognised as securities but offset in one sum against equity in the balance sheet.

Other comprehensive income

Other comprehensive income 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 section on “Accounting for financial instruments”.

Presentation of the components of other comprehensive income:

€ millions	2010	2009
Unrealised losses (prior year: gains) arising during the year	-10.7	1.5
Reclassification adjustments included in the income statement	-37.0	0.0
Difference from currency translation	**-47.7**	**1.5**
Unrealised gains arising during the year	344.2	51.7
Reclassification adjustments included in the income statement	-22.2	55.4
Reclassification to cost of hedged items	45.8	-95.6
Cash flow hedge	**367.8**	**11.5**
Unrealised gains arising during the year	168.2	283.1
Reclassification adjustments included in the income statement	9.9	64.8
Available-for-sale financial assets	**178.1**	**347.9**
Unrealised losses arising during the year	-64.3	-108.0
Reclassification adjustments included in the income statement	47.2	0.0
Entities accounted for using the equity method	**-17.1**	**-108.0**
Other comprehensive income before tax	**481.1**	**252.9**
Income tax	-119.3	23.2
Other comprehensive income	**361.8**	**276.1**

Presentation of the tax effect relating to unrealised gains and losses in equity:

€ millions	2010			2009		
	Before tax	Tax expense/ income	After tax	Before tax	Tax expense/ income	After tax
Difference from currency translation	-10.7	7.7	-3.0	1.5	1.0	2.5
Cash flow hedge	344.2	-117.1	227.1	51.7	19.8	71.5
Available-for-sale financial assets	168.2	-5.6	162.6	283.1	-25.7	257.4
Entities accounted for using the equity method	-64.3	0.0	-64.3	-108.0	0.0	-108.0
Other comprehensive income	**437.4**	**-115.0**	**322.4**	**228.3**	**-4.9**	**223.4**

Presentation of reclassification adjustments included in the income statement and the cost of hedged items:

€ millions	2010			2009		
	Before tax	Tax expense/ income	After tax	Before tax	Tax expense/ income	After tax
Difference from currency translation	-37.0	0.0	-37.0	0.0	0.0	0.0
Cash flow hedge	23.6	-17.4	6.2	-40.2	23.3	-16.9
Available-for-sale financial assets	9.9	13.1	23.0	64.8	4.8	69.6
Entities accounted for using the equity method	47.2	0.0	47.2	0.0	0.0	0.0
Other comprehensive income	**43.7**	**-4.3**	**39.4**	**24.6**	**28.1**	**52.7**

Non-controlling interests

Non-controlling interests relate to shares in group entities held by third parties. They relate in particular to the Energiedienst group, Stadtwerke Düsseldorf AG, GasVersorgung Süddeutschland GmbH and Pražská energetika a.s.

(22) Provisions

The provisions disclosed separately by maturity in the balance sheet are combined in the notes to the financial statements.

€ millions			31/12/2010			31/12/2009
	Current	Non-current	Total	Current	Non-current	Total
Provisions for pensions and similar obligations	232.5	4,011.3	4,243.8	223.3	3,952.0	4,175.3
Tax provisions	166.6	195.6	362.2	86.3	143.7	230.0
Provisions relating to nuclear power	210.1	5,162.3	5,372.4	215.2	4,965.3	5,180.5
Provisions for non-contractual nuclear obligations	(125.6)	(3,950.3)	(4,075.9)	(138.2)	(3,740.8)	(3,879.0)
Provisions for contractual nuclear obligations	(84.5)	(1,212.0)	(1,296.5)	(77.0)	(1,224.5)	(1,301.5)
Other provisions	604.0	398.6	1,002.6	481.4	338.8	820.2
Other electricity provisions	(171.9)	(32.8)	(204.7)	(177.9)	(35.0)	(212.9)
Personnel provisions	(36.7)	(144.6)	(181.3)	(48.2)	(136.6)	(184.8)
Provisions for onerous contracts	(160.5)	(118.7)	(279.2)	(62.0)	(127.0)	(189.0)
Sundry provisions	(234.9)	(102.5)	(337.4)	(193.3)	(40.2)	(233.5)
Total	**1,213.2**	**9,767.8**	**10,981.0**	**1,006.2**	**9,399.8**	**10,406.0**

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 using the same measurement basis. 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 provisions for defined benefit obligations reflect 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. Plan assets and the present value of the claims of Pensionskasse Schweizerischer Elektrizitätswerke (PKE) and Pensionskasse der Lonza (PKL) were taken into account for the first time as externally funded pension obligations in the disclosures in the notes at an amount of € 68.5 million (prior year: € 57.9 million). The prior-year figures were restated accordingly. The restatement did not have any effect on the income statement or the balance sheet.

The main parameters (averages) of the calculation of the defined benefit obligations for the German companies are presented below:

	31/12/2010	31/12/2009
Discount rate	5.25%	5.75%
Future expected wage and salary increases	3.00%	3.00%
Future expected pension increase	2.10%	2.20%
Staff turnover	2.00%	2.00%
Expected return on plan assets	5.30%	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]	2010	2009
Net benefit expense		
Current service cost	47.9	46.7
Past service cost	22.2	0.0
Actuarial gains (+)/losses (–)	1.2	3.3
Expected return on plan assets	-6.6	-7.0
Interest cost	229.3	229.1
Total	**294.0**	**272.1**

[1] Prior-year figures restated.

The present value of the pension and similar benefit obligations can be reconciled to the carrying amount of the benefit obligations as follows:

€ millions[1]	31/12/2010	31/12/2009
Defined benefit obligation	4,545.8	4,167.2
of which internally funded benefits	(4,371.8)	(4,016.0)
of which externally funded benefits	(174.0)	(151.2)
Fair market value of plan assets	-148.9	-136.1
Plan surplus	4.2	0.0
Unrecognised actuarial gains (+)/losses (–)	-157.3	144.2
Provisions for pensions and similar obligations	**4,243.8**	**4,175.3**

[1] Prior-year figures restated.

Statement of changes in plan assets in € millions[1]	2010	2009
Fair market value of plan assets at the beginning of the fiscal year	136.1	145.2
Expected return on plan assets	6.6	7.0
Transfer of assets	10.0	-10.2
Benefits paid	-10.4	-11.4
Actuarial gains (+)/losses (–)	-2.5	5.5
Currency adjustments and reclassifications	9.1	0.0
Fair market value of plan assets at the end of the fiscal year	**148.9**	**136.1**

[1] Prior-year figures restated.

The actual return on plan assets amounted to € 4.1 million (prior year: € 12.5 million). As in the prior year, there are no plans to make future payments to plan assets.

Experience adjustments in € millions	2010	2009	2008	2007	2006
Defined benefit obligation	-8.6	-17.3	-53.1	-31.9	-22.7
Fair market value of plan assets	-2.5	5.5	-11.1	-0.8	-1.8

[1] Prior-year figures restated.

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 respective period.

Composition of plan assets (%)[1]	31/12/2010	31/12/2009
Shares	30.4	28.6
Fixed-interest securities	52.3	57.9
Other assets	17.3	13.5
	100.0	**100.0**

[1] Prior-year figures restated.

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 2.9% (prior year restated: 8.7%). The expected return was 5.3% (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]	2010	2009
Defined benefit obligation at the beginning of the fiscal year	4,167.2	4,009.9
Current service cost	47.9	46.7
Interest cost	229.3	229.1
Benefits paid	-230.2	-231.5
Actuarial gains (+)/losses (–)	289.1	125.7
Past service cost	22.2	0.0
Changes in the consolidated companies and currency adjustments	13.8	0.0
Reclassifications	6.5	-12.7
Present value of the defined benefit obligation at the end of the fiscal year	**4,545.8**	**4,167.2**

[1] Prior-year figures restated.

A fall or rise in interest rates of 0.5 percentage points would have led to a rise in the present value of defined benefit obligations of € 324.2 million (prior year: € 297.2 million) or a fall of € 289.1 million (prior year: € 265.0 million).

The present value of the defined benefit obligation breaks down as follows by funded status:

€ millions[1]	31/12/2010	31/12/2009
Funded benefits	174.0	151.2
Fully funded	(174.0)	(151.2)
Partially funded	(0.0)	(0.0)
Unfunded benefits	4,371.8	4,016.0

[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 2006:

€ millions[1]	31/12/2010	31/12/2009	31/12/2008	31/12/2007	31/12/2006
Present value of benefit obligations	4,545.8	4,167.2	4,009.9	4,244.7	4,590.3
Fair market value of plan assets	-148.9	-136.1	-145.2	-105.4	-105.6
Plan surplus or deficit	4,396.9	4,031.1	3,864.7	4,139.3	4,484.7

[1] The figures for the fiscal years 2009 and 2008 have been restated.

Multi-employer plans

Multi-employer plans, which are defined benefit plans, are accounted for as defined contribution plans because the information required to allocate the obligations and plan assets to the respective participating employer and the corresponding expenses is not provided by the supplemental pension plans. The expenses from defined benefit obligations via multi-employer plans amounted to € 14.4 million (prior year: € 12.4 million). Potential future increases in contributions from unfunded obligations will not have a significant effect on the EnBW group.

The employer's contributions to statutory pension insurance amounted to € 97.7 million in 2010 (prior year: € 100.1 million).

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 facilities.

€ millions	31/12/2010	31/12/2009
Decommissioning and restoration	3,202.7	3,126.2
Disposal of spent fuel rods	1,902.0	1,843.1
Waste	267.7	211.2
Total	**5,372.4**	**5,180.5**

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 reporting 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.

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. It totals € 130.3 million (prior year: € 264.4 million). Changes in estimates due to changes in assumptions concerning the future development of costs were generally recognised without effect on profit or loss by adjusting the appropriate balance sheet items by € –54.7 million (prior year: € 81.4 million). Where such changes in estimates related to discontinued power stations, they were recognised in profit or loss. Decommissioning costs are calculated on the basis of the scenario that assumes that the plants will be removed immediately. The provisions are offset by receivables of € 464.4 million (prior year: € 413.2 million) that relate to restoration obligations for nuclear power plants assumed from a contractual partner in connection with the supply of electricity.

Statement of changes in provisions in € millions	As of 1/1/2010	Increases	Reversals	Increase due to the passage of time
Provisions for pensions and similar obligations	4,175.3	68.0	0.0	222.0
Tax provisions	230.0	157.7	2.8	23.9
Provisions relating to nuclear power	5,180.5	256.0	122.3	283.9
Other provisions	820.2	488.3	91.6	10.3
Other electricity provisions	(212.9)	(123.8)	(40.3)	(0.9)
Personnel provisions	(184.8)	(47.4)	(0.8)	(4.6)
Provisions for onerous contracts	(189.0)	(106.6)	(9.6)	(4.5)
Sundry provisions	(233.5)	(210.5)	(40.9)	(0.3)
Total	**10,406.0**	**970.0**	**216.7**	**540.1**

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%. Based on the information currently available, the provisions are expected to be utilised mostly in the period from 2030 to 2060.

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 € 489.0 million (prior year: € 462.0 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 (Endlagervorausleistungsverordnung).

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 phased and early retirement arrangements, long-service awards and restructuring measures.

The provisions for onerous contracts concern future obligations from onerous procurement and sales agreements. On the procurement side, the obligations primarily include the non-thermal waste disposal area and on the sales side mainly the sale of electricity.

Other provisions are discounted using an interest rate of 1.00% to 3.00% on average (prior year: 3.50% to 4.25%).

	Other comprehensive income	Changes in consolidated companies, currency adjustments, reclassifications	Utilisations	As of 31/12/2010
	0.0	8.7	230.2	4,243.8
	0.0	-0.1	46.5	362.2
	-54.7	-8.2	162.8	5,372.4
	6.5	18.6	249.7	1,002.6
	(6.5)	(0.5)	(99.6)	(204.7)
	(0.0)	(-0.1)	(54.6)	(181.3)
	(0.0)	(8.3)	(19.6)	(279.2)
	(0.0)	(9.9)	(75.9)	(337.4)
	-48.2	**19.0**	**689.2**	**10,981.0**

(23) Deferred taxes

The deferred taxes on measurement differences compared to the tax accounts break down as follows:

€ millions		31/12/2010		31/12/2009
	Deferred tax assets[1]	Deferred tax liabilities[1]	Deferred tax assets[1]	Deferred tax liabilities[1]
Intangible assets	19.0	96.1	14.9	67.3
Property, plant and equipment	111.6	1,926.6	91.9	1,901.1
Financial assets	7.1	100.0	23.7	217.8
Other assets	2.9	32.8	9.6	13.3
Derivative financial instruments	0.0	35.9	0.0	10.5
Non-current assets	**140.6**	**2,191.4**	**140.1**	**2,210.0**
Inventories	13.0	5.4	7.4	8.9
Financial assets	0.0	1.0	0.0	8.8
Other assets	170.1	404.0	201.9	631.3
Current assets	**183.1**	**410.4**	**209.3**	**649.0**
Provisions	552.1	674.8	412.8	572.8
Liabilities and subsidies	321.5	10.5	354.1	8.1
Non-current liabilities	**873.6**	**685.3**	**766.9**	**580.9**
Provisions	72.9	0.6	67.6	41.0
Liabilities and subsidies	401.9	156.3	745.7	103.8
Current liabilities	**474.8**	**156.9**	**813.3**	**144.8**
Unused tax losses	1.5	0.0	7.3	0.0
Deferred taxes before netting	**1,673.6**	**3,444.0**	**1,936.9**	**3,584.7**
Netting	-1,645.4	-1,645.4	-1,907.7	-1,907.7
Deferred taxes after netting	**28.2**	**1,798.6**	**29.2**	**1,677.0**

[1] Deferred tax assets and liabilities prior to netting.

Deferred tax assets of € 1,645.4 million (prior year: € 1,907.7 million) were offset against deferred tax liabilities in 2010. Deferred taxes are netted with each other by consolidated tax group or entity if the conditions to do so have been satisfied. Net assets arising from consolidation-related deferred taxes amount to € 1.4 million (prior year: net liabilities of € 2.5 million).

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 € 5.8 million (prior year restated: € 48.9 million). Unused tax losses for which no deferred tax assets have been recognised in the balance sheet amounted to € 8.9 million for corporate income tax (CIT) and € 17.0 million for trade tax (prior year: € 28.7 million for CIT and € 57.0 million for trade tax). Unrecognised deferred tax assets on unused tax losses would amount to € 1.4 million for corporate income tax (CIT) and € 2.4 million for trade tax (prior year: € 4.5 million for CIT and € 8.0 million for trade tax). The tax losses available for offsetting against future taxable income, on which deferred tax assets were recognised and which total € 3.7 million for CIT and € 6.5 million for trade tax (prior year: € 26.5 million for CIT and € 23.1 million for trade tax), can be carried forward indefinitely and relate almost exclusively to German entities. 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	31/12/2010	31/12/2009
Corporate income tax (or comparable foreign tax)	0.6	4.2
Trade tax	0.9	3.1
Total	**1.5**	**7.3**

Presentation of the development of deferred taxes on unused tax losses:

€ millions	31/12/2010	31/12/2009
Opening balance	7.3	53.7
Utilisation of tax losses[1]	-5.8	-48.9
Adjustment of unused tax losses not recognised in prior years (addition)	0.0	2.5
Closing balance	**1.5**	**7.3**

[1] Prior-year figures restated.

Deferred taxes on unused tax losses for corporate income tax of € 0.0 million are expected to be realised within a year (prior year: € 3.3 million). The remainder of € 0.6 million for corporate income tax and of € 0.9 million for trade tax will be realised within five years (prior year: € 0.9 million and € 3.1 million, respectively).

Deferred tax liabilities totalling € 78.3 million (prior year: assets of € 41.0 million) were offset directly against equity under other comprehensive income as of 31 December 2010.

(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]	31/12/2010	31/12/2009
Non-current liabilities	7,133.8	7,244.6
Current liabilities	6,119.4	6,616.4
Liabilities	**13,253.2**	**13,861.0**
Non-current subsidies	1,509.3	1,440.7
Current subsidies	79.5	78.3
Subsidies	**1,588.8**	**1,519.0**
Non-current liabilities and subsidies	8,643.1	8,685.3
Current liabilities and subsidies	6,198.9	6,694.7
Liabilities and subsidies	**14,842.0**	**15,380.0**

[1] Prior-year figures restated.

Liabilities break down as follows as of 31 December 2010 compared to the prior year:

Liabilities in € millions[1]				31/12/2010
	< 1 year	1 – 5 years	> 5 years	Total
Bonds	0.0	2,848.8	2,542.2	5,391.0
Commercial papers	99.9	0.0	0.0	99.9
Liabilities to banks	342.7	219.4	620.7	1,182.8
Other financial liabilities	200.9	353.3	93.0	647.2
Financial liabilities	**643.5**	**3,421.5**	**3,255.9**	**7,320.9**
Payments received on account of orders	34.7	34.2	0.1	69.0
Trade payables	3,164.4	6.0	0.5	3,170.9
of which liabilities to affiliated entities	(9.5)	(0.0)	(0.0)	(9.5)
of which liabilities to other investees and investors	(87.5)	(6.0)	(0.1)	(93.6)
of which liabilities to entities accounted for using the equity method	(12.8)	(0.0)	(0.1)	(12.9)
Other deferred income	22.9	204.3	0.0	227.2
Derivatives	1,057.9	7.6	0.0	1,065.5
of which without hedges	(1,028.4)	(7.6)	(0.0)	(1,036.0)
of which cash flow hedge	(29.5)	(0.0)	(0.0)	(29.5)
Other liabilities	1,196.0	28.2	175.5	1,399.7
of which from income tax	(47.7)	(0.0)	(0.0)	(47.7)
of which interest from back taxes	(1.4)	(1.7)	(0.0)	(3.1)
of which from other taxes	(152.2)	(0.4)	(0.1)	(152.7)
of which relating to social security	(21.6)	(14.5)	(4.7)	(40.8)
Sundry liabilities	**5,475.9**	**280.3**	**176.1**	**5,932.3**
Total	**6,119.4**	**3,701.8**	**3,432.0**	**13,253.2**

[1] Prior-year figures restated.

			31/12/2009
< 1 year	1 – 5 years	> 5 years	Total
217.3	2,024.6	3,253.8	5,495.7
0.0	0.0	0.0	0.0
102.1	221.4	639.0	962.5
127.9	462.9	135.3	726.1
447.3	**2,708.9**	**4,028.1**	**7,184.3**
45.8	109.0	27.3	182.1
2,803.4	5.4	0.0	2,808.8
(11.3)	(0.0)	(0.0)	(11.3)
(118.2)	(5.4)	(0.0)	(123.6)
(23.6)	(0.0)	(0.0)	(23.6)
32.1	153.9	0.0	186.0
2,321.3	7.3	4.3	2,332.9
(2,033.7)	(7.3)	(0.0)	(2,041.0)
(287.6)	(0.0)	(4.3)	(291.9)
966.5	23.1	177.3	1,166.9
(27.1)	(0.0)	(0.0)	(27.1)
(0.0)	(1.4)	(0.0)	(1.4)
(123.5)	(0.4)	(0.2)	(124.1)
(22.1)	(15.8)	(6.1)	(44.0)
6,169.1	**298.7**	**208.9**	**6,676.7**
6,616.4	**3,007.6**	**4,237.0**	**13,861.0**

Financial liabilities rose by € 136.6 million in the fiscal year 2010 (prior year: € 1,864.5 million).

EnBW International Finance B.V. repaid a private placement of € 150 million made within the established debt issuance programme as scheduled on 6 September 2010.

In the prior year, EnBW International Finance B.V. had issued two bonds on 1 July 2009 with a total volume of € 1.35 billion, one bond of € 750 million with a six-year term to maturity and another bond of € 600 million with a 30-year term to maturity under the debt issuance programme.

As of the reporting date, an amount of € 99.9 million had been drawn under the commercial paper programme in place at EnBW International B.V. for short-term financing purposes (prior year: € 0.0 million).

Liabilities to banks grew by € 220.3 million on the prior year (prior year: € 406.1 million). The increase is attributable above all to the short-term borrowings at EnBW AG beyond the reporting date and bilateral loan agreements between subsidiaries. In contrast, liabilities to banks were reduced by scheduled repayments made by EnBW AG and its subsidiaries.

The item "other financial liabilities" includes mainly long-term finance leases. Among other things, it also contains the (residual) purchase price obligations from acquisitions made. In a year-on-year comparison, other financial liabilities fell by a total of € 78.9 million in the fiscal year 2010 (prior year: increase of € 105.6 million).

The maturity structure of our financial liabilities is as follows:

€ millions	Due in 2011	Due in 2012	Due in 2013	Due in 2014	Due in 2015	Due after 2015	Total
Bonds	0.0	1,078.9	1,001.2	0.0	768.7	2,542.2	5,391.0
Commercial papers	99.9	0.0	0.0	0.0	0.0	0.0	99.9
Liabilities to banks	342.7	78.9	27.9	52.2	60.4	620.7	1,182.8
Other financial liabilities	200.9	120.3	89.7	83.2	60.1	93.0	647.2
Financial liabilities	**643.5**	**1,278.1**	**1,118.8**	**135.4**	**889.2**	**3,255.9**	**7,320.9**

Reference is made to the section on "Accounting for financial instruments" for more details on the credit and liquidity risk, fair values, undiscounted cash flows by year and derivatives.

The structure of the main bonds is as follows:

Issuer	Issue volume	Carrying amounts	Coupon	Maturity
EnBW International Finance B.V.	€ 1,000 million	€ 999.0 million	5.875%	28/2/2012
EnBW International Finance B.V.	CHF 300 million	€ 253.3 million[1]	3.125%	25/2/2013
EnBW International Finance B.V.	€ 750 million	€ 747.9 million	6.000%	20/11/2013
EnBW International Finance B.V.	€ 750 million	€ 768.7 million[1]	4.125%	7/7/2015
EnBW International Finance B.V.	€ 500 million	€ 496.2 million	4.250%	19/10/2016
EnBW International Finance B.V.	€ 750 million	€ 746.0 million	6.875%	20/11/2018
EnBW International Finance B.V.	€ 500 million	€ 517.3 million[1]	4.875%	16/1/2025
EnBW International Finance B.V.	JPY 20 billion	€ 194.5 million	3.880%	16/12/2038
EnBW International Finance B.V.	€ 600 million	€ 588.2 million	6.125%	7/7/2039
Various		€ 79.9 million		
Total bonds		**€ 5,391.0 million**		

[1] Adjusted for valuation effects from interest-induced hedging transactions.

The majority of the outstanding liabilities to banks are bilateral loan agreements.

As of 31 December 2010, EnBW AG had a fully unused contractually agreed syndicated line of credit of € 2.442 billion (prior year: € 2.5 billion). The group also had further free bilateral lines of credit of € 326 million at its disposal (prior year: € 342 million). These credit lines are not subject to any restrictions.

Weighted average interest rates (%)	31/12/2010	31/12/2009
Liabilities to banks	2.7	3.0
Commercial papers	0.9	-
Bonds	4.4	4.9
Other financial liabilities	4.3	4.6
Total financial liabilities	**4.1**	**4.6**

The weighted average interest on financial liabilities decreased as of 31 December 2010 compared to the prior year as a result of the positive impact of the lower level of market interest rates.

The large majority of financial liabilities are still subject to long-term fixed interest agreements.

Of the liabilities to banks, an amount of € 66.9 million (prior year: € 46.7 million) is secured by property liens.

The minimum payments from finance leases included in other financial liabilities have the following maturities:

€ millions	Nominal value		Present value	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Due within 1 year	108.0	106.6	102.3	102.3
Due in 1 to 5 years	387.9	413.7	304.4	329.1
Due in more than 5 years	52.0	76.4	27.5	50.4
Total	**547.9**	**596.7**	**434.2**	**481.8**

Liabilities to affiliated entities relate to non-consolidated affiliated entities. Trade payables include obligations for outstanding invoices amounting to € 2,176.0 million (prior year: € 2,020.2 million). Other liabilities mainly consist of the tax liabilities, including interest from back taxes, of € 203.5 million (prior year: € 152.6 million) security deposits for over-the-counter trading (margin calls received) of € 445.1 million (prior year: € 324.7 million), interest obligations from bonds of € 127.1 million (prior year: € 128.4 million) and potential purchase obligations from put options of non-controlling interests of entities that have already been fully consolidated of € 28.5 million (prior year: € 28.5 million).

Subsidies

Subsidies include investment grants as well as construction cost and investment cost subsidies.

€ millions	31/12/2010	31/12/2009
Investment grants	3.5	5.2
Investment cost subsidies	22.9	24.8
Construction cost subsidies	1,562.4	1,489.0
Total	**1,588.8**	**1,519.0**

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 € 1,509.3 million (prior year: € 1,440.7 million) will be recognised in profit or loss in more than one year.

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

The decrease in assets held for sale and liabilities directly associated with assets classified as held for sale is attributable to the disposal of GESO and its subsidiaries in March 2010 as well as to the disposal of PT Holding and its subsidiaries in the course of the share swap in September 2010.

The assets classified as held for sale of the GESO and PT disposal groups as of 31 December 2009 break down as follows:

€ millions	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	31/12/2009
Non-current assets						
Intangible assets	0.3	62.2	89.7	5.4	0.0	157.6
Property, plant and equipment	97.6	443.0	300.2	67.4	0.0	908.2
Other non-current assets	1.1	190.8	0.0	22.7	194.5	409.1
	99.0	**696.0**	**389.9**	**95.5**	**194.5**	**1,474.9**
Current assets	45.2	63.5	7.5	88.7	16.5	221.4
Total	**144.2**	**759.5**	**397.4**	**184.2**	**211.0**	**1,696.3**

The liabilities directly associated with assets classified as held for sale of the GESO and PT disposal groups as of 31 December 2009 break down as follows:

€ millions	Electricity generation and trading	Electricity grid and sales	Gas	Energy and environmental services	Holding/ consolidation	31/12/2009
Non-current liabilities						
Provisions	0.3	11.4	1.9	51.7	0.0	65.3
Deferred taxes	7.1	6.2	4.8	86.5	3.5	108.1
Liabilities and subsidies	0.0	150.2	13.3	1.2	0.0	164.7
	7.4	**167.8**	**20.0**	**139.4**	**3.5**	**338.1**
Current liabilities						
Provisions	1.2	22.4	10.5	6.5	0.0	40.6
Liabilities and subsidies	6.8	312.9	39.7	30.0	0.0	389.4
	8.0	**335.3**	**50.2**	**36.5**	**0.0**	**430.0**
Total	**15.4**	**503.1**	**70.2**	**175.9**	**3.5**	**768.1**

The remaining assets held for sale totalling € 11.8 million essentially relate to land, buildings and distribution plants (prior year: € 1.7 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 2010

€ millions		Carrying amounts by measurement category			
	Fair value	Held for trading	Available for sale[1]	Held to maturity	Loans and receivables
Financial assets	6,944.0	385.5	5,232.2	1,075.0	213.7
Trade receivables	3,693.0				3,693.0
Other assets	1,634.9	943.2			279.6
Cash and cash equivalents	1,878.3				1,878.3
Total	**14,150.2**	**1,328.7**	**5,232.2**	**1,075.0**	**6,064.6**

Liabilities as of 31 December 2010

€ millions		Carrying amounts by measurement category	
	Fair value	Held for trading	Financial liabilities measured at amortised cost
Financial liabilities	7,747.8		6,886.7
Trade payables	596.0		596.0
Other liabilities and subsidies	1,969.9	1,036.0	904.4
Total	**10,313.7**	**1,036.0**	**8,387.1**

[1] The carrying amount of equity instruments measured at cost is € 592.6 million as of the reporting date.

			Balance sheet		
Derivatives designated as hedging instruments	Carrying amount in accordance with IAS 17	Not within the scope of IFRS 7	Total	Non-current	Current
			6,906.4	5,950.6	955.8
			3,693.0	479.2	3,213.8
374.1	38.0	291.5	1,926.4	290.9	1,635.5
			1,878.3		1,878.3
374.1	**38.0**	**291.5**	**14,404.1**	**6,720.7**	**7,683.4**

			Balance sheet		
Derivatives designated as hedging instruments	Carrying amount in accordance with IAS 17	Not within the scope of IFRS 7	Total	Non-current	Current
	434.2		7,320.9	6,677.4	643.5
		2,574.9	3,170.9	6.5	3,164.4
29.5		2,380.3	4,350.2	1,959.2	2,391.0
29.5	**434.2**	**4,955.2**	**14,842.0**	**8,643.1**	**6,198.9**

Assets as of 31 December 2009

€ millions	Fair value	Carrying amounts by measurement category			
		Held for trading	Available for sale[1]	Held to maturity	Loans and receivables
Financial assets	6,503.0	419.9	4,734.7	1,102.5	206.0
Trade receivables	3,233.4				3,233.4
Other assets	2,567.4	1,962.1			460.9
Cash and cash equivalents	1,470.8				1,470.8
Total	**13,774.6**	**2,382.0**	**4,734.7**	**1,102.5**	**5,371.1**

Liabilities as of 31 December 2009

€ millions[2]	Fair value	Carrying amounts by measurement category	
		Held for trading	Financial liabilities measured at amortised cost
Financial liabilities	7,668.8		6,702.5
Trade payables	445.4		445.4
Other liabilities and subsidies	3,097.4	2,041.0	764.5
Total	**11,211.6**	**2,041.0**	**7,912.4**

1 The carrying amount of equity instruments measured at cost is € 554.1 million as of the reporting date.
2 Prior-year figures restated.

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
			6,463.1	5,691.4	771.7
			3,233.4	425.9	2,807.5
102.8	41.6	275.9	2,843.3	203.8	2,639.5
			1,470.8		1,470.8
102.8	**41.6**	**275.9**	**14,010.6**	**6,321.1**	**7,689.5**

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
	481.8		7,184.3	6,737.0	447.3
		2,363.4	2,808.8	5.4	2,803.4
291.9		2,289.5	5,386.9	1,942.9	3,444.0
291.9	**481.8**	**4,652.9**	**15,380.0**	**8,685.3**	**6,694.7**

The fair values were determined based on the market values published as of the reporting 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 or repurchase price as of the reporting date.

The fair value of financial instruments in the available-for-sale category is generally determined based on quoted prices or repurchase 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. Most of these equity instruments are other investments, which are not traded on an active market.

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 reporting date totalled € 1,112.6 million as of 31 December 2010 (prior year: € 1,142.4 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 reporting 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
Derivatives are measured at fair value.

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 reporting 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 reporting date.

For current financial liabilities, it is assumed that fair value approximates the carrying amount. For non-current 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 2010 amounts to € 5,867.0 million (prior year: € 5,951.6 million), while the fair market value of the liabilities to banks comes to € 1,233.6 million (prior year: € 991.1 million).

Trade payables

Trade payables primarily have short terms to maturity. Consequently, their carrying amounts as of the reporting date approximate their fair value.

Other liabilities and subsidies

Derivatives are measured at fair value.

For current liabilities, it is assumed that fair value approximates the carrying amount. For non-current 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.

Fair value hierarchy

The fair value of financial instruments is determined using the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data

The tables below show the financial instruments measured at fair value.

Assets measured at fair value as of 31 December 2010

€ millions		Input hierarchy		
	Fair value	Level 1	Level 2	Level 3
Financial assets	5,025.1	1,010.9	4,014.2	0.0
held for trading	(385.5)	(176.4)	(209.1)	(0.0)
available for sale	(4,639.6)	(834.5)	(3,805.1)	(0.0)
Other assets held for trading	943.2	25.1	918.1	0.0
Derivatives designated as hedging instruments	374.1	37.3	336.8	0.0
Total	**6,342.4**	**1,073.3**	**5,269.1**	**0.0**

Liabilities measured at fair value as of 31 December 2010

€ millions		Input hierarchy		
	Fair value	Level 1	Level 2	Level 3
Other liabilities held for trading and subsidies	1,036.0	20.7	1,015.3	0.0
Derivatives designated as hedging instruments	29.5	0.0	29.5	0.0
Total	**1,065.5**	**20.7**	**1,044.8**	**0.0**

Assets measured at fair value as of 31 December 2009

€ millions		Input hierarchy		
	Fair value	Level 1	Level 2	Level 3
Financial assets	4,600.5	2,756.0	1,844.5	0.0
held for trading	(419.9)	(154.3)	(265.6)	(0.0)
available for sale	(4,180.6)	(2,601.7)	(1,578.9)	(0.0)
Other assets held for trading	1,962.1	32.8	1,929.3	0.0
Derivatives designated as hedging instruments	102.8	1.4	101.4	0.0
Total	**6,665.4**	**2,790.2**	**3,875.2**	**0.0**

Liabilities measured at fair value as of 31 December 2009

€ millions		Input hierarchy		
	Fair value	Level 1	Level 2	Level 3
Other liabilities held for trading and subsidies	2,041.0	38.0	2,003.0	0.0
Derivatives designated as hedging instruments	291.9	64.7	227.2	0.0
Total	**2,332.9**	**102.7**	**2,230.2**	**0.0**

Net gains or losses by measurement category

€ millions	2010	2009
Financial assets and liabilities held for trading	35.9	81.0
Available-for-sale financial assets	-33.1	-137.7
Held-to-maturity investments	0.0	0.0
Loans and receivables	-22.6	-39.5
Financial liabilities measured at amortised cost	-5.4	-8.1

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 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 recorded in the "available-for-sale financial assets" measurement category includes impairment losses as well as realised losses on disposal.

The net loss in the "loans and receivables" measurement category principally concerns currency effects, impairment losses and reversals of impairment losses.

The net loss on financial liabilities measured at amortised cost is principally attributable to commitment fees for the credit lines.

Gains of € 168.2 million from changes in the market value of available-for-sale financial assets were recognised directly in equity in the fiscal year 2010 (prior year: € 267.8 million).[1] An amount of € 9.9 million (prior year: € 64.8 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 € 79.4 million (prior year: € 120.4 million) and € 1.2 million (prior year: € 0.3 million) respectively. Trade receivables were written down by € 40.8 million (prior year: € 34.8 million). In the fiscal year 2010, impairment losses of € 2.2 million (prior year: € 17.4 million) were recorded on other assets measured at amortised cost.

Total interest income and expenses

€ millions	2010	2009
Total interest income	237.9	248.1
Total interest expenses	-284.8	-317.0

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 € 0.5 million received on impaired financial assets (prior year: € 0.5 million).

[1] In the prior year this did not include the gain of € 15.3 million from marking to market available-for-sale financial assets, which are held for sale.

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. They are measured at fair value.

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 forecast 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 other comprehensive income (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 2010, unrealised gains from derivatives came to € 173.2 million (prior year: losses of € 194.6 million). The effective portion of the cash flow hedges of € 344.2 million (prior year: € 51.7 million) was recognised directly in equity in the reporting period. The ineffective portion of cash flow hedges resulted in income of € 5.0 million as of 31 December 2010 (prior year: € 4.9 million) and reclassifications from other comprehensive income resulted in income of € 22.2 million (prior year: expenses of € 55.4 million) recognised in the income statement. The reclassifications were made to revenue (increase of € 331.1 million, prior year increase of € 318.6 million), cost of materials (increase of € 296.4 million, prior year: increase of € 316.1 million), other operating income (decrease of € 46.4 million, prior year: decrease of € 42.7 million) and financial result (increase of € 33.9 million, prior year: decrease of € 15.2 million).

The amounts reclassified include the dedesignation of cash flow hedges of € 43.6 million. Shifts in the use of new power station capacity meant that the forecast transaction was no longer highly probable. There were no such effects in the prior year.

An amount of € 45.8 million was reclassified from other comprehensive income for the increase in costs of purchase for inventories (prior year: decrease of € 95.6 million).

As of 31 December 2010, existing hedged transactions are covered by cash flow hedges for foreign currencies with terms of up to 28 years (prior year: up to 29 years). In the commodity area, the terms of hedged forecast transactions are generally up to 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 € 30.4 million was recognised in profit or loss in the reporting period (prior year: € 9.8 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 € 29.3 million were recognised in the reporting year (prior year: € 9.6 million).

Hedges of net investments in foreign operations
Primary foreign currency bonds are used to hedge against foreign exchange risks from investments with a foreign functional currency. As of 31 December 2010, an amount of € -27.3 million (prior year: € -0.9 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 period for which the current replacement and selling risk has been calculated. In addition, these risks are analysed with reference to the current rating by the rating agencies Moody's and S&P. 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 reporting 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.

Counterparty risk in € millions	31/12/2010		31/12/2009	
Moody's, S&P or internal rating	< 1 year	1 – 5 years	< 1 year	1 – 5 years
up to A1	55.9	67.2	48.8	32.1
up to A3	71.4	63.9	324.3	328.9
Baa1	12.8	4.0	31.2	4.6
up to Baa3	3.8	3.2	19.9	0.5
due to Baa3	0.5	2.0	1.6	1.2
Total	**144.4**	**140.3**	**425.8**	**367.3**

The nominal volume of the derivatives presented below has not been netted. 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 hedged items 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	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Forward exchange transactions				
< 1 year	535.0	374.5	7.7	0.5
1 – 5 years	962.3	738.3	39.8	-33.5
> 5 years	170.3	150.2	55.7	-4.5
Electricity options and futures				
< 1 year	1,629.2	1,863.0	-1.2	-0.2
1 – 5 years	1,972.9	2,220.1	6.6	-64.6
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	810.6	527.0	56.2	-90.6
1 – 5 years	1,188.6	731.3	101.1	-45.4
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	64.0	0.0	-0.6	0.0
> 1 year	0.0	0.0	0.0	0.0
Fixed interest bearing				
< 1 year	0.0	0.0	0.0	0.0
> 1 year	1,289.9	1,250.2	79.5	49.2
Other futures and derivatives				
< 1 year	11.8	0.0	-0.2	0.0
1 – 5 years	0.0	0.0	0.0	0.0
Total	**8,634.6**	**7,854.6**	**344.6**	**-189.1**
of which derivatives with a positive fair value			(374.1)	(102.8)
of which derivatives with a negative fair value			(29.5)	(291.9)

Derivatives that are not part of a hedge				Total derivatives			
Nominal volume		Market value		Nominal volume		Market value	
31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
852.7	709.5	17.1	-31.4	1,387.7	1,084.0	24.8	-30.9
852.9	202.1	4.6	1.2	1,815.2	940.4	44.4	-32.3
0.0	0.0	0.0	0.0	170.3	150.2	55.7	-4.5
2,833.5	1,530.6	1.0	1.4	4,462.7	3,393.6	-0.2	1.2
1,389.3	1,034.5	-7.2	17.4	3,362.2	3,254.6	-0.6	-47.2
17,772.0	18,633.2	-48.7	-36.7	17,772.0	18,633.2	-48.7	-36.7
4,863.9	5,098.0	-22.1	-22.3	4,863.9	5,098.0	-22.1	-22.3
1,706.4	402.6	4.9	3.0	1,706.4	402.6	4.9	3.0
661.9	266.6	1.4	-7.5	661.9	266.6	1.4	-7.5
1,834.7	2,017.8	-37.2	17.1	2,645.3	2,544.8	19.0	-73.5
1,250.5	807.2	0.6	0.7	2,439.1	1,538.5	101.7	-44.7
529.2	527.6	-15.4	-3.8	529.2	527.6	-15.4	-3.8
609.2	399.2	10.8	-18.2	609.2	399.2	10.8	-18.2
0.0	0.0	0.0	0.0	64.0	0.0	-0.6	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.4	0.0	0.0	0.0	0.4	0.0	0.0
0.0	0.0	0.0	0.0	1,289.9	1,250.2	79.5	49.2
805.1	165.7	-4.1	1.1	816.9	165.7	-4.3	1.1
61.5	40.3	1.5	-0.9	61.5	40.3	1.5	-0.9
36,022.8	**31,835.3**	**-92.8**	**-78.9**	**44,657.4**	**39,689.9**	**251.8**	**-268.0**
		(943.2)	(1,962.1)			(1,317.3)	(2,064.9)
		(1,036.0)	(2,041.0)			(1,065.5)	(2,332.9)

Reconciliation of derivatives used for hedging purposes to other comprehensive income (cash flow hedge)

€ millions	31/12/2010	31/12/2009	Variance
Derivatives used in cash flow hedges with a positive fair value	294.6	53.7	240.9
Derivatives used in cash flow hedges with a negative fair value	29.5	291.9	-262.4
	265.1	**-238.2**	**503.3**
Deferred tax on changes recognised directly in equity in derivatives used in cash flow hedges	-71.1	64.7	-135.8
Hedge ineffectiveness	0.6	4.4	-3.8
Cascading effects	-58.0	38.8	-96.8
Effects realised from hedged transactions	-33.9	0.0	-33.9
Non-controlling interests	0.1	0.0	0.1
Cash flow hedge (recognised in equity)	**102.8**	**-130.3**	**233.1**

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	31/12/2010	31/12/2009	Variance
Derivatives with a positive fair market value	943.2	1,962.1	-1,018.9
Derivatives with a negative fair market value	1,036.0	2,041.0	-1,005.0
Changes in the consolidated companies and hedge accounting designation	-1.5	-2.4	0.9
Transfer to assets and liabilities held for sale	0.0	2.6	-2.6
Option premium paid	9.2	9.9	-0.7
Change in fair value of the derivatives	**-85.1**	**-68.8**	**-16.3**

The loss from derivatives disclosed in the income statement breaks down as follows:

€ millions	2010	2009
Fair value adjustment	-16.3	16.1
Gain/loss recognised	44.8	49.9
Hedge ineffectiveness	5.0	4.9
Loss from derivatives	**33.5**	**70.9**
of which other operating income	(90.4)	(100.3)
of which other operating expenses	(68.5)	(36.6)
of which finance revenue	(13.6)	(24.7)
of which finance costs	(2.0)	(17.5)

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 is 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 (ICS).

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 € 14,112.6 million as of the reporting date 31 December 2010 (prior year: € 13,734.7 million).

Liquidity risks

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 at all times.

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 € 2.8 billion that are available at short notice (prior year: € 2.8 billion). 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 reporting date 31 December 2010 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 2010 were used.

Financial instruments denominated in foreign currency are translated using the spot rate as of 31 December 2010.

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 2010

€ millions	Total	2011	2012	2013	2014	Cash flows > 2014
Non-derivative financial liabilities						
Debt instruments issued	8,060.2	388.4	1,363.3	1,214.4	172.0	4,922.1
Liabilities to banks	1,423.4	384.5	116.4	90.2	111.4	720.9
Finance lease liabilities	547.9	108.0	103.5	102.6	178.3	55.5
Other financial liabilities	341.7	91.2	107.9	14.9	14.9	112.8
Trade payables	596.0	589.5	2.1	2.1	2.1	0.2
Sundry financial commitments	904.4	751.6	2.7	1.0	1.0	148.1
Derivative financial assets	7,528.9	5,539.9	1,270.1	637.9	68.9	12.1
Derivative financial liabilities	5,811.8	3,853.0	1,462.4	459.2	36.7	0.5
Total	**25,214.3**	**11,706.1**	**4,428.4**	**2,522.3**	**585.3**	**5,972.2**

Undiscounted cash flows as of 31 December 2009

€ millions[1]	Total	2010	2011	2012	2013	Cash flows > 2013
Non-derivative financial liabilities						
Debt instruments issued	8,274.4	441.7	282.8	1,348.4	1,174.2	5,027.3
Liabilities to banks	1,191.4	129.7	132.0	91.0	101.1	737.6
Finance lease liabilities	596.7	106.6	105.8	102.3	102.3	179.7
Other financial liabilities	274.1	23.6	107.9	14.9	14.9	112.8
Trade payables	445.4	440.0	1.2	1.2	1.2	1.8
Sundry financial commitments	764.5	572.0	47.1	1.2	1.1	143.1
Derivative financial assets	949.0	331.6	442.6	163.0	11.8	0.0
Derivative financial liabilities	11,008.8	7,935.8	2,598.1	440.7	34.2	0.0
Total	**23,504.3**	**9,981.0**	**3,717.5**	**2,162.7**	**1,440.8**	**6,202.3**

[1] Prior-year figures restated.

The increase recorded for derivative financial assets and liabilities compared to the prior year is essentially due to a higher volume of forward transactions to purchase electricity. 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 EnBW'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 area 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 2010 would reduce (increase) the profit for the year by € 15.1 million (prior year: € 5.2 million). This hypothetical change in profit is attributable to the euro/US dollar currency sensitivities (€ 15.1 million; prior year: € -1.5 million). In the prior year, there was also an effect from the euro/Swiss franc currency sensitivity (€ 6.7 million) to be taken into account.

Equity would decrease (increase) by € 120.5 million as of 31 December 2010 in the event of a 10% revaluation (devaluation). In the prior year, a 10% revaluation (devaluation) of the euro would have raised (reduced) the profit for the year by € 127.5 million. This hypothetical change in equity is attributable to the euro/US dollar and euro/Swiss franc currency sensitivities (€ 152.5 million and € -32.0 million respectively; prior year: € -94.1 million and € -33.4 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.

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 area.

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.

An increase (decrease) in the level of interest rates in the euro area by 50 base points as of the reporting date 31 December 2010 in relation to the nominal volume (prior year: 50 base points) would reduce (raise) the profit for the year by € 5.7 million (prior year: € 6.3 million). The hypothetical change in profit comprises potential effects from interest derivatives of € 6.4 million (prior year: € 6.3 million), floating-rate bank balances of € -3.9 million (prior year: € -3.3 million) and primary financial liabilities subject to floating-rate interest of € 3.2 million (prior year: € 3.3 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 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, 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. 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 15% as of the reporting date 31 December 2010 (prior year: 25%) would raise (reduce) the profit for the year by € 205.5 million (prior year: € 130.4 million).

A decrease (increase) in the market price by 15% as of the reporting date 31 December 2010 (prior year: 25%) would reduce (raise) equity by € 196.5 million (prior year: € 192.2 million).

Sensitivity to the coal price
A decrease (increase) in the market price by 20% as of the reporting date 31 December 2010 (prior year: 30%) would reduce (raise) the profit for the year by € 33.8 million (prior year: € 16.0 million).

A decrease (increase) in the market price by 20% as of the reporting date 31 December 2010 (prior year: 30%) would reduce (raise) equity by € 388.1 million (prior year: € 295.4 million).

Sensitivity to the oil price
A decrease (increase) in the market price by 25% as of the reporting date 31 December 2010 (prior year: 40%) would reduce (raise) the profit for the year by € 14.1 million (prior year: € 9.2 million).

Sensitivity to the gas price
A decrease (increase) in the market price by 30% as of the reporting date 31 December 2010 (prior year: 30%) would reduce (raise) the profit for the year by € 21.0 million (prior year: € 16.9 million).

Sensitivity to the price for emission allowances
A decrease (increase) in the market price by 25% as of the reporting date 31 December 2010 (prior year: 50%) would reduce (raise) the profit for the year by € 0.6 million (prior year: € 44.8 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 reporting date 31 December 2010, shares, share-based investment funds and fixed-interest securities of € 5,024.9 million (prior year: € 4,600.5 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 18% (prior year: 18%) for shares and share-based investment funds and 2% (prior year: 2%) for interest-bearing securities.

With the risk scenario given, profit for the year would increase (decrease) by € 15.6 million (prior year: € 16.0 million). The hypothetical change in profit for the year is primarily due to shares and fixed-interest securities.

With the risk scenario given, equity would increase (decrease) by € 416.7 million (prior year: € 359.4 million). Of the hypothetical change in equity, an amount of € 364.4 million (prior year: € 310.3 million) is attributable to shares and share-based investment funds and € 52.3 million (prior year: € 49.1 million) to fixed-interest securities.

Other notes

Earnings per share

		2010	2009
Profit from continuing operations	€ millions	1,165.5	824.4
of which profit shares attributable to the equity holders of EnBW AG	€ millions	(1,170.5)	(768.2)
Group net profit	€ millions	1,165.5	824.4
of which profit shares attributable to the equity holders of EnBW AG	€ millions	(1,170.5)	(768.2)
Number of shares outstanding (weighted average)	thousand shares	244,257	244,257
Earnings per share from continuing operations[1]	€	4.79	3.15
Earnings per share from group net profit[1]	€	4.79	3.15
Dividend per share for fiscal year 2009 of EnBW AG	€	-	1.53
Proposed dividend per share for fiscal year 2010 of EnBW AG	€	1.53	-

[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 claim, EnBW Energie Baden-Württemberg AG 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 Energie Baden-Württemberg AG has to bear a 24.921% share of the liability as of 31 December 2010 and the same share of 24.921% as of 1 January 2011, plus 5% for costs to settle the claims. Sufficient liquidity has been provided for in the liquidity plan.

In addition, the EnBW group has the following other contingent liabilities.

€ millions	31/12/2010	of which due in			31/12/2009
		< 1 year	1 – 5 years	> 5 years	
Guarantees and collateral	192.1	155.1	8.8	28.2	233.8
Guarantees for third-party services	113.1	112.5	0.0	0.6	115.7
Contingent liabilities from pending litigation	133.6	133.6	0.0	0.0	133.2
Total	**438.8**	**401.2**	**8.8**	**28.8**	**482.7**

Guarantees and collateral, guarantees for third-party services and contingent liabilities from pending litigation include an amount of € 4.4 million (prior year: € 8.2 million) from joint ventures. No provisions were set up for pending litigation because the counterparty is unlikely to win 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 € 17.0 billion (prior year: € 19.5 billion).

The eleventh amendment to the German Atomic Power Act (AtG) came into force on 14 December 2010, providing for additional electricity volumes for nuclear power plants. Power plant operators have agreed to make payments to a fund in order to finance the measures implementing the federal government's energy concept. This is regulated by an agreement with the Federal Republic of Germany that took effect on 10 January 2011. According to the agreement, from 2017 operators of nuclear power plants will pay a contribution for the additional volumes of electricity fed into the grid as a result of the extension of the power plants' working lives. Between 2011 and 2016 the contributions will be made in the form of lump-sum prepayments totalling € 1.4 billion, which will be credited to the contributions for the period from 2017 to 2022 in equal annual instalments. The maximum amount of prepayments that will be required of EnBW is € 0.3 billion and has been included in sundry other financial commitments for the first time.

Sundry other financial commitments break down as follows:

€ millions	31/12/2010	of which due in < 1 year	1 – 5 years	> 5 years	31/12/2009
Financial commitments from rent and lease agreements	188.0	34.1	80.5	73.4	274.1
Purchase commitment	528.5	341.2	139.8	47.5	453.3
Capital commitments for property, plant and equipment	1,413.5	491.3	922.2	0.0	886.7
Capital commitments for intangible assets	1.2	1.2	0.0	0.0	1.6
Financial commitments from business combinations[1]	474.5	142.1	282.4	50.0	1,137.2
Other financial commitments	414.7	98.3	254.9	61.5	119.4
Total	**3,020.4**	**1,108.2**	**1,679.8**	**232.4**	**2,872.3**

[1] Financial commitments from business combinations < 1 year include investments held as financial assets amounting to € 81.9 million (prior year: € 80.1 million).

Sundry other financial commitments include obligations from joint ventures and for the acquisition of joint ventures totalling € 111.9 million (prior year: € 392.1 million). An amount of € 59.6 million thereof is attributable to future acquisitions (prior year: € 310.0 million) and € 52.3 million (prior year: € 82.1 million) to sundry other financial commitments.

Audit fees

The fees of the group auditor KPMG AG Wirtschaftsprüfungsgesellschaft (prior year: Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft) recorded as an expense break down as follows:

€ millions	2010	2009
Statutory audit	2.3	2.2
Other attest services	0.7	1.1
Tax advisory services	0.0	0.6
Other services	0.8	0.2
Total	**3.8**	**4.1**

Exemption pursuant to Sec. 264 (3) HGB and Sec. 264b HGB

In the reporting period 2010 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 Biogas GmbH, Stuttgart
- EnBW Energy Solutions GmbH, Stuttgart
- EnBW EnergyWatchers GmbH, Stuttgart
- EnBW EnHol Beteiligungsgesellschaft mbH, Karlsruhe
- EnBW Erneuerbare Energien GmbH, Stuttgart
- EnBW Etzel Speicher GmbH, Karlsruhe
- EnBW Gas GmbH, Stuttgart
- EnBW Gas Midstream 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 Offshore Service GmbH, Klausdorf-Barhöft
- EnBW Operations GmbH, Stuttgart

- EnBW REG Beteiligungsgesellschaft mbH, Stuttgart
- EnBW Regional AG, Stuttgart
- EnBW Solar GmbH, Stuttgart
- EnBW Systeme Infrastruktur Support GmbH, Karlsruhe
- EnBW Technische Dienste und kaufmännische Leistungen GmbH, Karlsruhe
- EnBW Trading GmbH, Karlsruhe
- EnBW Transportnetze AG, Stuttgart
- EnBW Vertrieb GmbH, Stuttgart (formerly: EnBW Vertriebs- und Servicegesellschaft mbH, Stuttgart)
- EnBW Windpark Alt Zeschdorf GmbH, Cuxhaven
- EnBW Windpark Buchholz GmbH, Cuxhaven
- EnBW Windpark Schwienau II GmbH, Cuxhaven
- Kernkraftwerk Obrigheim GmbH, Obrigheim
- MSE Mobile Schlammentwässerungs GmbH, Karlsbad-Ittersbach
- NaturEnergie+ Deutschland GmbH, Rheinfelden
- Neckarwerke Stuttgart GmbH, Stuttgart
- NWS Energiehandel GmbH, Stuttgart
- NWS REG Beteiligungsgesellschaft mbH, Stuttgart
- OSD SCHÄFER GmbH, Karlsruhe
- PROPOWER GmbH, Eisenhüttenstadt
- Teweratio GmbH, Stuttgart
- T-plus GmbH, Karlsruhe
- TWS Kernkraft GmbH, Gemmrigheim
- U-plus Umweltservice AG, Karlsruhe
- Yello Strom GmbH, Cologne
- Yello Strom Verwaltungsgesellschaft mbH, Karlsruhe

Exemption pursuant to Sec. 264b HGB

- EnBW City GmbH & Co. KG, Stuttgart
- EnSüdWest Energiebeteiligungen AG & Co. KG, Karlsruhe
- EVGA Grundstücks- und Gebäudemanagement GmbH & Co. KG, Obrigheim
- Facilma Grundbesitzmanagement und -service GmbH & Co. Besitz KG, Obrigheim
- KMS Kraftwerke Grundbesitzmanagement und -service GmbH & Co. KG, Karlsruhe
- NWS Grundstücksmanagement GmbH & Co. KG, Obrigheim
- Plambeck Neue Energien Windpark Fonds CVI GmbH & Co. KG, Cuxhaven
- Plambeck Neue Energien Windpark Fonds CVII GmbH & Co. KG, Cuxhaven
- Plambeck Neue Energien Windpark Fonds LXXXV GmbH & Co. KG, Cuxhaven
- 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 9 December 2010 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.

Share deals and shareholdings of key management personnel

The company did not receive any notices in the fiscal year 2010 of 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 EnBW shares held by all members of the Board of Management and the Supervisory Board total 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 2010 of € 287.1 million (prior year: € -1,507.6 million).

Cash and cash equivalents relate almost exclusively to bank balances, largely in the form of time and call deposits. In the prior year, cash and cash equivalents included the cash attributable to assets held for sale.

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.

In the fiscal year 2010, the cash flow from operating activities was € 2,560.9 million (prior year: € 2,443.4 million).

Other non-cash expenses and income break down as follows:

€ millions	2010	2009
Income from the release and retirement of construction cost subsidies	-104.5	-110.7
Income and expenses from changes in specific bad debt allowances	37.7	36.8
Reversal of impairment losses on property, plant, equipment and intangible assets	-7.4	-3.4
Gain/loss on the measurement of derivatives[1]	22.8	46.2
Gains on sale and income from acquisitions achieved in stages	-254.7	0.0
Write-down of inventories and other current assets	0.0	116.5
Other	46.9	1.7
Total	**-259.2**	**87.1**

[1] Derivatives that are not offset by cash received or cash paid from variation margins.

In the fiscal year 2010, € 45.5 million was distributed to non-controlling interests of group entities (prior year: € 51.3 million).

Purchase prices paid in cash for the acquisition of fully and proportionately consolidated entities and entities accounted for using the equity method totalled € 643.1 million in the reporting year (prior year: € 3,041.5 million). In the reporting year, cash and cash equivalents of € 12.1 million were acquired in the course of share purchases (prior year: € 24.8 million). The purchase price for Gesellschaft für die Beteiligung am Kraftwerk Rostock mbH came to € 320.9 million. The purchase price for the onshore wind farms previously paid in cash amounted to € 17.1 million in the reporting year. This includes contingent consideration, relating mostly to earn-out obligations, of which € 1.0 million was already paid as of 31 December 2010. The consideration transferred in return for the increase in the shareholding in PRE included PT shares and a cash component of € 305.1 million. The cash paid in the prior year mainly related to the acquisition of a 26% share in EWE Aktiengesellschaft, shares in the Bexbach and Lippendorf power stations, a 50% share in Borusan EnBW Enerji yatırımları ve Üretim A. Ş. as well as three onshore wind farms. These acquisitions were paid in cash.

The sales prices from the sale of fully and proportionately consolidated entities and entities accounted for using the equity method totalled € 843.9 million (prior year: € 45.0 million). The cash transferred upon the sale of fully and proportionately consolidated entities and entities accounted for using the equity method totalled € 25.5 million (prior year: € 0.0 million). Cash and cash equivalents were also reduced by a further € 37.5 million as a result of the disposal of PT. The cash received in the fiscal year 2010 was mainly attributable to the sale of GESO and its subsidiaries. The proceeds from the sale amounted to € 834.4 million and include the settlement of group loans of € 220.6 million. The cash received in the prior year was attributable to the sale of Gegenbauer Holding SA & Co. KG.

The EnBW group acquired the following assets (net of cash) and assumed the following liabilities as part of the acquisition of entities over which it has gained control:

€ millions	31/12/2010	31/12/2009
Intangible assets	523.4	229.6
Property, plant and equipment	1,077.7	683.4
Current assets (net of cash)	139.2	215.3
Total assets	**1,740.3**	**1,128.3**
Non-current liabilities	235.7	58.8
Current liabilities	152.8	59.8
Total liabilities	**388.5**	**118.6**
Net assets (net of cash)	1,351.8	1,009.7

The assets (net of cash) and liabilities disposed of as part of the sale of entities over which the EnBW group has lost control relate to GESO and its subsidiaries and are presented in the notes under “Disposals of entities in 2010”.

For further explanations on the cash flow statement, please refer to the explanations given in the management report on the EnBW group’s financial position.

Funds from operations (FFO)

Funds from operations before tax and financing improved in the reporting year by € 320.0 million to € 2,747.7 million (prior year: € 2,427.7 million). The reason for this is the increase in earnings power in the group. FFO after tax and financing increased by € 210.8 million to € 2,462.6 million (prior year: € 2,251.8 million).

Funds from operations (FFO) in € millions	2010	2009
FFO before taxes and financing	**2,747.7**	**2,427.7**
Income tax paid	-311.6	-197.0
Interest and dividends received	381.6	378.5
Interest paid for financing activities	-355.1	-357.4
FFO after taxes and financing	**2,462.6**	**2,251.8**

Additional disclosures on capital management

EnBW’s capital management covers the management of liabilities as well as of financial assets. Financial assets include non-current securities and loans as well as current financial assets and cash and cash equivalents. On the liabilities’ side, capital management covers financial liabilities as well as provisions for pensions and relating to nuclear power.

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 beyond 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.

Segment reporting

by business segment € millions[1]	Electricity generation and trading		Electricity grid and sales		Gas	
	2010	2009	2010	2009	2010	2009
Revenue						
External revenue	4,817.0	2,357.5	10,192.7	10,031.3	1,788.1	2,453.1
Internal revenue	4,438.3	4,582.5	201.5	456.8	91.4	97.7
Total revenue	9,255.3	6,940.0	10,394.2	10,488.1	1,879.5	2,550.8
Earnings indicators						
Adjusted EBIT	1,626.7	1,590.9	265.8	130.9	80.1	152.0
EBIT	1,432.3	1,630.0	599.6	163.6	78.9	151.0
Amortisation and depreciation	-423.4	-352.1	-239.5	-237.7	-73.8	-81.9
Impairment losses	-238.7	-21.1	-13.4	-8.7	-1.1	0.0
Adjusted net profit from entities accounted for using the equity method	44.0	49.1	39.5	55.3	3.7	2.2
Net profit from entities accounted for using the equity method	44.0	65.8	39.5	55.3	3.7	2.2
Significant non-cash items	-207.8	-152.6	13.5	-0.8	6.3	1.8
Assets and liabilities						
Capital employed	5,320.8	5,001.0	4,747.6	3,973.3	1,440.6	1,682.1
of which intangible assets, property, plant and equipment and investment property	(6,270.8)	(5,613.0)	(5,642.3)	(4,432.9)	(1,859.6)	(1,774.8)
of which carrying amount of entities accounted for using the equity method	(349.8)	(291.9)	(350.6)	(344.2)	(52.0)	(36.1)
Other segment information						
Cash flow from operating activities	2,041.6	1,995.2	95.3	121.9	113.6	263.3
Capital expenditures on intangible assets and property, plant and equipment	933.4	620.7	383.3	385.7	92.7	62.8

[1] Prior-year figures restated.

	Energy and environmental services		Holding/ consolidation		Total	
	2010	2009	2010	2009	2010	2009
	711.2	722.3	0.0	0.0	17,509.0	15,564.2
	720.1	518.9	-5,451.3	-5,655.9	0.0	0.0
	1,431.3	1,241.2	-5,451.3	-5,655.9	17,509.0	15,564.2
	111.3	86.2	-151.3	-166.1	1,932.6	1,793.9
	95.7	87.2	-89.5	-142.5	2,117.0	1,889.3
	-166.2	-149.2	-2.3	-0.5	-905.2	-821.4
	-4.4	-7.7	0.0	0.0	-257.6	-37.5
	-0.4	3.9	53.4	55.5	140.2	166.0
	-0.4	-3.1	6.2	-39.5	93.0	80.7
	-8.9	6.1	1.8	-0.2	-195.1	-145.7
	1,357.6	1,351.0	2,734.1	3,159.1	15,600.7	15,166.5
	(1,855.4)	(1,907.3)	(11.2)	(14.4)	(15,639.3)	(13,742.4)
	(77.1)	(77.7)	(2,923.0)	(3,006.8)	(3,752.5)	(3,756.7)
	274.3	48.8	36.1	14.2	2,560.9	2,443.4
	215.4	240.2	0.0	0.0	1,624.8	1,309.4

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

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

€ millions	2010	2009
Adjusted EBIT	1,932.6	1,793.9
Non-operating EBIT	184.4	95.4
Earnings before interest and taxes (EBIT)	**2,117.0**	**1,889.3**
Investment result	103.2	82.3
Financial result	-689.7	-714.4
Earnings before tax (EBT)	**1,530.5**	**1,257.2**

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

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

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

The significant non-cash items principally comprise expenses from transfers to provisions and income from the release of construction cost subsidies.

Capital employed, which we use as segment assets, comprises all assets from the operating business. Non-interest bearing liabilities – such as trade payables – are deducted. Capital employed is calculated as follows:

Capital employed in € millions[1]	31/12/2010	31/12/2009
Intangible assets	2,197.0	1,746.9
Property, plant and equipment	13,343.3	11,925.2
Investment properties	99.0	70.3
Equity investments[2]	4,166.4	4,464.8
Inventories	991.1	944.8
Current trade receivables[3]	3,187.5	2,786.3
Other assets[4]	2,234.1	4,910.8
of which income tax refund claims	(412.8)	(457.1)
of which assets held for sale	(11.8)	(1,698.0)
of which tax refund claims	(77.8)	(63.4)
of which derivatives	(1,317.3)	(2,064.9)
of which payments on account made	(135.4)	(134.6)
of which prepaid expenses	(61.5)	(74.6)
of which sundry assets	(296.4)	(464.2)
of which non-current trade receivables	(469.2)	(415.9)
of which assets attributable to net debt	(-548.1)	(-461.9)
Non-interest bearing provisions	-1,364.8	-1,050.2
Non-interest bearing liabilities[5]	-5,893.7	-7,405.1
of which payments received on account of orders	(-69.0)	(-182.1)
of which trade payables	(-3,161.4)	(-2,797.5)
of which other deferred income	(-227.2)	(-186.0)
of which derivatives	(-1,065.5)	(-2,332.9)
of which other liabilities	(-1,399.7)	(-1,166.9)
of which liabilities directly associated with the assets classified as held for sale	(0.0)	(-768.1)
of which liabilities attributable to net debt	(29.1)	(28.4)
Subsidies	-1,588.8	-1,519.0
Deferred taxes[6]	-1,770.4	-1,647.8
Assets and liabilities directly associated with the assets classified as held for sale that are attributable to net debt	0.0	-60.5
Capital employed	**15,600.7**	**15,166.5**

1 Prior-year figures restated.
2 Including entities accounted for using the equity method, investments in affiliated entities and other investments that are allocable to operations.
3 Without affiliated entities.
4 Without affiliated entities, without non-current receivables associated with nuclear power provisions.
5 Without affiliated entities, without potential purchase price obligations from put options.
6 Deferred tax assets and liabilities netted.

External revenue by region is determined based on the place of supply. The EnBW group does not generate 10% or more of external revenue with any one external customer.

External revenue by region in € millions	2010	2009
Germany	15,943.0	14,353.9
Economic and Monetary Union without Germany	867.3	659.0
Rest of Europe	693.9	550.2
Rest of world	4.8	1.1
	17,509.0	**15,564.2**

Intangible assets, property, plant and equipment and investment property by region in € millions[1]	31/12/2010	31/12/2009
Germany	12,924.0	12,148.5
Rest of Europe	2,618.5	1,482.7
Rest of world	96.8	111.2
	15,639.3	**13,742.4**

[1] Prior-year figures restated.

Related parties (entities)

Related parties include above all Electricité de France (EDF) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW), which each hold 45.01% of the voting rights in EnBW AG as of the reporting date. The financial statwements 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	2010	2009
Revenue	1,869.2	1,345.1
Cost of materials	-1,999.8	-1,400.7

Balance sheet in € millions	31/12/2010	31/12/2009
Receivables	198.9	149.7
Payments on account	43.2	47.1
Liabilities	255.0	258.1
Payments on account received	21.6	33.0

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

The business relations with joint ventures were as follows:

Income statement in € millions	2010	2009
Revenue	21.8	46.0
Cost of materials	-12.5	-20.9

Balance sheet in € millions	31/12/2010	31/12/2009
Other loans	11.2	12.7
Receivables	2.8	6.8
Liabilities	1.5	5.9
Payments on account received	0.1	0.1

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

In the course of ordinary business activities, relationships also exist with associates, including among others municipal entities (public utilities, in particular) that are accounted for using the equity method. Goods and service transactions with these entities took place at arm's length and had the following impact on the income statement and balance sheet of the EnBW group:

Income statement in € millions	2010	2009
Revenue	252.7	204.2
Cost of materials	-210.1	-112.6
Financial result	-4.9	-2.5

Balance sheet in € millions	31/12/2010	31/12/2009
Other loans	10.1	2.4
Receivables	26.7	24.1
Liabilities	110.0	118.8
Payments on account received	0.2	0.0

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

Related parties (individuals)

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

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, which is part of the combined management report.

Total remuneration paid to the Board of Management for the fiscal year 2010 amounted to € 7.9 million (prior year: € 9.8 million). Short-term benefits amount to € 7.5 million (prior year: € 9.1 million) and long-term benefits to € 0.4 million (prior year: € 0.7 million). The addition to the pension obligations for this group of persons came to € 0.6 million in the fiscal year 2010 (prior year: € 0.6 million) including service and interest cost.

There are pension obligations in accordance with IFRSs of € 4.0 million (prior year: € 3.9 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 € 5.3 million (prior year: € 7.0 million). There are defined benefit obligations to former members of the Board of Management and their surviving dependants in accordance with IFRSs of € 52.1 million (prior year: € 49.1 million).

The advances to members of the Board of Management of € 0.3 million reported in the prior year were repaid in full in the reporting year. There were no advances or loans as of the end of the reporting year.

The remuneration system of the Supervisory Board is also 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: € 1.1 million) for the fiscal year 2010. 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 2010.

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.

Additional disclosures under HGB

List of shareholdings pursuant to Sec. 313 (2) as of 31 December 2010

		Footnote	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)
Electricity generation and trading segment fully consolidated entities					
1	Aletsch AG, Mörel/Switzerland		100.00	20,442	883
2	EnAlpin AG, Visp/Switzerland		100.00	171,721	24,467
3	EnBW Baltic 1 GmbH & Co. KG, Stuttgart (formerly EnBW Baltic I GmbH, Stuttgart)		100.00	16,246	-3,779
4	EnBW Baltic 2 GmbH, Börgerende-Rethwisch (formerly EnBW Ostsee Offshore GmbH, Börgerende-Rethwisch)		100.00	31,782	-8,268
5	EnBW Biogas GmbH, Stuttgart (formerly EnBW Grundstücks- und Gebäudemanagement Verwaltungsgesellschaft mbH Stuttgart, Stuttgart)	3	100.00	52	-
6	EnBW EnHol Beteiligungsgesellschaft mbH, Karlsruhe	3	100.00	1,790,537	-
7	EnBW Erneuerbare Energien GmbH, Stuttgart	3	100.00	60,024	-
8	EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH, Stuttgart	3	100.00	297,640	-
9	EnBW Kraftwerke AG, Stuttgart	3	100.00	2,516,941	-
10	EnBW Nordsee Offshore GmbH, Varel		100.00	-109	-1,159
11	EnBW Offshore Service GmbH, Klausdorf-Barhöft	3	100.00	25	-
12	EnBW Solar GmbH, Stuttgart	3	100.00	25	-
13	EnBW Trading GmbH, Karlsruhe	3	100.00	3,023	-
14	EnBW Windpark Alt Zeschdorf GmbH, Cuxhaven	3	100.00	4,861	-
15	EnBW Windpark Buchholz GmbH, Cuxhaven	3	100.00	13,314	-
16	EnBW Windpark Schwienau II GmbH, Cuxhaven	3	100.00	3,893	-
17	Energiedienst AG, Rheinfelden	5	100.00	183,176	31,856
18	Grünwerke GmbH, Düsseldorf (vormals Düsseldorfer Consult GmbH, Düsseldorf)	3, 6	100.00	18,428	-
19	Heizkraftwerk Stuttgart GmbH, Stuttgart		100.00	5,113	52
20	Kernkraftwerk Obrigheim GmbH, Obrigheim	3	100.00	199,916	-
21	KMS Kraftwerke Grundbesitzmanagement und -service GmbH & Co. KG, Karlsruhe		100.00	235,319	-1,564
22	NWS Energiehandel GmbH, Stuttgart	3	100.00	50	-
23	Plambeck Neue Energien Windpark Fonds CVI GmbH & Co. KG, Cuxhaven		100.00	-157	-156
24	Plambeck Neue Energien Windpark Fonds CVII GmbH & Co. KG, Cuxhaven		100.00	-764	-764
25	Plambeck Neue Energien Windpark Fonds LXXXV GmbH & Co. KG, Cuxhaven		100.00	-635	-597
26	TWS Kernkraft GmbH, Gemmrigheim	3	100.00	381,041	-
27	EnBW Holding A.S., Gümüssuyu-Istanbul/Turkey		99.99	-83	-83
28	EnBW Kernkraft GmbH, Obrigheim	3	99.80	10,000	-
29	Südwestdeutsche Nuklear-Entsorgungsgesellschaft mbH, Stuttgart		86.49	9,668	2,299
30	Neckar Aktiengesellschaft, Stuttgart		82.17	10,179	0
31	Energiedienst Holding AG, Laufenburg/Switzerland	14	81.72	635,200	72,259
32	HWM Holzwärme Müllheim GmbH, Müllheim		66.66	429	3
33	Kraftwerk Bexbach Verwaltungsgesellschaft mbH, Bexbach/Saar		66.66	23,010	1,151
34	Rheinkraftwerk Neuhausen AG, Neuhausen/Switzerland		56.00	967	38

		Footnote	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)
35	KNG Kraftwerks- und Netzgesellschaft mbH, Berlin		50.40	461	8
36	Kraftwerk Lötschen AG, Steg/Switzerland	15	50.00	23,955	1,161
Proportionately consolidated entities					
37	Maya Enerji Yatirimlari A.Ş., Istanbul/Turkey	5, 10	99.98	6,939	-3,791
38	Baltalimani Enerji Yatirimlari Ve Tic.A.Ş., Istanbul/Turkey	5, 10	99.97	-1	-28
39	Beykoz Elektrik San. Ve Tic. A.Ş., Istanbul/Turkey	5, 10	99.97	4	-17
40	Borasco Enerji Ve Kimya San.Tic.A.Ş., Istanbul/Turkey	5, 10	99.97	9,655	-11,571
41	Burgaz Enerji Yatirimlari Üretim Ve Tic.A.Ş., Istanbul/Turkey	5, 10	99.97	4	-16
42	Dinc Enerji Madencilik Üretim Ve Ticaret A.Ş., Istanbul/Turkey	5, 10	99.97	3	-60
43	Esentepe Enerji Yatirimlari Üretim Ve Ticaret A.Ş., Istanbul/Turkey	5, 10	99.97	-103	-149
44	Eskoda Enerji Üreti Pazarlama Ithalat Ve Ihracat A.Ş., Istanbul/Turkey	5, 10	99.97	320	-33
45	Güney Rüzgari Elektrik Üretim Ve Ticaret A.Ş., Istanbul/Turkey	5, 10	99.97	-4	-60
46	Hazal Hidroelektrik Üretim A.Ş., Istanbul/ Turkey	5, 10	99.97	-22	-140
47	Hidiv Elektrik Enerjisi Toptan Satis A.Ş., Istanbul/ Turkey	5, 10	99.97	134	-48
48	Intepe Elektrik Üretim Ve Tic. A.Ş., Istanbul/ Turkey	5, 10	99.97	3	-50
49	Kuzeyrüzgari Enerji Üretim Ve Ticaret A.Ş., Istanbul/Turkey	5, 10	99.97	2	-71
50	Meltem Elektrik Üretim Ve Ticaret A.Ş., Istanbul/ Turkey	5, 10	99.97	-185	-212
51	Tayfun Elektrik Üretim Ve Ticaret A.Ş., Istanbul/Turkey	5, 10	99.97	22	-32
52	Turkuaz Elektrik Üretim Anonim Şirketi, Istanbul/Turkey	5, 10	99.97	40	-73
53	Vaniköy Enerji Yatirimlari Üretim Ve Ticaret A.Ş., Istanbul/Turkey	5, 10	99.97	2	-80
54	Dogadan Enerji Üretim Paz.Ith.Ve Ihr. A.Ş., Istanbul/Turkey	5, 10	99.96	-5	-75
55	Dönüsüm Enerji Üretim Paz.Ith.Ve Ihr.A.Ş., Istanbul/Turkey	5, 10	99.96	-3	-69
56	Yedigöl Hidroelektrik Üretim Ve Ticaret A.Ş., Istanbul/Turkey	5, 10	99.96	17,674	-1,281
57	Maray Enerji Sanayi Ve Ticaret Limited Şirketi, Istanbul/Turkey	5, 10	99.85	-24	-53
58	Beylerbeyi Enerji Yatirimlari Üretim Ve Ticaret A.Ş., Istanbul/Turkey	5, 10	99.00	-6	-121
59	Gökceada Enerji Yatirimlari Üretim Ve Ticaret A.Ş., Istanbul/Turkey	5, 10	99.00	4	-16
60	Kasirga Enerji Yatirimlari Ve Üretim A.Ş., Istanbul/Turkey	5, 10	99.00	4	-23
61	Borusan EnBW Enerji yatırımları ve Üretim Anonim Şirketi, Istanbul/Turkey	6, 13	50.00	78,052	-22,731
62	Fernwärme Ulm GmbH, Ulm/Donau	8, 13	50.00	23,739	2,123
63	Rheinkraftwerk Iffezheim GmbH, Iffezheim	13	50.00	58,287	1,183
Non-consolidated, affiliated entities					
64	CarbonBW Colombia S.A.S., Bogotà/Columbia		100.00	751	0
65	EnBW Baltic 1 Verwaltungsgesellschaft mbH, Karlsruhe (formerly EnBW Omega Fünfzehnte Verwaltungsgesellschaft mbH, Karlsruhe)	5	100.00	25	-1
66	EnBW Baltic Windpark Verwaltungsgesellschaft mbH, Stuttgart		100.00	25	0
67	Holzkraft Plus GmbH, Düsseldorf	6	90.00	25	-3
68	STKW Energie Dörpen GmbH & Co. KG, Dörpen	5	75.10	2,886	-259
69	Nahwärme Düsseldorf GmbH, Düsseldorf	5	66.00	1,410	45
70	Alb-Windkraft Verwaltungs GmbH, Geislingen/Steige	5	51.00	34	6
71	KWO Rückbau GmbH, Obrigheim	5	51.00	38	-3
72	Alb Windkraft GmbH & Co. KG, Geislingen/Steige	5	25.50	187	351

		Footnote	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)
Associates					
73	Elektrizitätswerk Rheinau AG, Rheinau/Switzerland	8	50.00	17,483	592
74	Bayerische-Schwäbische Wasserkraftwerke Beteiligungsgesellschaft mbH, Grundremmingen	5	37.80	103,361	5,956
75	Elektrownia Rybnik S.A., Rybnik/Poland	5	32.45	263,357	83,093
76	Großkraftwerk Mannheim AG, Mannheim	5	32.00	114,142	6,647
77	Rhonewerke AG, Ernen/Switzerland	5	30.00	20,221	795
78	KW Ackersand I AG, Stalden/Switzerland	5	25.00	1,464	77
79	Mátrai Erömü ZRt. (MATRA), Visonta/Hungary	5	21.71	281,318	77,119
Equity investments					
80	Carbon Energy Co. Ltd., Bangkok/Thailand	7	51.00	3,327	0
81	biogasNRW GmbH, Düsseldorf	5	50.00	3,954	-104
82	Centrale Electrique Rhénane de Gambsheim SA, Gambsheim/France	5	50.00	11,099	0
83	EnBW Altus Projektentwicklungsgesellschaft mbH, Karlsruhe	9	50.00	-	-
84	Fernwärme Rhein-Neckar GmbH, Mannheim	5	50.00	4,011	2,221
85	JatroSolutions GmbH, Stuttgart	5	50.00	2,531	6
86	Kraftwerk Reckingen AG, Reckingen	5	50.00	2,373	72
87	Rheinkraftwerk Säckingen AG, Bad Säckingen	5	50.00	7,204	300
88	Schluchseewerk Aktiengesellschaft, Laufenburg/Baden	5	50.00	59,339	2,809
89	Wärmeauskopplungsgesellschaft Restmüllheizkraftwerk Böblingen mbH (WRB), Böblingen	5	50.00	578	49
90	Wasserkraftwerk Hausen GbR, Hausen im Wiesental	5	50.00	206	-1
91	WKM Wasserkraftwerke Maulburg GmbH, Maulburg	5	50.00	370	13
92	Empresa Electrica Rio Doble S.A., Lima/Peru	5	45.00	386	-13
93	Fernwärme Zürich AG, Zürich/Switzerland		40.00	640	0
94	KWT Kraftwerke Törbel-Moosalp AG, Törbel/Switzerland	5	40.00	462	-6
95	Obere Donau Kraftwerke AG, Munich	5	40.00	3,180	0
96	TWKW Trinkwasserkraftwerke Niedergesteln AG, Niedergesteln/Switzerland	5	40.00	1,136	121
97	Kraftwerk Ryburg-Schwörstadt AG, Rheinfelden/Switzerland	5, 8	38.00	25,618	1,209
98	Heizkraftwerk Pforzheim GmbH, Pforzheim	5	30.00	7,232	769
99	Baltic Windpark Beteiligungen GmbH & Co. KG, Stuttgart	9	29.17	-	-
100	Wasserkraftwerk Pfinztal GmbH & Co. KG, Pfinztal	6	28.31	226	0
101	KWOG Kraftwerke Obergoms AG, Obergoms/Switzerland	5	24.50	62	-5
102	Beteiligungsgesellschaft der EVU an der Kerntechnischen Hilfsdienst GmbH - GbR, Karlsruhe	9	21.59	-	-
103	ClimatePartner Deutschland GmbH , Munich	5	20.00	-598	-145
104	ClimatePartner Switzerland AG, Winterthur/Switzerland	5	20.00	-47	-82
Electricity grid and sales segment fully consolidated entities					
105	ALENA Aletsch Energie Netz AG, Stalden VS./Switzerland		100.00	85	5
106	ED GrünSelect GmbH, Rheinfelden		100.00	498	-2
107	EnBW REG Beteiligungsgesellschaft mbH, Stuttgart	3	100.00	405,649	-
108	EnBW Regional AG, Stuttgart	3	100.00	415,814	-
109	EnBW Transportnetze AG, Stuttgart	3	100.00	178,141	-
110	EnBW Vertrieb GmbH, Stuttgart (fomerly EnBW Vertriebs- und Servicegesellschaft mbH, Stuttgart)	3	100.00	289,131	-
111	Energiedienst Netze GmbH, Rheinfelden	3, 5	100.00	30,103	-

		Footnote	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)
112	energieNRW GmbH, Düsseldorf	5	100.00	772	397
113	EVGA Grundstücks- und Gebäudemanagement GmbH & Co. KG, Obrigheim		100.00	91,621	13,128
114	Facilma Grundbesitzmanagement und -service GmbH & Co. Besitz KG, Obrigheim		100.00	199,595	9,508
115	NaturEnergie AG, Grenzach-Whylen		100.00	13,544	2,432
116	NaturEnergie+ Deutschland GmbH, Rheinfelden (formerly EnBW Grundstücks- und Gebäudemanagement Verwaltungsgesellschaft mbH Karlsruhe, Karlsruhe)		100.00	26	0
117	Netzgesellschaft Ostwürttemberg GmbH, Ellwangen	3	100.00	135	-
118	NHF Netzgesellschaft Heilbronn-Franken mbH, Heilbronn	3	100.00	1,000	-
119	NWS Grundstücksmanagement GmbH & Co. KG, Obrigheim		100.00	320,933	41,611
120	NWS REG Beteiligungsgesellschaft mbH, Stuttgart	3	100.00	79,963	-
121	PREdistribuce a.s., Prague/Czech Republic	5	100.00	705,287	25,884
122	PREleas a.s., Prague/Czech Republic	5	100.00	2,348	372
123	PREmereni a.s., Prague/Czech Republic	5	100.00	2,566	979
124	Stadtwerke Düsseldorf Netz GmbH, Düsseldorf	3, 5	100.00	1,000	-
125	SüdBest GmbH, Stuttgart		100.00	11,555	333
126	Watt Deutschland GmbH, Frankfurt am Main		100.00	10,316	5,421
127	Yello Strom GmbH, Cologne	3	100.00	500	-
128	Yello Strom Verwaltungsgesellschaft mbH, Karlsruhe	3	100.00	600	-
129	ZEAG Immobilien GmbH & Co. KG, Heilbronn		100.00	5,153	1,019
130	EnBW Ostwürttemberg DonauRies AG, Ellwangen	3	99.73	115,446	-
131	ZEAG Energie AG, Heilbronn		98.26	152,440	18,601
132	Stadtwerke Düsseldorf AG, Düsseldorf	5	54.95	372,149	62,977
133	Pražská energetika a.s., Prague/Czech Republic	12	41.26	458,644	87,648
134	LENA Lonza Energie Netz AG, Visp VS./Switzerland	12	0.00	86	5

Proportionately consolidated entities

135	Pražská energetika Holding a.s., Prague/Czech Republic	5, 13	49.00	271,034	46,054

Non-consolidated, affiliated entities

136	EBT Elektrizitätswerk Braunsbach-Tullau GmbH, Ilshofen-Obersteinach	3, 5	100.00	1,319	-
137	Elektrizitätswerk Aach eG, Tuttlingen	5	100.00	1,498	444
138	Energieversorgung Gaildorf OHG der EnBW Kommunale Beteiligungen GmbH und NWS REG Beteiligungsgesellschaft mbH, Gaildorf	5	100.00	1,897	270
139	Energieversorgung Raum Friedrichshafen GmbH & Co. KG, Stuttgart	5	100.00	1,304	1,238
140	Energieversorgung Raum Friedrichshafen Verwaltungsgesellschaft mbH, Stuttgart	5	100.00	26	1
141	ZEAG Immobilien Verwaltungsgesellschaft mbH, Heilbronn	5	100.00	32	3
142	Rieger GmbH & Co. KG, Lichtenstein (Reutlingen district)	5	74.28	269	744
143	Rieger Beteiligungs-GmbH, Lichtenstein (Reutlingen district)	5	74.24	51	2
144	Elektrizitätswerk Weißenhorn AG, Weißenhorn	5	62.89	2,919	389

Associates

145	Stadtwerke Hilden GmbH, Hilden	5	49.90	15,992	-2,977
146	Budapesti Elektromos Müvek Nyrt. (ELMÜ), Budapest/Hungary	5	27.25	927,675	26,264
147	Eszak-Magyarországi Áramszolgáltató Nyrt. (EMASZ), Miskolc/Hungary	5	26.83	315,847	2,056
148	FairEnergie GmbH, Reutlingen	4, 5	24.90	90,766	-

		Footnote	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)
149	Stadtwerke Karlsruhe GmbH, Karlsruhe	4, 5	20.00	165,710	-
Equity investments					
150	Netzgesellschaft Sontheim GmbH & Co. KG, Sontheim an der Brenz (formerly Netzgesellschaft Sontheim GmbH & Co. KG, Ellwangen Jagst)	9	74.90	-	-
151	Netzgesellschaft Sontheim Verwaltungsgesellschaft mbH, Sontheim an der Brenz (formerly Netzgesellschaft Sontheim Verwaltungsgesellschaft mbH, Ellwangen Jagst)	9	74.90	-	-
152	Netzgesellschaft Steinheim GmbH & Co. KG, Steinheim am Albuch (formerly Netzgesellschaft Steinheim GmbH & Co. KG, Ellwangen Jagst)	5	74.90	93	-7
153	Netzgesellschaft Steinheim Verwaltungsgesellschaft mbH, Steinheim am Albuch (formerly Netzgesellschaft Steinheim Verwaltungsgesellschaft mbH, Ellwangen Jagst)	9	74.90	-	-
154	Stromnetz Herrenberg Verwaltungsgesellschaft mbH, Herrenberg	9	74.90	-	-
155	Stromnetzgesellschaft Herrenberg mbH & Co. KG, Herrenberg		74.90	2,694	0
156	Stadtwerke Sinsheim Versorgungs GmbH & Co. KG, Sinsheim	5	60.00	12,118	1,305
157	Stadtwerke Sinsheim Verwaltungs GmbH, Sinsheim	9	60.00	-	-
158	CESOC AG, Laufenburg/Switzerland	5	50.00	118	50
159	e.wa riss GmbH & Co. KG, Biberach	5	50.00	14,767	2,715
160	e.wa riss Verwaltungsgesellschaft mbH, Biberach	5	50.00	60	2
161	Energieversorgung Südbaar GmbH, Blumberg	5	50.00	4,062	643
162	Stadtwerke Schramberg GmbH & Co. KG, Schramberg	5	50.00	10,550	1,592
163	Stadtwerke Schramberg Verwaltungsgesellschaft mbH, Schramberg	9	50.00	-	-
164	Einhorn Energie Verwaltungsgesellschaft mbH, Giengen an der Brenz	9	49.90	-	-
165	MEGA Monheimer Elektrizitäts- und Gasversorgung GmbH, Monheim	4, 5	49.90	7,314	-
166	Stadtwerke Emmendingen GmbH, Emmendingen	5	49.90	16,877	844
167	Stromnetz Blaubeuren GmbH, Blaubeuren	5	49.90	550	0
168	Stadtwerke Bad Wildbad GmbH & Co. KG, Bad Wildbad	5	49.00	6,338	402
169	Stadtwerke Bad Wildbad Verwaltungs-GmbH, Bad Wildbad	9	49.00	-	-
170	Energie Calw GmbH, Calw	4, 5	48.82	10,161	-
171	Stadtwerke Münsingen GmbH, Münsingen		45.00	200	0
172	Stadtwerke Weinheim GmbH, Weinheim	5	39.32	26,704	2,430
173	Energieversorgung Rottenburg am Neckar GmbH, Rottenburg am Neckar	4, 5	38.00	7,160	-
174	Lernende EnergieEffizienz-Netzwerke GmbH, Karlsruhe	9	37.50	-	-
175	EDB Energie Dienste Bürchen AG, Bürchen/Switzerland	5	35.00	373	31
176	ENAG Energiedienste Niedergesteln AG, Niedergesteln/Switzerland	5	35.00	537	23
177	EVG Grächen AG, Grächen/Switzerlandz	5	35.00	3,462	73
178	EVN Energieversorgung Nikolai AG, St. Niklaus/Switzerland	5, 8	35.00	1,704	76
179	EVR Energieversorgung Raron AG, Raron/Switzerland	5	35.00	539	49
180	EWR Energiedienste Visp - Westlich Raron AG, Visp/Switzerland	5	35.00	860	106
181	Valgrid SA, Sion/Switzerland	5	35.00	14,092	563
182	VED Visp Energie Dienste AG, Visp/Switzerland	5	35.00	888	81
183	Elektrizitätswerk Mittelbaden AG & Co. KG, Lahr	5	34.74	38,986	11,196
184	Elektrizitätswerk Mittelbaden Verwaltungsaktiengesellschaft, Lahr	5	34.74	118	-2

		Footnote	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)
185	eneREGIO GmbH, Muggensturm	5	32.00	5,064	226
186	Stadtwerke Bad Herrenalb GmbH, Bad Herrenalb	5	30.00	10,109	-1,019
187	Energie- und Wasserversorgung Bruchsal GmbH, Bruchsal	4, 5	27.41	21,993	-
188	Stadtwerke Bad Säckingen GmbH, Bad Säckingen	4, 5	26.30	8,673	-
189	ENRW Verwaltungs-GmbH, Rottweil	9	25.20	-	-
190	Stadtwerke Freudenstadt Verwaltungsgesellschaft mbH, Freudenstadt	9	25.20	-	-
191	Albwerk GmbH & Co. KG, Geislingen/Steige	5	25.10	14,994	4,634
192	Albwerk Verwaltungsgesellschaft mbH, Geislingen/Steige	5	25.10	55	3
193	ENRW Energieversorgung Rottweil GmbH & Co. KG, Rottweil	5	25.10	13,737	2,733
194	Stadtwerke Freudenstadt GmbH & Co. KG, Freudenstadt	5	25.10	6,191	2,457
195	Stadtwerke Oberkochen GmbH, Oberkochen	5	25.10	3,828	119
196	Stadtwerke Schwäbisch Gmünd GmbH, Schwäbisch Gmünd	5	25.10	22,701	3,872
197	Stadtwerke Sindelfingen GmbH, Sindelfingen	5	25.10	24,491	4,015
198	Stadtwerke Stockach GmbH, Stockach	5	25.10	8,668	-738
199	Stadtwerke Nürtingen GmbH, Nürtingen	5	25.00	29,338	1,002
200	Stromversorgung Sulz am Neckar GmbH, Sulz am Neckar	5	24.90	2,536	304
201	Energieversorgung Oberes Wiesental GmbH, Todtnau	5	24.00	3,952	390
202	EDSR Energiedienste Staldenried AG, Staldenried/Schweiz		20.00	173	0
Gas segment					
fully consolidated entities					
203	EnBW Etzel Speicher GmbH, Karlsruhe	3	100.00	707	-
204	EnBW Gas GmbH, Stuttgart	3	100.00	134,813	-
205	EnBW Gas Midstream GmbH, Stuttgart	3	100.00	35,331	-
206	EnBW Gasnetz GmbH, Stuttgart	3	100.00	111	-
207	Erdgas Südwest Netz GmbH, Karlsruhe	3	100.00	25	-
208	Erdgas-Beteiligungsgesellschaft Süd mbH, Stuttgart		100.00	15,500	22
209	GasVersorgung Süddeutschland GmbH, Stuttgart	3, 11	100.00	76,694	-
210	GVS Netz GmbH, Stuttgart	3	100.00	1,000	-
211	Erdgas Südwest GmbH, Karlsruhe		79.00	37,183	5,357
212	EnBW Eni Verwaltungsgesellschaft mbH, Karlsruhe	12	50.00	631,205	6,727
Proportionately consolidated entities					
213	Friedeburger Speicherbetriebsgesellschaft mbH "Crystal", Friedeburg	13	50.00	104,986	-2,824
Non-consolidated, affiliated entities					
214	Gasversorgung Unterland GmbH, Heilbronn	5	100.00	3,858	726
215	Thermogas Gas- und Gerätevertriebs-GmbH, Stuttgart	3, 5	100.00	259	-
Associates					
216	Stadtwerke Esslingen am Neckar GmbH & Co. KG, Esslingen am Neckar	5	49.98	55,062	2,362
217	Heilbronner Versorgungs GmbH, Heilbronn	4, 5	25.10	36,375	-
Equity investments					
218	Gasversorgung Dornstadt GmbH, Dornstadt	5	50.00	1,031	-37
219	Gasversorgung Sachsenheim GmbH, Sachsenheim	3, 5	50.00	1,300	-
220	Stadtwerke Esslingen-Verwaltungsgesellschaft mbH, Esslingen am Neckar	9	49.80	-	-
221	Gasversorgung Pforzheim Land GmbH, Pforzheim	5	49.00	15,392	1,718

		Footnote	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)
222	Stadtwerke Backnang GmbH, Backnang	5	49.00	22,903	1,612
223	Erdgas-Transport-Management GmbH, Stuttgart	9	33.30	-	-
224	Stadtwerke Ellwangen GmbH, Ellwangen	3, 5	25.10	7,302	-
225	Stadtwerke Giengen GmbH, Giengen	5	25.10	9,820	699
226	Technische Werke Schussental GmbH & Co. KG, Ravensburg	5	25.10	24,456	6,701
227	Technische Werke Schussental Verwaltungsgesellschaft mbH, Ravensburg	9	25.10	-	-
228	KEA-Beteiligungs-GbR "Energie", Karlsruhe	5	20.80	260	0
	Energy and environmental services segment fully consolidated entities				
229	AWISTA Logistik GmbH, Düsseldorf	6	100.00	1,556	-1,869
230	ED Immobilien GmbH & Co. KG, Rheinfelden		100.00	1,790	-10
231	ED Immobilien Verwaltungsgesellschaft mbH, Rheinfelden		100.00	29	3
232	EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH, Stuttgart	3	100.00	100	-
233	EnBW Biomasse GmbH, Karlsruhe		100.00	-12,195	-1,735
234	EnBW City GmbH & Co. KG, Stuttgart		100.00	8,885	8,754
235	EnBW Energy Solutions GmbH, Stuttgart	3	100.00	48,998	-
236	EnBW EnergyWatchers GmbH, Stuttgart	3	100.00	250	-
237	EnBW Grundstücksverwaltung Rheinhafen GmbH, Karlsruhe		100.00	1,495	4
238	EnBW Immobilienbeteiligungen GmbH, Stuttgart (formerly EnBW Beteiligungen AG, Kornwestheim)		100.00	390,848	4,418
239	EnBW Ingenieure GmbH, Stuttgart	3	100.00	2,556	-
240	EnBW Kommunale Beteiligungen GmbH, Stuttgart	3	100.00	995,226	-
241	EnBW Operations GmbH, Stuttgart (formerly EnBW Omega Achtzehnte Verwaltungsgesellschaft mbH, Stuttgart)	3	100.00	10,200	-
242	EnBW Systeme Infrastruktur Support GmbH, Karlsruhe	3	100.00	16,737	-
243	EnBW Technische Dienste und kaufmännische Leistungen GmbH, Karlsruhe	3	100.00	1,500	-
244	Energiedienst Support GmbH, Rheinfelden		100.00	99	-1
245	ESG Operations GmbH, Wismar		100.00	114	6
246	MSE Mobile Schlammentwässerungs GmbH, Karlsbad-Ittersbach	3	100.00	1,171	-
247	OSD SCHÄFER GmbH, Karlsruhe	3	100.00	26	-
248	PROPOWER GmbH, Eisenhüttenstadt	3	100.00	12	-
249	SBZ Beteiligungen GmbH, Kornwestheim		100.00	-22	-4
250	TAE Thermische Abfallentsorgung Ansbach GmbH, Ansbach		100.00	32,840	-406
251	Teweratio GmbH, Stuttgart	3	100.00	26	-
252	T-plus GmbH, Karlsruhe	3	100.00	18,162	-
253	U-plus Umweltservice AG, Karlsruhe	3	100.00	165,690	2,049
254	Watt Synergia GmbH, Stuttgart	3	100.00	250	-
255	MURVA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald	5	95.00	-4,055	-5
256	AWISTA Gesellschaft für Abfallwirtschaft und Stadtreinigung mbH, Düsseldorf	5	51.00	39,818	9,291
257	EnBW VersicherungsVermittlung GmbH, Stuttgart		51.00	3,598	3,547
258	EnBW Klenk Holzenergie GmbH, Oberrot	12	50.00	28,049	1,820

		Footnote	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)
Proportionately consolidated entities					
259	Energiedienstleistungen Rhein-Neckar GmbH, Ludwigshafen	13	50.00	883	168
260	Energie- und Medienversorgung Sandhofer Straße GmbH & Co. KG, Mannheim	13	49.91	3,500	1,366
Non-consolidated, affiliated entities					
261	EnBW Senergi Immobilien GmbH, Karlsruhe	5	100.00	79	2
262	KIC InnoEnergy S.E., Eindhoven/Netherlands		100.00	244	0
263	NeckarCom Telekommunikation GmbH, Stuttgart	3, 5	100.00	511	-
264	ODR Technologie Services GmbH, Ellwangen	3, 5	100.00	1,249	-
265	RBS wave GmbH, Stuttgart	3, 5	100.00	503	-
266	SSG Verwaltungsgesellschaft mbH, Kornwestheim		100.00	0	0
267	Zentraldeponie Hubbelrath GmbH, Düsseldorf	5	76.00	18,474	2,143
Associates					
268	Zweckverband Landeswasserversorgung, Stuttgart	5	27.17	108,070	-158
269	Zweckverband Bodensee-Wasserversorgung, Stuttgart	5	22.23	145,037	1,000
Equity investments					
270	GRADUS Investitionsgüter-Vermietungsgesellschaft mbH & Co. Objekt Badenwerk KG, Karlsruhe	9	100.00	-	-
271	KOGO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald	5	95.00	-916	137
272	Energie- und Medienversorgung Sandhofer Straße Verwaltungs GmbH, Mannheim	9	50.00	-	-
273	Fränkische Wasser Service GmbH, Crailsheim	9	50.00	-	-
274	Industriekraftwerke Oberschwaben beschränkt haftende OHG, Biberach an der Riß	5	50.00	9,307	5,655
275	KDM Kompostierungs- und Vermarktungsgesellschaft für Stadt Düsseldorf/Kreis Mettmann mbH, Ratingen	5	50.00	1,836	534
276	Niederrheinisch-Bergisches Gemeinschaftswasserwerk GmbH, Düsseldorf	5	50.00	2,133	95
277	Ostalbwasser Ost GmbH, Ellwangen	9	50.00	-	-
278	Ostalbwasser Service GmbH, Aalen	5	50.00	80	5
279	Ostalbwasser West GmbH, Schwäbisch Gmünd	9	50.00	-	-
280	Powerment GmbH, Stuttgart		50.00	1,000	0
281	regioaqua Gesellschaft für Wasser und Abwasser mbH, Rheinfelden	5	50.00	82	9
282	Wasserübernahme Neuss-Wahlscheid GmbH, Neuss	5	50.00	251	13
283	MOWA Mobile Waschanlagen GmbH, Neunkirchen-Seelscheid	5	49.00	393	283
284	REMONDIS Rhein-Wupper GmbH & Co. KG, Düsseldorf	5	49.00	7,598	2,485
285	REMONDIS Rhein-Wupper Verwaltungs GmbH, Düsseldorf	9	49.00	-	-
286	regiodata GmbH, Lörrach	5	35.00	627	83
287	Contiplan AG, Vaduz/Liechtenstein	9	25.10	-	-
288	EFR Europäische Funk-Rundsteuerung GmbH, Munich	5	25.10	2,773	1,223
289	Rheticus AG, Vaduz/Liechtenstein	9	25.10	-	-
290	Wave GmbH i. L., Stuttgart	9	25.00	-	-

		Footnote	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)
Financial and other holdings					
fully consolidated entities					
291	EnBW Benelux B.V., Amersfoort/Netherlands	6	100.00	388	-22
292	EnBW International Finance B.V., Amersfoort/Niederlande		100.00	100	26,856
293	Neckarwerke Stuttgart GmbH, Stuttgart	3	100.00	1,065,014	22,513
294	Salamander Marken GmbH & Co. KG, Kornwestheim		100.00	8,267	19
295	symbiotic services GmbH, Karlsruhe		100.00	23	0
296	TWS Beteiligungsgesellschaft mbH, Karlsruhe		100.00	670,996	-2,417
297	TWS Verwaltungsgesellschaft mbH, Stuttgart		100.00	435,273	158
298	EnSüdWest Energiebeteiligungen AG & Co. KG, Karlsruhe		94.95	351,292	11,659
Proportionately consolidated entities					
299	EBAG Omega Dritte Verwaltungsgesellschaft mbH, Stuttgart	5	100.00	23	-2
300	EBAG Omega Erste Verwaltungsgesellschaft mbH, Stuttgart	5	100.00	23	-2
301	EnBW CZ spol. s.r.o., Prague/Czech Republic	5	100.00	473	213
302	EnBW Omega Achtundzwanzigste Verwaltungsgesellschaft mbH, Stuttgart		100.00	25	0
303	EnBW Omega Dreiundzwanzigste Verwaltungsgesellschaft mbH, Karlsruhe	5	100.00	25	0
304	EnBW Omega Elfte Verwaltungsgesellschaft mbH, Karlsruhe	5	100.00	55	-1
305	EnBW Omega Fünfundzwanzigste Verwaltungsgesellschaft mbH, Karlsruhe	5	100.00	25	0
306	EnBW Omega Sechsundzwanzigste Verwaltungsgesellschaft mbH, Stuttgart	5	100.00	25	0
307	EnBW Omega Siebenundzwanzigste Verwaltungsgesellschaft mbH, Stuttgart		100.00	25	0
308	EnBW Omega Siebzehnte Verwaltungsgesellschaft mbH, Karlsruhe	3, 5	100.00	25	-
309	EnBW Omega Vierundzwanzigste Verwaltungsgesellschaft mbH, Stuttgart	5	100.00	25	0
310	EnBW Omega Vierzehnte Verwaltungsgesellschaft mbH, Karlsruhe	3, 5	100.00	25	-
311	EnBW Real Estate GmbH, Obrigheim	5	100.00	45	9
312	KMS Verwaltungsgesellschaft mbH, Stuttgart	5	100.00	30	3
313	EBAG Omega Vierte Verwaltungsgesellschaft mbH, Stuttgart	3, 5	49.90	25	-
314	EBAG Omega Zweite Verwaltungsgesellschaft mbH, Stuttgart	3, 5	49.90	25	-
Associates					
315	EVN AG, Maria Enzersdorf/Austria	8	32.47	1,516,893	157,135
316	EWE Aktiengesellschaft, Oldenburg	5	26.00	2,270,200	100,000

		Footnote	Capital share[1] (%)	Equity[2] (in € thousands)	Earnings[2] (in € thousands)
Equity investments					
317	Wp Global Germany Private Equity L.P., Wilmington, Delaware/USA	9	100.00	-	-
318	Impulse L.P., St. Helier, Edinburgh/UK	9	99.87	-	-
319	Continuum Capital Limited Partnership, St Peter Port, Edinburgh/UK	9	98.00	-	-
320	Sirius EcoTech Fonds Düsseldorf GmbH & Co. KG., Düsseldorf	9	78.15	-	-
321	RWE - EnBW Magyaroszág Kft., Budapest/Hungary	5	30.00	995	59
322	E & G Bridge Equity Fonds GmbH & Co. KG, Munich	5, 8, 9	29.97	97,939	-
323	EDF Polska Spółka z ograniczoną odpowiedzialnością, Warsaw/Poland	5	25.00	5,409	-5,059
Investments in large corporations > 5 %					
325	Zespól Elektrocieplowni Wroclawskich Kogeneracja S.A. (ZEC), Wroclaw/Poland	5	15.59	205,769	23,900
326	MVV Energie AG, Mannheim	8	15.05	893,710	93,270

[1] Shares of the respective parent company calculated pursuant to Sec. 313 (2) HGB (as of 31 December 2010).
[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 entity to the consolidated financial statements. For financial statements in foreign currency, equity is translated at the mean rate on the reporting date, while earnings are translated at average annual rates.
[3] Profit and loss transfer agreement and/or domination agreement.
[4] Profit and loss transfer agreement with third parties.
[5] Prior-year figures.
[6] Preliminary figures.
[7] 49.0% of voting rights.
[8] Diverging fiscal year.
[9] Exemption pursuant to Sec. 313 (2) No 4 Sentences 3 and 4 HGB.
[10] Held via EnBW Borusan. Share in capital of the parent company, by analogy to the presentation of fully consolidated entities.
[11] Held via EnBW Eni Verwaltungsgesellschaft mbH, Karlsruhe (EnBW shareholding: 50%), which is fully consolidated by virtue of the casting vote regulation.
[12] Control due to contractual agreement.
[13] Joint control.
[14] Before taking treasury shares of the company into account.
[15] Majority of the voting rights.

Subsequent events

On 17 January 2011 the Supervisory Board of EnBW Energie Baden-Württemberg AG appointed Thomas Kusterer Chief Financial Officer (CFO) effective 1 April 2011 for a three-year term of office.

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, 4 February 2011

EnBW Energie Baden-Württemberg AG

Villis | Dr. Beck | Buchel

Audit opinion

We have audited the consolidated financial statements prepared by EnBW Energie Baden-Württemberg AG, Karlsruhe, comprising the income statement, the statement of comprehensive income, 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 combined management report of the company and the group, for the fiscal year from 1 January to 31 December 2010. The preparation of the consolidated financial statements and the combined 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 Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined 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). 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 combined 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 combined 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 entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the combined 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, 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 combined 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.

Mannheim, 8 February 2011

KPMG AG

Wirtschaftsprüfungsgesellschaft

Walter	Pfaff
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [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, 4 February 2011

EnBW Energie Baden-Württemberg AG

Villis   Dr. Beck   Buchel

VALUE ADDED DIVERSITY

EnBW invests in the maintenance, modernisation and expansion of the grids, as they are an integral part of our business.

A balanced business portfolio and profitable and sustainable growth are EnBW's objectives.

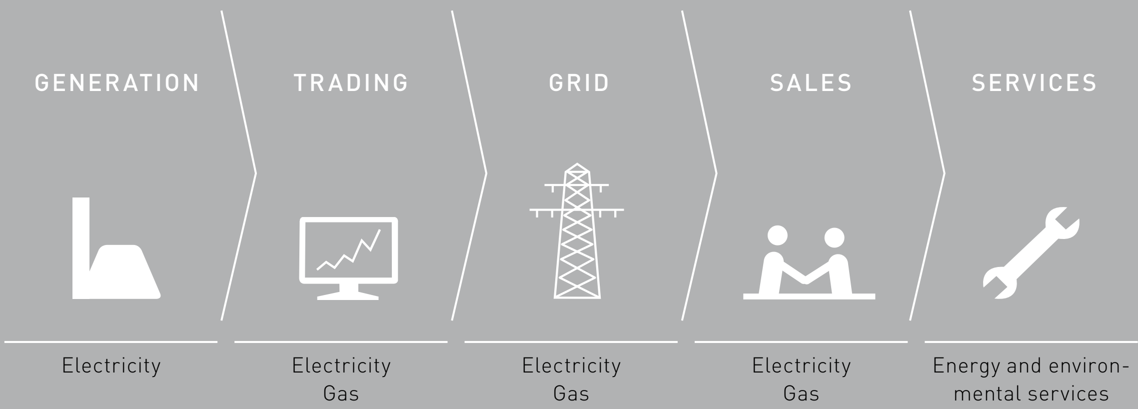
The electricity generation and trading segment comprises the value added stages of generation as well as trading and procurement. The electricity grid and sales segment comprises the value added stages of transmission, distribution and sales. In the gas segment, we operate in the midstream and downstream stages of the value added chain. With regard to generation, we champion a broad and balanced energy mix. In addition to reliable energy supplies we offer our customers innovative products and services.

We operate our own electricity grids in Baden-Württemberg and are one of the four transmission system operators in Germany. As such we are responsible for the safe operation, expansion and maintenance of the grids as well as for keeping the balance between generation and consumption. Network users pay a network user charge set by the Federal Network Agency. The transmission and distribution grids operated by EnBW and its subsidiaries span a total length of some 153,000 kilometres.

One of EnBW's most important fields of business is electricity trading, which we use to procure part of the electricity we provide.

Our contracting services in the area of energy and media supply are of particular interest to future-oriented industrial partners and municipalities. We also cover the entire value added chain in this field, extending from the initial needs analysis via planning, financing and realisation through to the operation, servicing and maintenance of the plants at the customer.

THE ENBW VALUE ADDED CHAIN



Dr. Thomas Gößmann, Chief Technical Officer at EnBW Regional AG

"The liberalisation of the electricity market has made managing the grids much more complex. EnBW's grids are particularly efficient. We have begun working on smart electricity grids at our 'Smart Grid' competence centre."

Corporate governance

Declaration of compliance and 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 value added. Observing the principles of the social market economy, EnBW's Board of Management and Supervisory Board make sure that the company is able to continue as a going concern and generate sustainable value added. EnBW is therefore in compliance with all recommendations of the German Corporate Governance Code as amended on 26 May 2010.

As in past years, Dr. Bernhard Beck, the corporate governance officer at the level of the Board of Management, monitored compliance at EnBW with the German Corporate Governance Code and reported extensively on current corporate governance issues to the Board of Management and the Supervisory Board. Both boards acknowledged his report and thereupon issued an unconditional declaration of compliance that is reprinted in full at the end of this report.

Board of Management and Supervisory Board

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.

The Board of Management that is currently made up of three persons manages the company jointly at its own responsibility. More information on the members of the Board of Management and the allocation of responsibilities on the board can be found on pages 14 and 15 of the annual report and in the "Management and supervision" section of the management report on pages 41 and 42 of the annual report. The Supervisory Board pays attention to diversity in the composition of the Board of Management. The aim is to ensure that women are appropriately taken into consideration in the appointment of new members of the Board of Management. Attention will therefore be paid to a corresponding selection of candidates.

The Board of Management is responsible for the strategic management of the EnBW group and its equity investments. Key aspects of the work on the Board of Management are set forth in the board's rules of procedure. They govern the regular weekly board meetings chaired by the CEO and stipulate that all issues of relevance for the management of the group and cross-functional matters be addressed at those meetings. In addition, the rules of procedure regulate that resolutions are taken by the Board of Management according to the majority principle, with the CEO casting the decisive vote in accordance with Art. 7 (2) of the articles of incorporation and bylaws in the event of a tie.

There is an age limit of 63 years for members of the Board of Management at EnBW. The members of EnBW's Board of Management did not sit on more than three supervisory boards of listed companies outside the group or supervisory bodies with comparable duties. EnBW thereby complies with the respective previous recommendation and also the revised recommendation of the code. There was again no conflict of interests regarding members of the Board of Management in the fiscal year 2010.

In appointments to management positions within the EnBW group, the Board of Management pays attention to diversity, specifically that women are appropriately taken into consideration. For EnBW diversity means the company respecting the different spheres and phases of our managers' lives, and seeing and promoting each individual as an asset to the company. Increasing the share of women in management positions has been defined as a strategic personnel objective of the group. In order to gradually increase the percentage of women at all management levels, attention is paid that suitable female candidates are taken into consideration in management selection processes. Further measures aimed at achieving this objective include providing encouragement and support for women, for instance by establishing women's networks. In addition to regular meetings, such networks extend to the exchange of experiences and specialist events. As part of this women's network, a mentoring programme is being launched for women aiming for a management career. There are also plans to join the

Femtec network, a unique organisation promoting cooperation throughout Germany between leading technical universities, top international companies and Femtec (Hochschulkarrierezentrum für Frauen Berlin GmbH, a university career centre for women). By encouraging female MINT students (mathematics, information technology, natural science and technology), EnBW would like to attract women to apply for management positions at an early stage in their careers.

The Supervisory Board has 20 members, and is made up of an equal number of shareholder and employee representatives. More information on the members of the Supervisory Board can be found on page 244 of the annual report and in the “Management and supervision” section of the management report on page 42 of the annual report.

In line with the dual management and control structure prescribed by the German Stock Corporations Act (AktG), 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. All members of the Supervisory Board generally have the same rights and duties and are not bound by orders or instructions. Key aspects of the work on the Supervisory Board are also set forth in rules of procedure. They provide for the Supervisory Board to be convened as necessary for meetings that are led by the chairman of the Supervisory Board. The members of the Board of Management attend the meetings, unless stipulated otherwise by the chairman of the Supervisory Board or the committee. The Board of Management keeps the Supervisory Board informed regularly, without delay and comprehensively, in accordance with the Supervisory Board’s rules of procedure, especially of any matters pursuant to Sec. 90 German Stock Corporations Act, all key financial indicators and risks of the company and the group as well as their development, of risk management, the internal control system, compliance and any other significant events. As a rule, the reports are issued in writing, but the Board of Management does also provide oral reports at the Supervisory Board meetings. The Supervisory Board’s rules of procedure specify certain transactions and measures that the Board of Management may only undertake subject to the approval of the Supervisory Board. With reference to the group the list ranges from the determination of the annual corporate planning as well as various transactions in the course of ordinary operations such as capital expenditures, financial transactions and important operational agreements to extraordinary activities such as investment transactions, which are subject to the approval of the Supervisory Board if they exceed certain thresholds. In addition, the Supervisory Board’s rules of procedure regulate that resolutions are taken according to the majority principle, with the chairman of the Supervisory Board casting the decisive vote in accordance with Art. 12 (4) of the articles of incorporation and bylaws in the event of a tie. At the request of the chairman of the Supervisory Board, resolutions may also be taken between meetings unless the majority of the Supervisory Board members object. The Supervisory Board provides detailed information about the focus of its work and deliberations in fiscal 2010 in its report to the annual general meeting on pages 8 to 13 of the annual report.

In the interest of enhancing the efficiency of its work and to deal with complex matters, the Supervisory Board has created committees with appropriately qualified members. There is a personnel committee, a finance and investment committee, a nomination committee, an audit committee, an ad hoc committee and the mediation committee required pursuant to Sec. 27 (3) German Co-determination Act (MitbestG). A list of the Supervisory Board committees and their members can be found on page 245 of the annual report. The chairman of a committee or a designated member reports to meetings of the full Supervisory Board on the resolutions, recommendations and conclusions reached by that committee. The Supervisory Board committees do not have any rules of procedure of their own; the rules contained in the Supervisory Board’s rules of procedure apply to them by analogy.

Until 9 December 2010, the audit committee was chaired by Dr. Daniel Camus who, as long-standing CFO of Electricité de France (EDF) and acknowledged finance expert, possesses specific knowledge and experience with the application of accounting principles and internal control systems. Since 4 February 2011, the audit committee has been chaired by Thomas Piquemal who, as the current CFO of Electricité de France (EDF) and former CFO of Veolia Environnement S.A., similarly possesses specific knowledge and experience with the application of accounting principles and internal control systems. Dr. Daniel Camus and Thomas Piquemal are both independent and neither is a former member of EnBW’s Board of Management. This means that EnBW complies with the relevant suggestion of the German Corporate Governance Code.

Once again in the reporting period, the Supervisory Board dealt with the independence criteria of the German Stock Corporation Act (AktG) and the German Corporate Governance Code. It reached the conclusion that these are satisfied as in the past. In addition, there were no consulting or other service agreements between members of the Supervisory Board and the company in the reporting year.

When proposing candidates for Supervisory Board members to the annual general meeting, the Supervisory Board makes sure that the candidates are as a rule no older than 70 at the time of their election. None of the members of EnBW's Supervisory Board – with the exception of Pierre Lederer – were previously on the Board of Management. The appointment of Pierre Lederer as member of the Supervisory Board was made at the proposal of the shareholder E.D.F. INTERNATIONAL SA, which holds 45.01% of the voting rights in EnBW. This means that it was not necessary to observe any waiting periods stipulated by stock corporation law.

The company provides appropriate support to the members of the Supervisory Board in the performance of their duties with the necessary training measures. For example, EnBW keeps them informed of current developments in the law and any other topics relevant to their work on the Supervisory Boards. Furthermore, the company provides newly appointed members with documents containing all important regulations relating to the work of the Supervisory Board and all material information on the company and the EnBW group.

Our actions are governed by compliance with the provisions of the law and regulations as well as voluntary principles and group policy, which makes an important contribution to the success of the company. 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. Further details are provided in the section below. It also gives an overview of relevant key corporate governance practices that go beyond the legal requirements and the recommendations and suggestions of the German Corporate Governance Code.

More information on the procedures of the Board of Management and of the Supervisory Board, including its committees, can be found in the "Management and supervision" section in the management report on pages 41 and 42 of the annual report, the report of the Supervisory Board on pages 8 to 13 of the annual report and also in Art. 7 to 13 and 19 of the company's articles of incorporation and bylaws that can be accessed on EnBW's website (www.enbw.com) under "Corporate governance" in the "Investors" section.

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 the Bord of 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.

Compliance

Compliance means adhering to legal requirements and corporate policies. As part of its strategy to prevent risks, EnBW's Board of Management realigned and intensified its activities relating to compliance at the beginning of 2009. Since then, the corporate compliance function has been responsible for group-wide measures, such as those aimed at preventing corruption, infringements of anti-trust law and breaches of confidentiality. In addition, interfaces to the internal audit function, the internal control system as well as the risk and crisis management function have been set up. A code of conduct to act as a basis and guideline for employees in the day-to-day work was approved in 2009. The group-wide compliance management guideline came into effect in the fiscal year 2010. It governs the structure and procedure of the compliance management system within the EnBW group and defines the roles, responsibilities and processes involved in the handling of compliance issues.

The compliance organisation within the EnBW group is structured as follows:

- Overall responsibility for compliance rests with the Board of Management of EnBW which is the highest instance for all questions and decisions.
- The corporate compliance function is in charge of refining the methodology underlying the compliance management system. The head of this function reports directly to the member of the holding company's

Board of Management responsible for personnel, law and IT. The Supervisory Board and the audit committee are informed about current compliance issues in regular reports.
- The compliance committee is an internal committee with an advisory capacity composed of the group's 16 key compliance functions – such as the legal, internal audit, environmental protection, safety and data protection functions. Its activities include investigating and assessing compliance infringements and elaborating recommendations for action. The committee also discusses new topics, addresses the implementation of uniform instruments and standardised processes and monitors the effectiveness of the compliance management system.
- Twelve compliance officers act as local contact persons at the group companies.

Most of the planned group-wide training on the introduction of EnBW's code of conduct took place in the fiscal year 2010. Virtually all members of the top management as well as upper and middle management levels underwent compliance training in 2009 and 2010. Seminars were held in 2010 for around 1,000 employees in particularly sensitive areas. Most employees participated in an e-learning programme on the intranet.

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 (amended in 2010). It further contains the disclosures required by German commercial law and the supplementary provisions of the German Act on the Appropriateness of Management Board Remuneration (VorstAG) 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

Based on a proposal of the personnel committee, 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 consists of three main components:

- **Fixed remuneration:** This comprises a fixed basic annual salary, of which only a part counts towards pension claims, as well as other remuneration and the minimum bonus (30% of the basic annual salary) agreed as part of the short-term incentive (STI).
- **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 and ROCE in addition to individual targets. The personnel committee performed a weighting of these targets at the beginning of the fiscal year. The STI may not exceed 200% of the average 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 average 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 2010 (prior-year figures in brackets):

Remuneration of the members of the Board Management in 2010

in €	Fixed remuneration		STI[2]	Variable remuneration	Fixed and variable remuneration	Long-term incentive (LTI)[1, 2]	Total
	Basic remuneration	Other remuneration[3]	Minimum bonus				
Hans-Peter Villis,	850,000	16,528	255,000	1,285,025	2,406,553	754,833	3,161,386
chairman	(812,500)	(21,483)	(243,750)	(1,134,438)	(2,212,171)	(935,333)	(3,147,504)
Dr. Bernhard Beck, LL.M.	500,000	48,364	150,000	750,500	1,448,864	425,127	1,873,991
	(500,000)	(3,230)	(150,000)	(668,000)	(1,321,230)	(472,317)	(1,793,547)
Christian Buchel	445,833	19,014	133,750	677,279	1,275,876	354,833	1,630,709
	(366,667)	(14,449)	(110,000)	(496,467)	(987,583)	(311,667)	(1,299,250)
Dr. Rudolf Schulten	88,306	19,778	129,452	-10,800	226,737	76,500	303,237
(until 11 March 2010)	(450,000)	(100,679)	(135,000)	(609,300)	(1,294,979)	(382,500)	(1,677,479)
Dr. Hans-Josef Zimmer	249,194	21,639	74,758	376,967	722,558	248,195	970,753
(until 20 July 2010)	(450,000)	(14,825)	(135,000)	(601,875)	(1,201,700)	(433,311)	(1,635,011)
Pierre Lederer, deputy	-	-	-	-	-	-	-
Chairman (until 31 January 2009)	(45,833)	(1,185)	(13,750)	(45,100)	(105,868)	(74,517)	(180,385)
Dr. h.c. Detlef Schmidt	-	-	-	-	-	-	-
(until 30 June 2008)	-	-	-	(-16,020)	(-16,020)	(33,575)	(17,555)
Total	**2,133,333**	**125,323**	**742,960**	**3,078,971**	**6,080,587**	**1,859,488**	**7,940,076**
	(2,625,000)	**(155,851)**	**(787,500)**	**(3,539,160)**	**(7,107,511)**	**(2,643,220)**	**(9,750,731)**

1 Since the data for the fiscal year 2010 were not yet available, it was assumed that the competition component would not lead to any changes in the LTI.
2 Differences between the amounts included in prior years and the actually agreed amounts are included in the total remuneration for 2010. If the actually agreed amounts are lower than the provisions set up in the prior year, this can produce negative amounts.
3 Other remuneration includes fringe benefits, specifically from company cars of € 106,181 (prior year: € 59,773) and from expense allowances of € 2,413 (prior year: € 11,078). For Dr. Rudolf Schulten, other remuneration includes a non-pensionable payment of € 16,679 (prior year: € 85,000).

Compensation agreed with the Board of Management in the event of termination of service

During their first term of office, members of the Board of Management are generally not entitled to retirement benefits or termination benefits. There is a special arrangement with Hans-Peter Villis for payment of a fixed amount of € 130 thousand p.a. already in his first term of office in the following three cases: upon reaching the age of 63, in the event that he becomes permanently disabled, or 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 retirement age is reached.

From the second term of office onwards, the pension entitlements from the age of 63 or in the event of permanent disability 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. Unless benefits have already become vested by operation of law, they become vested as of the second term of office. 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.

In the event that the contract with Dr. Bernhard Beck were terminated prematurely by EnBW AG, a two-year ban on competition has been arranged with Dr. Bernhard Beck. In return, Dr. Bernhard Beck is entitled to a waiting allowance during that period, amounting to 60% of his total remuneration. The total remuneration is the last basic annual remuneration plus the average variable remuneration of the last three years.

There are no termination benefit obligations in the event of premature termination of service on the Board of Management. 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 good cause do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the contract. The management board contracts do not include change-of-control clauses. In the event that service on the Board of Management is terminated prematurely on account of a change of control, it is agreed when signing or extending the management board contract that compensation or severance payments cannot exceed more than one-and-a-half times the above amount.

Should a member of the Board of Management be prevented from performing their duties on account of illness, accident or other reasons beyond their control for a not inconsiderable period of time, the member is entitled to continued payment of remuneration for a period of twelve months. If a member is prevented from performing their duties for more than twelve months, such member will be entitled to continued payment of the basic remuneration but no longer than until the end of the term of the service agreement. Diverging from this, Hans-Peter Villis is entitled to continued payment of his remuneration for a period of no longer than until the end of the contractual term of the service agreement. For the duration of continued payments, the members of the Board of Management assign to the company any claims against third parties to support payments to which they are entitled on account of the reason preventing them from performing their duties.

Dr. Rudolf Schulten resigned from the Board of Management by mutual agreement with the company for health reasons effective as of 11 March 2010. Dr. Rudolf Schulten received remuneration in line with the entitlements under his service agreement until his retirement from the Board. The cancellation agreement governs premature termination of the service agreement as of 28 February 2012. Should Dr. Rudolf Schulten return to work in the course of this period all income from such work will be offset. This means that Dr. Rudolf Schulten will receive payments of fixed remuneration of no more than € 2,050 thousand since his retirement from the Board of Management as settlement of his contractual entitlements. No retirement pension or survivor's pension was arranged with Dr. Rudolf Schulten.

Dr. Hans-Josef Zimmer resigned from his office as of 20 July 2010. His service agreement ends by mutual agreement at the end of 20 July 2010. As stipulated in the service agreement, the amount of his benefit entitlement is derived from his previous employment in the group to date. There are no further agreements relating to the termination of Dr. Hans-Josef Zimmer's work on the Board of Management.

The disclosures for the fiscal year 2010 concerning post-employment benefits (prior-year figures in brackets) are presented below. The presentation fulfils the additional requirements of Sec. 285 No. 9a German Commercial Code (HGB), which means it deviates from the presentation made in the prior year. The disclosures include vested benefit as of the end of the reporting period, the annual expenses for pension obligations and the defined benefit obligations vested as of the end of the reporting period (including pension commitments financed by the board members themselves by converting part of their salary). The valuation was changed to using the present value of the vested pension benefits as a basis. For better comparability, the prior-year annual expenses and the defined benefit obligations have been restated.

	Vested benefit as of 31 December 2010	Annual expenses for pension obligations (€)	Present value of the pension obligations (defined benefit obligation) (€)
Hans-Peter Villis, chairman	€ 130,000 (€ 130,000 €)	269,081 (230,152)	883,921 (527,963)
Dr. Bernhard Beck, LL.M.	55%[1] (52.5%)	297,476[2] (280,435)	3,075,633 (2,610,147)
Christian Buchel[3]	0 (0)	0 (0)	0 (0)
Dr. Hans-Josef Zimmer (until 20 July 2010)	23.25%[4] (22.5%)	54,424[5] (100,583)	879,786 (765,553)
Dr. Rudolf Schulten (until 11 March 2010)	0.0 (0.0)	0 0	0 0
Lederer Pierre, deputy chairman (until 31 January 2009)	- (55%)[6]	- (55,115)	- (2,245,362)

[1] Basis for entitlement as a per cent of the pensionable annual basic remuneration currently € 350,000.
[2] Including an addition to capital for pension benefits of € 31,749 (prior year: € 29,336). 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] Basis for entitlement as a per cent of the pensionable annual basic remuneration currently € 260,000.
[5] Including an addition to capital for pension benefits of € 8,387 (prior year: € 15,358). This is deferred compensation.
[6] Benefits vested as of 31 January 2009 as a per cent of the pensionable annual basic remuneration (€ 350,000).

Annual expenses for pension obligations include the service cost as well as interest cost. There are defined benefit obligations in accordance with IFRSs of € 4.0 million (prior year: € 3.9 million) for the current members of the Board of Management.

The benefits paid to former members of the Board of Management and their surviving dependants amounted to € 5.3 million (prior year: € 7.0 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 and their surviving dependants in accordance with IFRSs of € 52.1 million (prior year: € 49.1 million).

The advances to members of the Board of Management of € 0.3 million reported in the prior year were repaid in full in the reporting year. There were no advances or loans as of the end of the reporting year.

Outlook: new remuneration system

The personnel committee addressed the need for action on account of the changes to the German Stock Corporations Act (AktG) arising from the Act on Appropriateness of Management Board Remuneration (VorstAG) and the revision of the German Corporate Governance Code as amended on 18 June 2009. The review of the appropriateness of all remuneration components with regard to design, amount and structure revealed that board remuneration is customary for the market in a horizontal and vertical comparison. The only need for action identified relates exclusively to the structure of the board remuneration. The need for amendment essentially stems from the regulatory requirement to measure variable remuneration primarily against long-term criteria.

The new remuneration system, applicable to new appointments and reappointments, breaks down into the following components:

- **Fixed remuneration:** This comprises a fixed basic annual salary, of which only a part counts towards pension claims, as well as other remuneration.
- **Performance bonus:** The performance bonus depends on the extent to which annual targets were met. These include financial targets at group level measured using the performance indicators EBITDA and ROCE in addition to individual targets. The personnel committee performed a weighting of these targets at the beginning of the fiscal year. The performance bonus may not exceed 200% of the average fixed annual basic remuneration. The performance bonus is based on targets being reached over an overall period of three years: The share of the performance bonus for individual targets (30%) for the respective assessment year is paid out right away; the share of the performance bonus for corporate targets (70%) is divided into three. The first

third is likewise paid out immediately. The remaining two shares (deferral 1 and deferral 2) are adjusted to reflect the extent to which corporate targets are met in subsequent years. Interest of 3% per annum is paid on these shares, which are then paid out following ratification of the respective financial statements for subsequent year 1 and subsequent year 2.

- **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 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 average 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% in the LTI in relation to the absolute bonus amount determined by reference to the net equity value of the group. The payment is made after ratification of the annual financial statements, but not before three years' service on the Board of Management.

Remuneration of the Supervisory Board

The members of the Supervisory Board each receive fixed remuneration of € 15,000 payable at the end of a fiscal year in addition to reimbursement of their expenses for the entire fiscal year 2010 and for subsequent fiscal years. 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 capped, however, at € 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 Supervisory Board 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; however only 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 2010 (including attendance fees and remuneration for offices held in subsidiaries):

Remuneration of the members of the Supervisory Board of EnBW AG in 2010

in € (prior-year figures in brackets)	Fixed remuneration (incl. attendance fees)	Variable remuneration [1]	Board remuneration of subsidiaries	Total
Dr. Claus Dieter Hoffmann, chairman	54,000 (53,000)	40,000 (40,000)	0 (0)	94,000 (93,000)
Dietrich Herd, deputy chairman	43,500 (41,250)	30,000 (30,000)	19,600 (20,350)	93,100 (91,600)
Marc Boudier[2]	33,699 (34,500)	20,000 (20,000)	0 (0)	53,699 (54,500)
Dr. Daniel Camus[2]	30,397 (30,000)	20,000 (20,000)	0 (0)	50,397 (50,000)
Dirk Gaerte[3]	22,438 (19,000)	20,000 (20,000)	3,988 (0)	46,426 (39,000)
Josef Götz	34,000 (33,750)	20,000 (20,000)	5,603 (10,376)	59,603 (64,126)
Reiner Koch[4]	20,000 (21,000)	20,000 (20,000)	9,467 (8,750)	49,467 (49,750)
Marianne Kugler-Wendt[4]	26,250 (27,750)	20,000 (20,000)	14,000 (13,850)	60,250 (61,600)
Wolfgang Lang	26,000 (28,750)	20,000 (20,000)	9,500 (8,620)	55,500 (57,370)
Pierre Lederer[2] (since 8 June 2010)	9,808 (0)	20,000 (0)	0 (0)	29,808 (0)
Bodo Moray[4] (since 6 September 2010)	5,859 (0)	14,184 (0)	4,340 (0)	24,383 (0)
Thomas Piquemal[2] (since 8 June 2010)	10,363 (0)	20,000 (0)	0 (0)	30,363 (0)
Gérard Roth[2]	27,500 (26,500)	20,000 (20,000)	0 (0)	47,500 (46,500)
Klaus Schörnich[4]	20,000 (18,500)	20,000 (20,000)	14,175 (9,925)	54,175 (48,425)
Heinz Seiffert[3]	26,000 (27,500)	20,000 (20,000)	0 (0)	46,000 (47,500)
Gerhard Stratthaus	18,500 (18,500)	20,000 (20,000)	0 (0)	38,500 (38,500)
Laurent Stricker[2] (until 7 June 2010)	6,494 (17,000)	19,155 (20,000)	0 (0)	25,649 (37,000)
Werner Vorderwülbecke[4] (until 18 June 2010)	12,010 (30,250)	20,000 (20,000)	9,766 (21,820)	41,776 (72,070)
Christoph Walther	26,000 (28,750)	20,000 (20,000)	0 (10,365)	46,000 (59,115)
Dietmar Weber	26,500 (27,250)	20,000 (20,000)	10,700 (9,650)	57,200 (56,900)
Kurt Widmaier[3]	29,000 (30,500)	20,000 (20,000)	0 (0)	49,000 (50,500)
Dr. Ing. Gérard Wolf[2] (until 7 June 2010)	6,994 (19,000)	19,155 (20,000)	0 (0)	26,149 (39,000)
Dr. Bernd-Michael Zinow	32,938 (30,250)	20,000 (20,000)	6,400 (4,190)	59,338 (54,440)
Total	**548,250 (563,000)**	**482,494 (430,000)**	**107,539 (117,896)**	**1,138,283 (1,110,896)**

1 The variable remuneration for the fiscal year 2010 is not paid out until the annual general meeting has passed a resolution on exoneration of the members of the Supervisory Board in fiscal 2011.
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 ver.di trade union and the German Federation of Trade Unions (DGB) on the transfer of supervisory board remuneration, the remuneration is transferred to the Hans-Böckler-Stiftung foundation and ver.di GewerkschaftsPolitische Bildung gGmbH.

The above disclosures include attendance fees of the members of the Supervisory Board amounting to € 145,750 in the fixed remuneration (prior year: € 160,500) and attendance fees totalling € 26,075 in the board remuneration of subsidiaries (prior year: € 28,624).

No other remuneration or benefits for services rendered personally, in particular consulting or mediation services, were paid to members of the Supervisory Board. Nor did they 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. Since 1 July 2010, the deductible for D&O insurance for members of the Board of Management and Supervisory Board has been 10% of the claims, but no more than one-and-a-half times the fixed annual compensation.

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 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. No ad hoc announcements were published in the fiscal year 2010.

EnBW did not receive any notices on directors' dealings in fiscal 2010 from persons in managerial positions or persons closely related to them on transactions with EnBW shares or related financial instruments. There were similarly no reportable 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 (IFRSs). After the annual general meeting elected KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as independent auditor for the separate financial statements and the consolidated financial statements for the fiscal year 2010, and as independent auditor for the review of the condensed financial statements and interim management report 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 and examined the additional services rendered by it.

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 10 December 2009, 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 18 June 2009 and published in the electronic German Federal Gazette ("elektronischer Bundesanzeiger") and will continue to comply with the recommendations as amended on 26 May 2010 in future with the following exception:

No. 5.4.1 (2) and (3) of the code: The Supervisory Board should stipulate concrete targets with regard to its own composition that, while taking account of the company's current situation, reflect the international operations of the group, potential conflicts of interest, an age limit for Supervisory Board members and diversity and provide for appropriate participation of women. Nominations by the Supervisory Board to the bodies responsible for electing candidates should take these targets into account. The Supervisory Board's targets and the extent to which they have been implemented are to be published in the corporate governance report.

On 6 December 2010, E.D.F INTERNATIONAL SA (EDF) concluded an agreement with an entity wholly owned by the federal state of Baden-Württemberg on the purchase of the shares in EnBW Energie Baden-Württemberg AG previously held by EDF of around 45% of the capital stock. The bidding entity of which the federal state of Baden-Württemberg is the sole shareholder will make a voluntary public takeover offer to the remaining shareholders of EnBW Baden-Württemberg AG.

The Supervisory Board welcomes the recommendation of the code to stipulate targets for the composition of the Supervisory Board. In light of the upcoming change in one of the main shareholders, the Supervisory Board is of the opinion, however, that it is currently not appropriate to set concrete targets for the composition of the Supervisory Board. This should be debated in the newly formed Supervisory Board.

Comments on the suggestions of the German 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:

No. 2.3.4 of the code: Transmission of the annual general meeting via modern communication media. EnBW transmits the annual general meeting in accordance with common practice until the end of the report of the CEO via the internet. In view of the small free float of the EnBW share and the fact that a large number EnBW's 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, 23 February 2011
EnBW Energie Baden-Württemberg AG

The Board of Management　　　The Supervisory Board

Supervisory Board

Members

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

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

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

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

Dirk Gaerte, Sigmaringendorf
District administrator of the
Sigmaringen district

Josef Götz, Stuttgart
Officer with special responsibilities
at EnBW Regional AG

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

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

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

Pierre Lederer, Paris
Group Senior Executive Vice President,
Customers, Optimisation, Trading for
Continental Europe at Electricité de
France SA
Member since 8 June 2010

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

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

Bodo Moray, Mannheim
ver.di trade union secretary
responsible for supply and waste
disposal divisions in Baden-
Württemberg
Member since 6 September 2010

Thomas Piquemal, Paris
Group Senior Executive Vice President,
Finance at Electricité de France SA
Member since 8 June 2010

Gérard Roth, Bois d'Arcy
Director for Germany
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 until 7 June 2010

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

Christoph Walther, Langebrück
Deputy chairman of the works council
of ENSO Energie Sachsen Ost AG

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

Kurt Widmaier, Ravensburg
District administrator
of the Ravensburg district

Dr.-Ing. Gérard Wolf, Paris
Senior Executive Vice President
reporting to the Group Senior Executive
Vice President, Strategy and
International Activities
at Electricité de France SA
Member until 7 June 2010

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

As of 4 February 2011

Committees

Personnel committee

- **Dr. Claus Dieter Hoffmann**
  Chairman
- **Marc Boudier**
  (until 9 December 2010)
- **Josef Götz**
- **Dietrich Herd**
- **Gérard Roth**
  (since 9 December 2010)

Finance and investment committee

- **Dr. Claus Dieter Hoffmann**
  Chairman
- **Marc Boudier**
  (until 9 December 2010)
- **Dr. Daniel Camus**
  (until 23 September 2010)
- **Josef Götz**
- **Dietrich Herd**
- **Bodo Moray**
  (since 9 December 2010)
- **Thomas Piquemal**
  (since 23 September 2010)
- **Gérard Roth**
  (since 9 December 2010)
- **Werner Vorderwülbecke**
  (until 18 June 2010)
- **Kurt Widmaier**
- **Dr. Bernd-Michael Zinow**

Audit committee

- **Thomas Piquemal**
  (since 9 December 2010)
  Chairman since 4 February 2011
- **Dr. Daniel Camus**
  Chairman
  (until 9 December 2010)
- **Marc Boudier**
  (until 9 December 2010)
- **Marianne Kugler-Wendt**
- **Wolfgang Lang**
- **Gérard Roth**
  (since 9 December 2010)
- **Heinz Seiffert**
- **Christoph Walther**
- **Dietmar Weber**
- **Kurt Widmaier**

Nomination committee

- **Dr. Claus Dieter Hoffmann**
  Chairman
- **Marc Boudier**
  (until 9 December 2010)
- **Dr. Daniel Camus**
  (until 9 December 2010)
- **Pierre Lederer**
  (since 9 December 2010)
- **Thomas Piquemal**
  (since 9 December 2010)
- **Gérard Roth**
- **Heinz Seiffert**
- **Kurt Widmaier**

Ad hoc committee (since 7 June 2010)

- **Dr. Bernd Michael Zinow**
  Chairman
- **Gérard Roth**
  Deputy chairman
- **Dirk Gaerte**
- **Dietrich Herd**

Mediation committee (committee pursuant to Sec. 27 (3) German Co-determination Act (MitbestG))

- **Dr. Claus Dieter Hoffmann**
  Chairman
- **Marc Boudier**
  (until 9 December 2010)
- **Dietrich Herd**
- **Gérard Roth**
  (since 9 December 2010)
- **Klaus Schörnich**

As of 4 February 2011

Offices held by members of the Board of Management

Hans-Peter Villis

- ■ DREWAG – Stadtwerke Dresden GmbH (until 31 March 2010)
- ■ EnBW Vertrieb GmbH (member and chairman until 14 October 2010)
- ■ ENSO Energie Sachsen Ost AG (member and chairman until 31 March 2010)
- ■ EVN AG
- ■ EWE Aktiengesellschaft
- ■ Gasversorgung Süddeutschland GmbH (chairman)
- ■ GESO Beteiligungs- und Beratungs-AG (member and chairman until 31 March 2010)
- ■ Stadtwerke Düsseldorf AG (chairman)
- □ Pražská energetika a.s. (since 15 October 2010)

Dr. Bernhard Beck

- ■ EnBW Beteiligungen AG (member and chairman until 15 June 2010)
- ■ EnBW Kraftwerke AG (member and chairman since 11 August 2010)
- ■ EnBW Kernkraft GmbH (member since 29 July 2010, chairman since 11 August 2010)
- ■ EnBW Operations GmbH (since 16 November 2010)
- ■ EnBW Systeme Infrastruktur Support GmbH (chairman)
- ■ EnBW Technische Dienste und kaufmännische Leistungen GmbH (chairman)
- ■ EnBW Vertrieb GmbH
- ■ Energiedienst AG
- ■ ENSO Energie Sachsen Ost AG (until 31 March 2010)
- ■ GESO Beteiligungs- und Beratungs-AG (until 31 March 2010)
- ■ SOMENTEC Software AG (chairman)
- ■ Stadtwerke Düsseldorf AG
- □ BKK VerbundPlus, Körperschaft des öffentlichen Rechts
- □ EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (chairman)
- □ Energiedienst Holding AG
- □ Teweratio GmbH (chairman)

Christian Buchel

- ■ EnBW Kraftwerke AG (until 31 January 2010)
- ■ EnBW Operations GmbH (chairman since 16 November 2010)
- ■ EnBW Regional AG (chairman)
- ■ EnBW Transportnetze AG (chairman)
- ■ EnBW Vertrieb GmbH (chairman)
- ■ Energiedienst AG
- ■ Gasversorgung Süddeutschland GmbH
- □ EnBW Energy Solutions GmbH (chairman)
- □ EnBW Gas GmbH (member and chairman until 31 July 2010)
- □ EnBW Trading GmbH (chairman)
- □ Energiedienst Holding AG

Dr. Rudolf Schulten
(Member of the Board of Management until 11 March 2010)

- ■ EnBW Kraftwerke AG (until 31 January 2010)
- ■ EnBW Regional AG (until 17 March 2010)
- ■ EnBW Systeme Infrastruktur Support GmbH (until 11 April 2010)
- ■ EnBW Transportnetze AG (until 15 February 2010)
- ■ EnBW Vertriebs- und Servicegesellschaft mbH (until 28 February 2010)
- ■ Stadtwerke Düsseldorf AG (until 31 January 2010)
- □ EnBW Trading GmbH (until 25 March 2010)

Dr. Hans-Josef Zimmer
(Member of the Board of Management until 20 July 2010)

- ■ EnBW Kernkraft GmbH (member and chairman until 20 July 2010)
- ■ EnBW Kraftwerke AG (member and chairman until 20 July 2010)
- ■ Energiedienst AG (until 25 March 2010)
- ■ EWE Aktiengesellschaft
- ■ Stadtwerke Düsseldorf AG (until 31 January 2010)
- □ EnBW Trading GmbH (until 31 January 2010)
- □ Energiedienst Holding AG (until 25 March 2010)
- □ Gesellschaft für Nuklear-Service mbH

■ Membership in statutory supervisory boards.
□ Membership in comparable domestic and foreign control bodies of business organisations.

Disclosures of office holders pursuant to Sec. 285 No 10 HGB

As of 4 February 2011

Other offices held by members of the Supervisory Board

Dr. Claus Dieter Hoffmann
(chairman)
- □ C. A. Leuze GmbH + Co. KG
- □ De Boer Holding NV
- □ ING Group NV

Dietrich Herd
(deputy chairman)
- ■ EnBW Kernkraft GmbH
- ■ EnBW Kraftwerke AG
- □ BKK VerbundPlus, Körperschaft des öffentlichen Rechts (until 28 January 2010)

Marc Boudier (until 16 January 2011)
- □ ALPIQ Holding AG
- □ EDF Belgium SA (chairman)
- □ E.D.F. INTERNATIONAL SA (until 10 January 2011)
- □ EDF Peninsula Ibérica SLU (chairman)
- □ Edison SpA (until 14 January 2011)
- □ S.P.E. SA
- □ SPE POWER Co SA
- □ Transalpina di Energia SRL (until 14 January 2011)

Dr. Daniel Camus (until 9 January 2011)
- ■ Morphosys AG
- ■ SGL Carbon AG
- □ Constellation Energy Group Inc. (3 April 2010 until 21 October 2010)
- □ Dalkia SAS (until 28 July 2010)
- □ EDF Energies Nouvelles SA (from 15 April 2010 until 16 December 2010)
- □ EDF Energy UK Limited
- □ E.D.F. INTERNATIONAL SA (chairman until 3 December 2010)
- □ Valeo SA
- □ Vivendi SA (since 29 April 2010)

Dirk Gaerte
- ■ GVV Privatversicherung AG
- ■ Hohenzollerische Landesbahn AG
- ■ SV Lebensversicherung AG (since 25 June 2010)
- ■ Wirtschaftsförderungs- und Standortmarketinggesellschaft Landkreis Sigmaringen GmbH (since 22 February 2010) (chairman)
- □ Erdgas Südwest GmbH (chairman)
- □ 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
- □ Sparkassenverband Baden-Württemberg , Körperschaft des öffentlichen Rechts
- □ Verkehrsverbund Neckar-Donau (Naldo) GmbH
- □ Zweckverband Oberschwäbische Elektrizitätswerke
- □ Zweckverband Thermische Abfallverwertung Donautal
- □ Zweckverband Tierkörperbeseitigung Warthausen
- □ Zweckverband Protec Orsingen

Josef Götz
- ■ EnBW Regional AG (until 30 June 2010)
- □ Zweckverband Bodensee-Wasserversorgung (until 30 June 2010)

Reiner Koch
- ■ Stadtwerke Düsseldorf AG
- ■ EnBW Operations GmbH (since 16 November 2010)

Marianne Kugler-Wendt
- ■ Bausparkasse Schwäbisch-Hall AG
- ■ EnBW Kernkraft GmbH
- ■ EnBW Kraftwerke AG
- ■ SLK-Kliniken Heilbronn GmbH
- □ Heilbronner Versorgungs GmbH
- □ Regionale Gesundheitsholding Heilbronn-Franken GmbH
- □ Stadtwerke Heilbronn GmbH

Marianne Laigneau (since 12 January 2011)
- □ EDF Energy Holdings Limited
- □ EDF Trading Limited
- □ ERDF SA

Wolfgang Lang
- ■ EnBW Systeme Infrastruktur Support GmbH
- □ EnBW Akademie Gesellschaft für Personal- und Management-entwicklung mbH

Pierre Lederer (since 8 June 2010)
- □ EDF Energy Holdings Limited (since 23 December 2010)
- □ EDF Trading Limited (chairman)
- □ Fondation EDF Diversiterre (since 18 June 2010)

Serge Massart (since 17 January 2011)
- ■ EnBW Kernkraft GmbH
- □ British Energy Group p.l.c.

Bodo Moray (since 6 September 2010)
- ■ EnBW Kraftwerke AG
- ■ EnBW Regional AG

Thomas Piquemal (since 8 June 2010)
- □ EDF Energy Holdings Limited
- □ EDF Energy UK Limited
- □ EDF Energies Nouvelles SA
- □ ERDF SA
- □ Edison SpA (since 29 June 2010)
- □ F. Marc de Lacharrière SA (FIMALAC)
- □ RTE EDF Transport SA (since 31 August 2010)
- □ Transalpina di Energia SRL (since 29 June 2010)

Gérard Roth
- □ EDF Gaz Deutschland GmbH
- □ Elektrownia Rybnik SA
- □ Friedeburger Speicherbetriebs-gesellschaft mbH Crystal
- □ (until 4 November 2010)

Klaus Schörnich
- ■ Awista GmbH
- ■ 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)
- □ Zentrum für Europäische Wirtschaftsforschung GmbH (chairman)

Laurent Stricker (until 7 June 2010)
- □ Groupe Ortec
- □ World Association of Nuclear Operators

Werner Vorderwülbecke (until 18 June 2010)
- ■ EnBW Kraftwerke AG (until 17 June 2010)
- ■ EnBW Regional AG (until 17 June 2010)
- ■ EnBW Vertriebs- und Servicegesellschaft mbH (until 18 June 2010)

Christoph Walther
- ■ ENSO Energie Sachsen Ost AG

Dietmar Weber
- ■ EnBW Vertriebs- und Servicegesellschaft mbH (until 25 October 2010)
- ■ EnBW Operations GmbH (since 9 November 2010)
- □ EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (until 30 September 2010)

Kurt Widmaier
- ■ Oberschwaben Klinik GmbH (chairman)
- □ Bodensee-Oberschwaben-Bahn GmbH & Co. KG
- □ Bodensee-Oberschwaben Verkehrsverbundgesellschaft mbH
- □ Kreissparkasse Ravensburg (chairman)
- □ Landesbank Baden-Württemberg, Anstalt des öffentlichen Rechts (until 7 November 2010)
- □ 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 (until 7 June 2010)
- □ Dalkia International SA
- □ Dalkia SAS
- □ EDF Energy Holdings Limited
- □ EDF INTERNATIONAL SA
- □ EDF Trading Limited
- □ Edison SpA
- □ Transalpina di Energia SRL

Dr. Bernd-Michael Zinow
- ■ EnBW Kernkraft GmbH
- ■ EnBW Transportnetze AG

■ Membership in other statutory supervisory boards.
□ Membership in comparable domestic and foreign control bodies of business organisations.

As of 4 February 2011


EnBW
Strom tanken –

DIVERSE RANGE OF PRODUCTS

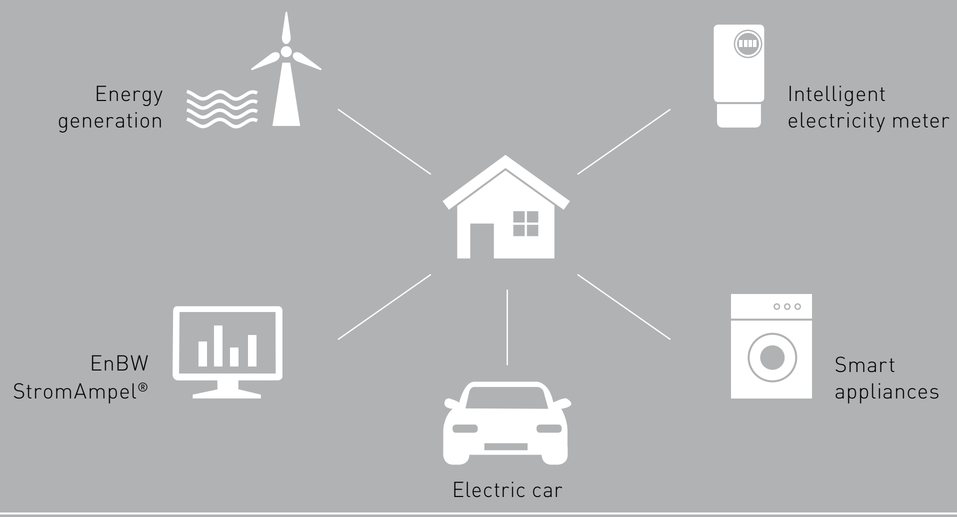
For EnBW, e-mobility is an investment in the future. We are pushing ahead with developments together with customers and partners.

New requirements and innovative technologies open up further markets to EnBW and the possibility of establishing new business models.

Working in cooperation with partners, EnBW is carrying out research into providing energy for emission-free, individual mobility. For this purpose, some 500 people have been testing e-bikes on the roads in and around Stuttgart since summer 2010. The objective of the project is to provide fundamental data on future network usage, infrastructure, charging stations and payment systems.

New, lighter, more powerful and less expensive batteries would make electric vehicles even more attractive. For this reason, we are participating in research projects such as HE-Lion, relating to the further development of lithium ion batteries, or projects involving propulsion powered by fuel cells or using hydrogen as a fuel. The objective of the MeRegio (Minimum Emission Region) project is to link up electricity generation, feed-in and distribution as well as its consumers in a smart system – to the advantage of all concerned. It permits energy suppliers to better plan electricity production and match production to demand as well as managing demand. It also enables customers to save money, for example by switching on their washing machines at a time when electricity is cheaper. This promotes the efficient use of energy and reduces CO_2 emissions. The central communication unit between consumption point and energy supplier is EnBW's intelligent electricity meter that was provided to all test households. We intend to influence consumer behaviour by applying a supply-demand pattern. EnBW StromAmpel®, a little display which receives price information from a radio signal available throughout Germany, shows when electricity is cheapest. This is one of the reasons why EnBW is also investing heavily in the expansion of existing hydro-electric power stations and offshore wind farms in order to provide sufficient amounts of renewable energies for electromobility and Minimum Emission Regions.

THE SMART ELECTRICITY GRID



Friederike Hoch, an "e-biker"

"An e-bike is an excellent means of transport in the city: quick and manoeuvrable, no noise and no emissions. And 'filling up' is also no problem."

Service

Glossary

Balancing energy
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 zone
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 TNOs makes a contribution to keeping total demand for balancing energy to a minimum.

Base
Base load product. Constant purchase/supply throughout the period.

Carbonate looping
Method of capturing carbon dioxide from power station flue gases. Lime is used to bind carbon dioxide. It is an interesting alternative to other methods as it requires a comparatively low amount of energy.

CCS – Carbon dioxide capture and storage
Technology for capturing and storing carbon dioxide; expected by many players to make a considerable contribution to climate protection.

CDM – Clean development mechanism
Instrument from the Kyoto Protocol that uses cost-effective, efficient measures to limit the growth-driven increase in emissions of greenhouse gases in emerging and developing 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
Certified emission reductions from → CDM projects. Investors from industrialised countries generate these in developing countries with CDM emission reduction projects pursuant to the Kyoto Protocol. 1 CER corresponds to 1 t of CO_2.

CHP – Combined heat and power
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.

CO_2 emission allowances
CO_2 allowances have been traded on the Leipzig electricity exchange since 2005. Purchasing one CO_2 certificate entitles a company to emit 1 t of CO_2 → emissions trading

Commodity
Designation of goods such as electricity, gas, coal or CO_2 allowances.

Compliance
Covers all organisational measures aimed at ensuring compliance with legal requirements and company policies in the most important divisions and processes in order to avoid negative consequences for the company and its employees as a result of any irregularities.

Contracting
Outsourcing, for a specific period and for a specific area, of tasks relating to the provision and supply of energy to a 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) as a rule include 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 benefits through optimisation processes.

Contra-directional (non-harmonised) use of balancing energy
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.

Derivatives
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 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.

Downstream
Designates business activities in connection with distribution, sales and marketing of natural gas.

EEX – European Energy Exchange
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
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.

Electromobility
Refers to the use of electric vehicles for passenger and goods transportation. The German federal government adopted a National Electromobility Development Plan in August 2009 with the aim of speeding up research and development into battery-powered electric vehicles and their market preparation and launch in Germany. EnBW participation in this initiative includes the → MeRegio mobile project.

Emissions trading
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 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
Standardised documentation platform for the issue of medium to long-term bonds on the euro capital market.

EUA – EU Allowance
Smallest trading unit in → emissions trading in the EU. 1 EUA corresponds to 1 t of CO_2.

Flue gas cleaning
Extensive reduction in the substances such as nitrous oxide, dust and sulphur oxide created in flue gas 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
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.

Fuel switch
Switching to lower CO_2-emitting generation methods.

Grid loss energy
When electricity is transmitted through an electricity grid, energy is physically lost, for instance, through Joule heat or transformer losses. The quantity of energy to cover these losses is referred to as energy to cover grid losses.

Human capital
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.

IETA – International Emissions Trading Association
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 social equity on the other.

ISDA – International Swaps and Derivatives Association
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.

Joint implementation
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).

LNG – Liquefied Natural Gas
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.

MeRegio/MeRegio mobile
MeRegio stands for Minimum Emission Region – a region that makes the use of energy more efficient and reduces CO_2 emissions. MeRegio is a joint project of EnBW, ABB, IBM, SAP, Systemplan GmbH and KIT (Karlsruhe Institute of Technology) and is sponsored by the Federal Ministry of Economics and Technology as one of six E-Energy model projects. The aim of the MeRegio mobile project is to develop and build up extensive infrastructure in Baden-Württemberg for the use of electric vehicles (→ electromobility). On behalf of the Federal Ministry of Economics, EnBW in its role as project lead will install some 500 public charging points, developed in cooperation with Bosch, in the Karlsruhe/Stuttgart region.

Midstream
Designates business activities in connection with the import, trade and storage of natural gas.

Nuclear fuel rod tax
The nuclear fuel rod tax will be imposed from 2011 to 2016 at a tax rate of € 145/g nuclear fuel employed. According to the government's coalition agreement, the anticipated revenue of € 2.3 billion will be used to consolidate the federal budget. Energy companies may deduct this levy for tax purposes.

Offshore wind power
Exploiting wind power at sea. Electricity from offshore wind power facilities 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.

OTC trading
Over the counter trading.

Peak
Peak load product. In Germany, this refers to purchase/supply Monday to Friday, 8 a.m. to 8 p.m.

Relationship capital
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, politicians, trade unions, professional associations, conservation and nature protection associations, the general public and the press).

Smart grid
Refers to a network that uses information technology to monitor and optimise operation of its interconnected elements – from electricity generators through transmission networks and distribution systems, to energy storage installations and end-use consumers. The aim is to optimise energy supplies in an efficient, reliable and cost-effective system.

Smart home
Refers to solutions in private households using devices, systems and technologies to enhance energy efficiency, convenience and user friendliness, economic feasibility, flexibility and security.

Structural capital
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
The ownership unbundling required under the 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 power companies.

Our locations

The major locations of the EnBW group and a large number of our power stations, distribution plants, regional and district centres as well as sales offices are spread over the whole of Baden-Württemberg. We also have sales offices throughout Germany. In addition, EnBW has shareholdings in companies in Germany, Switzerland, Austria, Hungary, the Czech Republic, Poland and Turkey.

EUROPE

Wroclaw (Kogeneracja)
Rybnik (ERSA)

Prague (PRE)

Maria Enzersdorf (EVN)
Bregenz (VIW)
Sellrain-Silz (TIWAG)

Laufenburg (ED)
Visp (EnAlpin)

Budapest (ELMÜ)
Miskolc (EMASZ)
Visonta (MATRA)

Istanbul (Borusan EnBW Enerji)

GERMANY

Onshore or offshore wind farm

Onshore or offshore wind farm at the planning or construction stage

Photovoltaic plants

Conventional power station operated by EnBW

Conventional power station including biomass plants (investments, purchase or supply agreements)

Nuclear power plant operated by EnBW

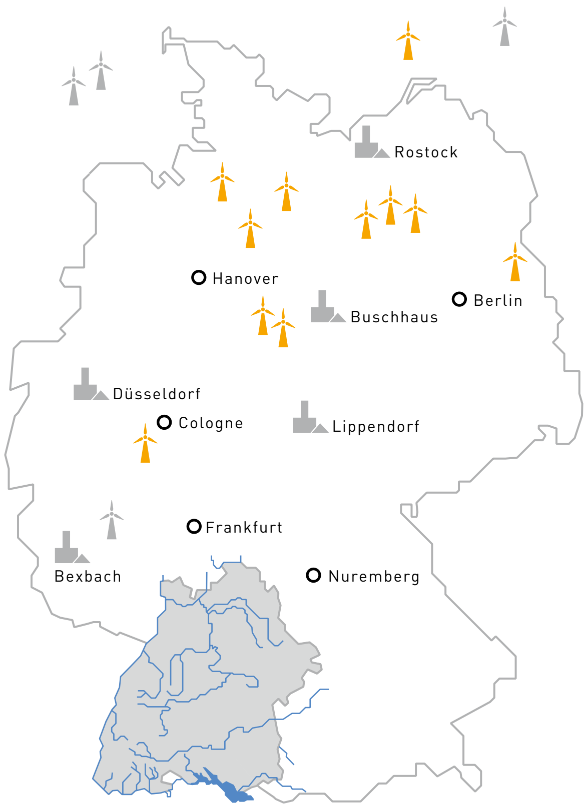
Hydro-electric power station operated by EnBW

Hydro-electric power station (investments, purchase or supply agreements)[1]

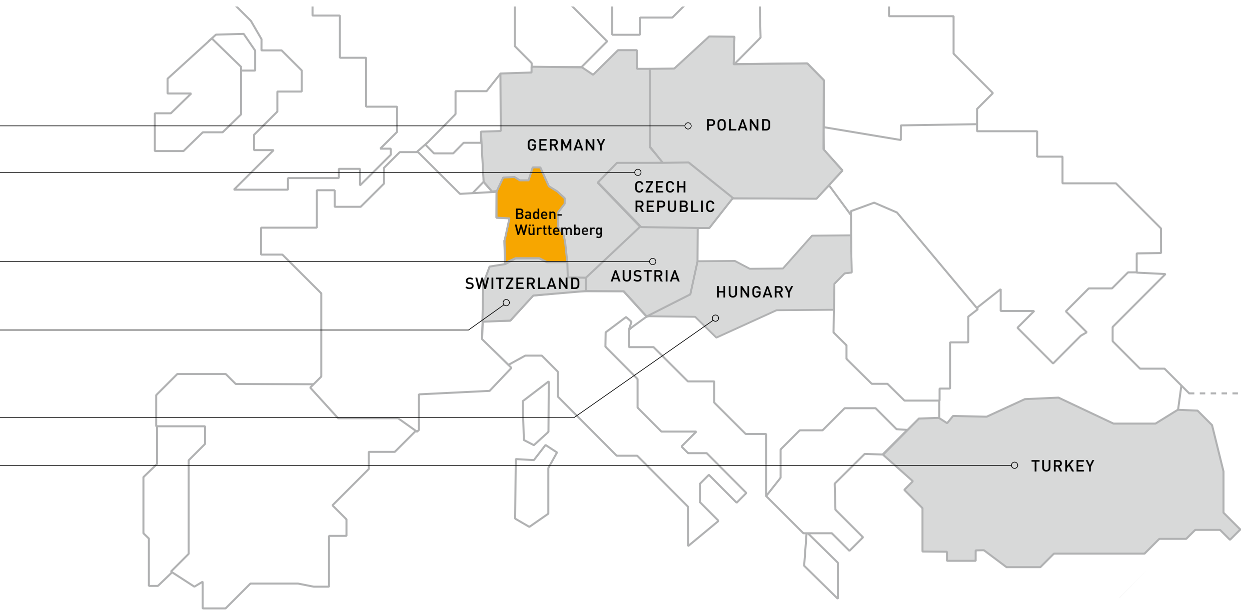
Regional centre and sales office

Sales office

Regional centre



[1] EnBW operates some 80 hydro-electric power stations and numerous other renewable energy facilities. We have therefore only presented some of the major locations.



BADEN-WÜRTTEMBERG

[2] Operations ceased on 11 May 2005 as a result of the nuclear energy agreement.

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	%
Recognised net financial liabilities[3]	€ millions
Cash flow	
Cash flow from operating activities	€ millions
Capital expenditures on intangible assets and property, plant and equipment	€ millions
Free cash flow	€ millions
Profitability	
ROCE[2]	%
Value added[2]	€ millions
Capital market	
Dividend per share	€
Distribution	€ millions
Market capitalisation[5]	€ billions
Electricity	
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	€ millions
Gas	
Gas sales, retail customers (B2C)	billions of kWh
Gas sales, industry and redistributors (B2B)	billions of kWh
Revenue	€ millions
EBIT	€ millions
Energy and environmental services	
Revenue	€ millions
EBIT	€ millions
Energy generated[6] by the EnBW group in its core business by primary source of energy[2]	
Conventional energy	%
Nuclear power	%
Renewable energies[7]	%
Other	%
Employees	
Annual average number of employees in the EnBW group[8]	Number
Personnel expenses	€ millions

[1] In relation to the profit shares attributable to the equity holders of EnBW AG.
[2] The 2009 figures have been restated.
[3] Without cash and cash equivalents of the special funds and short-term investments to cover the pension and nuclear power provisions.
[4] As proposed to the annual general meeting.
[5] Number of shares outstanding at the end of the fiscal year multiplied by the closing price.

	2010	2009	2008	2007	2006
	17,509	15,564	16,305	14,712	12,860
	3,280	2,748	2,540	2,336	2,274
	2,117	1,889	1,468	1,559	1,451
	1,171	768	879	1,364	1,002
	4.79	3.15	3.60	5.58	4.10
	25,342	23,191	20,267	20,753	20,903
	35,240	34,639	32,759	28,436	28,148
	7,618	6,408	5,592	6,002	4,492
	21.6	18.5	17.1	21.1	16.0
	5,641	5,812	2,951	2,952	3,593
	2,561	2,443	1,524	1,559	1,467
	1,625	1,309	1,257	816	630
	1,060	1,292	405	853	1,027
	14.5	15.5	17.1	16.2	16.9
	832	841	963	828	815
	1.53[4]	1.53	2.01	1.51	1.14
	374[4]	374	491	369	279
	10.0	9.8	9.2	14.7	12.3
	21	22	23	22	23
	48	51	61	62	56
	78	47	46	55	40
	15,010	12,389	12,736	11,540	9,509
	2,032	1,794	1,540	1,378	1,473
	12	12	13	12	11
	42	54	57	63	73
	1,788	2,453	2,881	2,479	2,758
	79	151	-50	172	223
	711	722	688	693	593
	96	87	86	132	-128
	34	29	28	30	28
	51	55	57	54	56
	11	11	11	10	10
	4	5	4	6	6
	20,450	20,914	20,357	20,499	20,259
	1,670	1,618	1,480	1,476	1,368

[6] Own generation includes long-term procurement agreements and generation from partly owned power stations.
[7] By analogy to the disclosure pursuant to Sec. 42 German Energy Industry Act (EnWG).
[8] Number of employees without apprentices and without inactive employees.

Top issues 2010

January – March

More power station capacity

A total of 1,215 MW of installed power station capacity is transferred to EnBW with economic effect as of 1 January 2010. The development of its generation capacities is one of EnBW's most important strategic objectives.

New energy efficiency network

Eleven industrial companies in Berlin and Brandenburg establish an energy efficiency network with EnBW. The aim is to sustainably reduce their consumption over the next four years through more efficient use of energy. It is the 13th network of its kind.

April – June

Leibertingen solar farm commissioned

EnBW increases its involvement in photovoltaics by commissioning its first large solar farm with an output of 2.1 MW. Its annual electricity production of around 2.1 million kWh is enough to supply some 600 households with electricity.

Twelve biogas facilities acquired

EnBW signs a master purchase agreement with its joint venture partner Altus AG on the acquisition of twelve biogas plants. The facilities will be built mainly in Lower Saxony and eastern Germany and integrated into agricultural enterprises.

July – September

Ulm-Eggingen solar farm operational

By commissioning this 6.5 MW plant, EnBW nearly trebles its installed photovoltaics capacity. One of the largest solar farms in Baden-Württemberg, it will generate some 6.9 million kWh of electricity p.a., enough to supply 2,000 households.

500 e-bikes put to the test in Stuttgart

EnBW has the largest fleet of electric vehicles in Germany. EnBW's 500 e-bikes are on the road around Stuttgart, going easy on the environment and without exhaust fumes. E-bikers will be testing the mobility of the future for one year.

October – December

RDK 7 fit for the future

Unit 7 of the Rheinhafen thermal power station in Karlsruhe (RDK) is back in action after extensive maintenance and modernisation work. EnBW spends around € 40 million to ensure that the power station can generate energy efficiently and in an environmentally compatible way.

Feed-in method for gas patented

The bio natural gas plant installed in Blaufelden-Emmertsbühl in cooperation with EnBW is commissioned. A new process patented by EnBW allows the treated gas to be fed directly into the local distribution grid – enough to supply around 1,000 households with gas.

EnBW sells GESO

Dresden city council approves the acquisition of the Saxony-based holding company GESO from EnBW. This means that the GESO group will remain intact with its DREWAG and ENSO subgroups.

Unit 7 in Heilbronn retrofitted

Retrofitting work at Heilbronn CHP plant is completed. Unit 7 generates 40 MW more electricity from the same quantity of fuel.

Baltic 1 under construction

Germany's first commercial offshore wind farm is built in the Baltic Sea to the north of the Darss/Zingst peninsula. With a total output of around 50 MW, the 21 wind turbines will generate 185 million kWh of electricity each year as of 2011, enough for around 50,000 households.

"E-mobility" campaign launched

EnBW and Daimler AG launch the "e-mobility in Baden-Württemberg" campaign. The goal is to take Baden-Württemberg to the forefront of electro-mobility with fuel cells and batteries within the next two years.

German Chancellor in Rheinfelden

On her energy tour, Germany's Federal Chancellor Angela Merkel visits Rheinfelden, Europe's largest construction site for a run-of-the-river power station. The power station – a project of the century in renewable energies – will produce enough electricity as of 2011 to supply 170,000 households in an environmentally friendly way.

Investment in PRE increased

EnBW increases its shareholding in Pražská energetika a.s. (PRE) to around 70% of the shares. For EnBW this is an important majority shareholding outside Germany. With some 745,000 customers, PRE is the third-largest energy company in the Czech Republic.

Wind power capacity expanded

EnBW purchases a wind farm with six turbines and a total output of 15 MW in Haupersweiler (Saarland). At the same time, construction work on EnBW's Baltic 2 wind farm continues: all contracts have been awarded for the wind farm in the Baltic Sea, comprising 80 turbines with a total capacity of around 300 MW.

Change of shareholder announced

The federal state of Baden-Württemberg intends to acquire the 45.01% shareholding in EnBW held by EDF. This repurchase, combined with the announcement that the state intends to offer shares on the capital market, opens up further development opportunities for EnBW.

Important note

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Financial calendar

24 | 2 | 2011

Publication of the Annual Report 2010

19 | 4 | 2011

Annual general meeting of EnBW Energie Baden-Württemberg AG

6 | 5 | 2011

Publication of the Quarterly Financial Report
January to March 2011

29 | 7 | 2011

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

11 | 11 | 2011

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

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