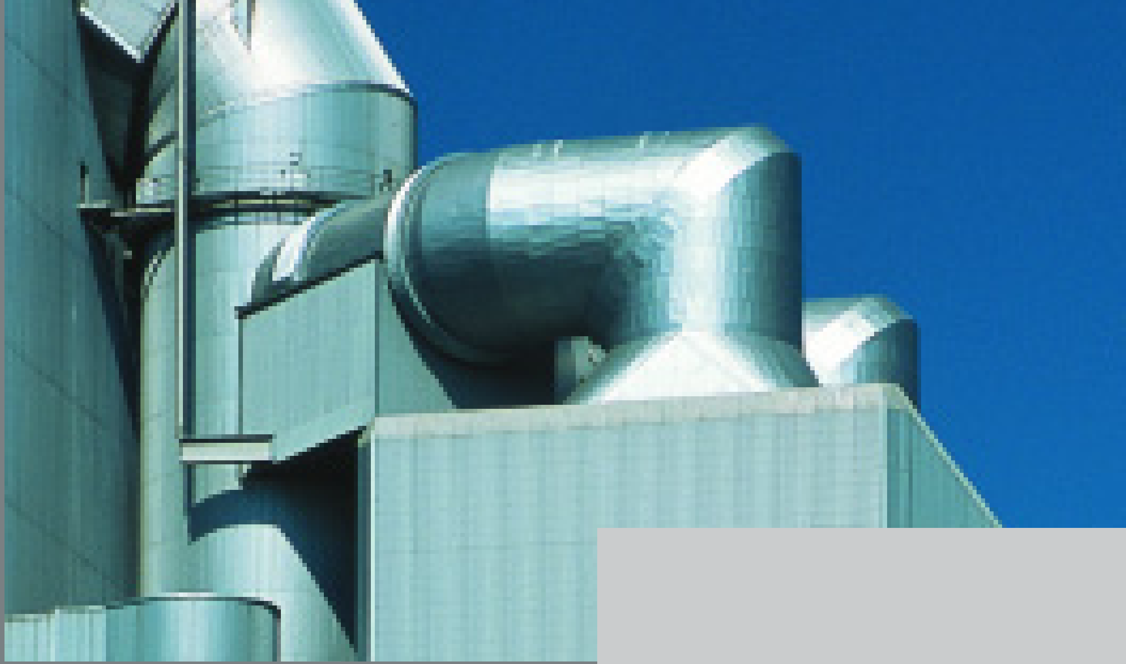

Annual Report 2005

Energy generates success

At a glance

EnBW group[1]

		2005	2004	Variance %
External sales				
Electricity	€ millions	8,150.2	7,088.9	+15.0
Gas	€ millions	2,101.7	1,540.6	+36.4
Energy and environmental services	€ millions	517.4	494.8	+4.6
External sales, total	**€ millions**	**10,769.3**	**9,124.3**	**+18.0**
EBITDA	€ millions	2,054.3	2,044.5	+0.5
EBIT	€ millions	1,318.5	1,242.5	+6.1
Result of continuing operations	€ millions	522.5	357.7	+46.1
Earnings per share from continuing operations	€	2.17	1.57	+38.2
Cash flow from operating activities	€ millions	1,329.9	1,545.7	-14.0
Free cash flow	€ millions	1,070.6	1,330.8	-19.6
Capital expenditures on intangible assets and property, plant and equipment	€ millions	547.0	417.7	+31.0
Return on Capital Employed (ROCE)	%	13.4	11.7	+14.5
Cost of capital rate (WACC) before tax	%	9.0	9.0	–
Average capital employed	€ millions	9,353.7	9,400.8	-0.5
Value added	€ millions	407.5	251.9	+61.8

Energy sales of the EnBW group[1]

		2005	2004	Variance %
Electricity	billions of kWh	106.7	100.9	+5.7
Gas	billions of kWh	88.6	82.9	+6.9

Employees of the EnBW group[1,2]

	2005	2004	Variance %
Employees (annual average)	17,926	19,881	-9.8

[1] The prior-year figures have been adjusted (see comments on the change in reporting in the notes).
[2] Number of employees without apprentices/trainees and without inactive employees.

Annual Report 2005

Energy generates success

This annual report's photo story features the successful interaction of mankind and technology to generate energy in our region. We present our conventional and nuclear power plants, introduce our employees who operate these power plants safely and ensure reliable production of electricity, and give an impression of the countryside and architecture in our home market of Baden-Württemberg where we have strong roots.

Altbach/Deizisau combined heat and power station and surroundings

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 events, 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.

The annual report in German, English and French can also be downloaded from the internet. In case of doubt the German version shall prevail.

  

Philippsburg nuclear power plant

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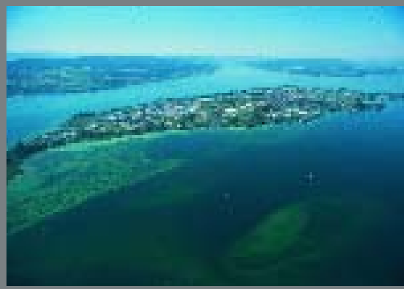
Lake Mummelsee

Lake Schluchsee



Reichenau island

Schwetzingen Palace

Bruchsal Palace

Home market
Baden-Württemberg

Tradition and progress, regional pride and an open mind, economic dynamics and a human society are facets of the state of Baden-Württemberg and its people. Baden-Württemberg emerged from the unification of Württemberg-Baden, Württemberg-Hohenzollern, and Baden as decided by popular vote on April 25, 1952.

The third largest federal state of Germany with about 10.7 million inhabitants and covering an area of just under 36,000 square kilometres, Baden-Württemberg is one of the leading technology regions in Europe. It has a high level of exports, an exemplary density of research institutes and a high share of employees in high technology and future industries. Baden-Württemberg's outstanding features include a varied countryside and excellent environmental data as well as boasting a lively, international cultural and arts scene.

Ulm Cathedral

Holy Ghost Church, Heidelberg

St. Martin's Parish Church, Biberach

Vision
What we want

We have already implemented numerous targets and strategies derived from our vision successfully, rapidly and consistently. We are proud of these achievements, but we will not rest on our laurels, and will tackle the important tasks that lie ahead of us with the warranted attention and ambition. Our visions are reflected in our everyday actions. Our annual report shows examples of how we live our visions and realise our targets each day.

We want

> 1.
to be the market player in our industry with the strongest regional base and responsibility.

> 2.
to reinforce, develop and expand our number three position in the industry in Germany, to pursue – compared to the competition – the most consistent synergetic multi-brand strategy and to achieve the highest levels of customer satisfaction.

> 3.
to develop the existing perspectives for central and eastern Europe significantly.

> 4.
to be the most focused market player in our industry that bundles its strengths most effectively and does the important things the right way.

> 5.
to develop the strategic alliance with EDF into a model and symbol of pan-European collaboration within the America-Europe-Asia triad.

> 6.
to become the market player in our industry with the highest relative earnings power.

> 7.
to be the number one in terms of our ability to adapt rapidly to a dynamic business environment.

> 8.
to be the market player which does greatest justice to its social and ecological responsibility.

> 9.
to participate actively in the development of the future energy-mix and in the future development of energy policy and business in general and to intervene appropriately, clearly and constructively.

> 10.
to be the number one in knowledge management to ensure the best possible support for and development of the potential of our people.

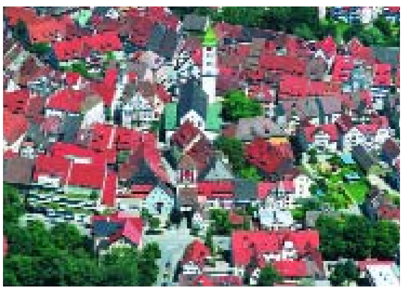
Brief portrait
Who we are

With some five million customers, EnBW Energie Baden-Württemberg AG with its headquarters in Karlsruhe is the third largest energy company in Germany. In 2005, EnBW generated annual sales of approx. € 10,769.3 million with around 17,800 employees. Our core activities focus on the segments electricity, gas as well as energy and environmental services.

Traditionally, we are firmly rooted in Baden-Württemberg. We want to be the market player in our industry with the strongest regional base and responsibility, also in the future (Vision No 1). Beyond our activities in Baden-Württemberg, we also operate throughout Germany and in other markets of central and eastern Europe. In future, we will continue to focus on our core competencies and supply our customers reliably and competently with energy and energy-related services. The close proximity to our customers and their loyalty are ideal prerequisites and also an incentive for us to continuously improve our distribution structures, to refine our product range in accordance with the requirements of our customers and to enhance our performance along the whole value-added chain.

Following the liberalisation of the electricity market, we quickly positioned ourselves in the competition and were one of the first energy companies to offer electricity throughout Germany. As pioneers and forerunners on the energy market, we give impetus for scientific research and development. In the interest of sustainability, we see ourselves as an economically, socially and ecologically responsible company. We want our actions to be characterised by honesty, commitment and consistency at all times. By developing new concepts and ideas, we play an active part in shaping the energy policy of the future through current legislation. We endeavour to do justice to our responsibility for future generations.

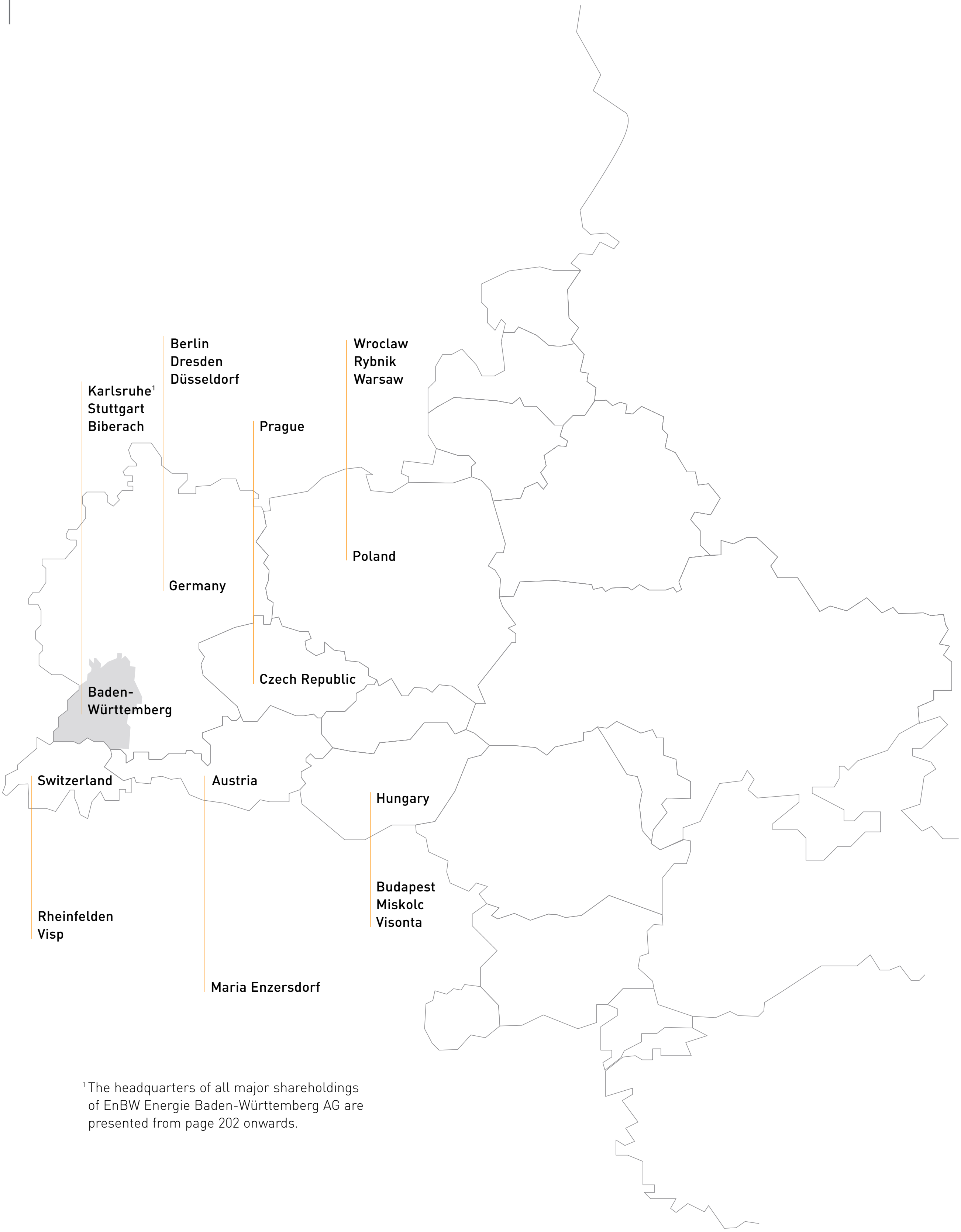
Hornisgrinde transmitter



Wangen

Vineyards on the Upper Rhine plateau

Locations
Where we operate



[1] The headquarters of all major shareholdings of EnBW Energie Baden-Württemberg AG are presented from page 202 onwards.

Power station locations, own generation, investments, purchase and supply agreements (selection)

[1] Operations ceased on May 11, 2005 as a result of the nuclear energy consensus

Structure
How we are organised

As operative holding company, EnBW Energie Baden-Württemberg AG exercises the management function in the EnBW group.

EnBW Kraftwerke AG operates the majority of EnBW's power stations. With its own and partly owned power stations, investments and long-term power station procurement agreements has a balanced generating portfolio of nuclear energy, coal, gas, water and other renewable energy sources.

EnBW Trading GmbH is responsible for the risk management of the energy value-added chain, trading with physical and financial products as well as electricity and supply agreements with trading partners.

EnBW Transportnetze AG operates the transmission network and ensures transparency and equality of market access for all participants to EnBW's high voltage network (220 kV and 380 kV).

EnBW Regional AG operates the high, medium and low voltage network of EnBW (110 kV, 20 kV, 0.4 kV), provides network-related and municipal services in the area of electricity, gas, water and telecommunications and is responsible for relations to local councils and public utilities in Baden-Württemberg.

Gasversorgung Süddeutschland GmbH is one of the largest German regional grid gas companies. It transports natural gas through its grid in Baden-Württemberg. It supplies some 750 towns and municipalities in Baden-Württemberg directly and indirectly as well as customers in Vorarlberg, Liechtenstein and eastern Switzerland.

EnBW Gas GmbH is the central gas distribution company to final customers within the EnBW group. The main sales area is the Greater Stuttgart region. Within its own network territory, it is responsible for the procurement and supply of natural gas and the sale of natural gas to the customer.

EnBW Vertriebs- und Servicegesellschaft mbH sells energy (electricity, gas and district heating), water as well as energy-related and other services for industrial, commercial and private customers, public utilities and municipalities.

Yello Strom GmbH sells energy to private and commercial customers throughout Germany.

EnBW Energy Solutions GmbH provides energy-related services on the basis of contracting models. It manages energy plants and aerial networks of the customers and supplies its customers with self-generated electricity, heating and cooling.

EnBW Systeme Infrastruktur Support GmbH provides internal support services within the EnBW group with extensive controlling and normative functions on behalf of the holding company.

U-plus Umweltservice AG is an association of mid-sized waste disposal companies. It combines the service functions disposal logistics, recycling and removal for municipalities, commerce, trade and industry in Baden-Württemberg.

EnBW Energie Baden-Württemberg AG

EnBW AG/Holding

		Generation	Procurement	Transportation and distribution	Sales
Energy	Electricity	EnBW Kraftwerke AG	EnBW Trading GmbH	EnBW Transportnetze AG EnBW Regional AG	EnBW Vertriebs- und Servicegesellschaft mbH Yello Strom GmbH
Energy	Gas		EnBW Trading GmbH Gasversorgung Süddeutschland GmbH EnBW Gas GmbH	Gasversorgung Süddeutschland GmbH EnBW Gas GmbH	EnBW Vertriebs- und Servicegesellschaft mbH Gasversorgung Süddeutschland GmbH EnBW Gas GmbH

Energy and environmental services	Cross-divisional companies: EnBW Energy Solutions GmbH and EnBW Systeme Infrastruktur Support GmbH Waste disposal services: U-plus Umweltservice AG

Our diagram shows EnBW's most important core companies along the whole value-added chain and allocated to our business segments electricity, gas as well as energy-related and environmental services.

For detailed information about our main shareholdings we refer to page 202.

Top issues
Where we are concerned

January 2005

On January 1 Dr. Christian Holzherr starts work as the CFO of the EnBW group. > p. 27

Salamander AG, which changes its name to EnBW Beteiligungen AG in September 2005 as part of restructuring activities, sells further retail trade properties. > p. 70

The newly formed Stadtwerke Emmendingen GmbH commences operations. The shareholders are the City of Emmendingen and EnBW Regional AG, which holds a 49.9% share.

EnBW ends its selling activities bundled in EnBW Benelux B.V.

EnBW Regional AG increases its share in Stadtwerke Weinheim GmbH from 24.9% to 39.72%. > p. 113

Deutsche Bank AG and HSBC Trinkaus & Burkhardt KGaA sell a total of 11.88% shares of EnBW to OEW and EDF International, which take over the shares in equal parts. > p. 48

After an extensive inspection of the Philippsburg nuclear power plant as part of the OSART Mission, the International Atomic Energy Association (IAEA) confirms: “Measured against international standards, Philippsburg is a very good plant.”

EnBW sponsors the innovation prize of German industry in the start-up segment. The company Pemeas is awarded the prize for its fuel cell technology. > p. 130

March 2005

EnBW announces that all the group's important earnings ratios improved significantly in the fiscal year 2004 and that the economic turnaround has thus been completed successfully and very quickly. All the earnings targets set for 2004 were exceeded significantly.

As spokesman of a high-profile industry delegation, Prof. Dr. Utz Claassen accompanies former Chancellor Gerhard Schröder[1] on his trip through the Gulf States.

EnBW sells its 30% share in AMATA-Power Company Ltd., Bangkok, Thailand.

EnBW Kraftwerke AG puts the new central control centre at its Stuttgart-Münster power station into operation. Further measures to renew the control technology of EnBW's existing stations are planned.

The chairman of the CDU faction of the state assembly and current Prime Minister of the State of Baden-Württemberg, Günther Oettinger, visits the Philippsburg nuclear power plant.

April 2005

EnBW places 11,982,449 treasury shares with EnBW shareholders. EDF and OEW now each hold 45.01% of the EnBW shares, while municipal associations hold 5.14%. As a result of the sale, EnBW receives issue proceeds of around € 375 million. > p. 73

At the Hanover trade fair, Prof. Dr. Utz Claassen presents EnBW’s innovative concept for the energy city of the future, “EnyCity”, to former Chancellor Gerhard Schröder[1] and the President of the Russian Federation, Vladimir Putin. Under the motto “EnBW THE POWER PIONEERS” EnBW presents itself to its customers at the trade fair in Hanover, for the first time with its new corporate design, showing innovative products, customer-friendly energy services and contracting models. > p. 129

[1] No longer in office when the annual report was published

EnBW and its partner companies come to an agreement to replace the pro rata procedure that came into force in January for the pro rata reduction of electricity supplies to France with a method for explicit bottleneck auctions. > p. 112

EnBW installs a small gas turbine in the Robert-Bosch hospital in Stuttgart, putting innovative co-generation technology into practice. The micro gas turbine supplements the existing heat supply of the hospital. It is operated in collaboration with EDF research. > p. 118

Together with Verband der Elektrizitätswirtschaft e.V. (VDEW) EnBW holds the second convention of the electricity industry "Renewable energies – courage to change". > p. 131

May 2005

The Obrigheim nuclear power plant ceases operations on May 11, 2005 at 7.58 a.m. as a consequence of the nuclear energy consensus. > p. 127, 131

EnBW signs a syndicated line of credit for EUR 2.5 billion which replaces the line of credit established in June 2003. > p. 73

With more than 1.1 million customers and brand awareness of more than 98%, the Yello brand reaches a new record level. > p. 110

In a company ranking of the "karriere" journal, EnBW is ranked among the top 20 employers in Germany. > p. 87

June 2005

On June 30, Rolf Koch, chairman of the central works council of EnBW Regional AG and previous member of the Supervisory Board of EnBW is appointed Deputy Chairman of the Supervisory Board of EnBW. He succeeds Peter Neubrand who died on June 27. > p. 33

EnBW opens its new representative office in the Spreekarree at Schiffbauerdamm in Berlin and another in Brussels.

EnBW decides to rebuild the Rheinfelden hydroelectric power station and gives the official go-ahead for Germany's largest construction project in the field of renewable energies. > p. 131

The Board of Management of EnBW initiates the preliminary planning for two new power stations (hard coal and/or natural gas) and approves an eight-digit budget. The power stations are intended to replace the capacities of the nuclear power plants that are being decommissioned and also extend the generating capacity of EnBW in Baden-Württemberg. > p. 92

In the course of the annual inspection of unit 1 of the Philippsburg nuclear power plant, the generator stator mid section and a large part of the condenser pipes were replaced and the reactor pressure vessel was subjected to a compression trial.

The environmental management system of EnBW Kraftwerke AG for the Heilbronn CHP station is successfully recertified according to ISO 14001. > p. 131

July 2005

The ISKA® plants in Buchen and Heilbronn for the mechanical-biological treatment of residual waste start work in accordance with the instructions set forth in "Technische Anleitung Siedlungsabfall". They ensure the legally required treatment of residual waste and waste disposal for more than 1.7 million inhabitants. > p. 116

Stadtwerke Schramberg GmbH & Co. KG and EnBW Regional AG sign a cooperation agreement. The extended collaboration between the partners involves the future bundling of their services in the fields of water and wastewater.

EnBW starts its new nationwide advertising campaign. The innovative advertising motifs and the campaign's own world of images symbolise the new brand philosophy and profile of EnBW as pioneer in the energy business with deep roots in Baden-Württemberg, and in particular the company's social responsibility and profound understanding of the customer.

EnBW supports the FIFA Confederations Cup 2005 with numerous measures. This is the prelude for EnBW's involvement as national sponsor of FIFA WM 2006™ in Germany (Football World Cup).

Effective July 18, 2005, Peter Schneider, district administrator of the Biberach district, is elected new Supervisory Board chairman of EnBW. He replaces the previous Supervisory Board Chairman Dr. Wolfgang Schürle whose work as district administrator of the Alb-Donau district came to an end on July 18, 2005. At the same time, Dr. Schürle stepped down as member of the Supervisory Board. He had been Chairman of the EnBW Supervisory Board since 1999. > p. 33

The new German Energy Industry Act takes effect on July 13, 2005. It introduces regulations on power supply networks which are to ensure effective competition. EnBW welcomes this aim and the introduction of incentive regulations. > p. 67

EnBW sells its 25.1% share in Stadtwerke Völkingen GmbH and its shares in the selling company Saar-Power GmbH to the town of Völkingen.

EnBW becomes the new main and strip sponsor of the football league club VfB Stuttgart as of July 1, 2005. > p. 130

The electricity supply contract with the largest German trading group Metro AG is extended to the end of 2007. The power supply based on the product innovation EnBW Index Active covers more than 1,000 locations.

EnBW announces cooperation with the technology partner european fuel cell GmbH. In this way it is extending its nationwide programme to promote fuel cell technology.

August 2005

The conclusion of electricity agreements in the metal industry between EnBW and Edelstahlwerke Südwestfalen GmbH and Edelstahlwerke Witten Krefeld GmbH is confirmation of the industry approach and the growth strategy outside Baden-Württemberg.

EnBW is the regional partner in Baden-Württemberg of the nationwide "Jugend denkt Zukunft" (youth thinks future) initiative, an initiative launched by business and industry to further the culture of innovation in Germany. > p. 130

September 2005

EnBW declares its interest in acquiring the majority in Electrica Muntenia Sud SA (EMS), the electricity provider in the metropolitan region of Bucharest. The Romanian Ministry for the Economy and Trade had publicly announced the privatisation of 67.5% of the shares of EMS at the end of July 2005.

In the Europe-wide group tendering process of the Association of the Municipalities of Baden-Württemberg, EnBW is awarded the contract to supply 420 million kWh of electricity.

EnBW holds the second Summer Conference on Energy together with the Massachusetts Institute of Technology and the University of Cambridge. More than 120 participants from industry and science, associations and companies discuss topical issues relating to energy policy and the energy industry. > p. 131

Baden-Württemberg's Minister of Environment Tanja Gönner visits the largest paper sorting plant in the region and the headquarters of the waste disposal company S-plus Umweltservice GmbH in Waiblingen, a subsidiary of U-plus Umweltservice AG.

October 2005

EnBW increases its share in the Austrian company EVN AG from 13.2% to just under 30%. The step-up of the shares had been previously approved by both the German and the Austrian anti-trust authorities. > p. 72, 113

STEAG AG and EnBW enter into an electricity supply agreement. As of 2010, STEAG will provide EnBW with a power generation capacity of 250 MW. The agreement has been concluded for 20 years with a renewal option.

The rating agency Moody's increases its long and short-term rating of EnBW by one notch, from A3 to A2 and from Prime-2 to Prime-1, the best category. Moody's raises the outlook for both the long and short-term rating to "stable". > p. 74

334 young people start their vocational training at EnBW in technical and office jobs as well as in combined courses of study at vocational colleges and universities of applied science. EnBW is currently training 933 young men and women. With trainees accounting for 8.65% of the headcount at the main energy companies, EnBW leads the field compared to other large energy companies. > p. 84

The technical improvements agreed on in 2004 are implemented during the annual inspection of unit 7 of the Karlsruhe Rheinhafen steam power station. Thanks to the refined and improved turbine blades, output is increased with the same fuel consumption, thus reducing the specific CO_2 emissions.

November 2005

The internationally renowned rating agency Standard & Poor's confirms the long-term A- rating of EnBW and the short-term A-2 rating and raises the outlook to “positive”. > p. 74

EnBW will participate in a project to increase the output and enhance the efficiency of the Hungarian coal power station Mátra of Mátra Kraftwerke AG. The construction project involves capital expenditures of around € 65 million and will be carried out by the syndicate of the companies RWE Power AG and EnBW and the Hungarian Magyar Villamos Müvek Rt. RWE Power is the lead manager of the syndicate. EnBW has a 21.71% interest in Mátra. > p. 120

At the Technical Centre in Esslingen, EnBW Regional AG puts a new central control centre for the medium voltage network into operation where the tasks of the former control centres in Stuttgart, Altbach, Metzingen and Ludwigsburg are combined. The control centre in Herrenberg will be integrated in autumn 2006. > p. 113

EnBW Regional AG holds the Municipal Energy Conference focusing on the new Energy Industry Act and its effects on the energy markets, supply reliability in Baden-Württemberg, the liberalisation of the water industry, instruments for climate protection and projects for the efficient use of energy in the municipalities. The guest speakers were Prime Minister of the State of Baden-Württemberg Günther Oettinger, President of the Federal Network Agency, Matthias Kurth, and Prof. Dr. Utz Claassen. > p. 131

EnBW supports the new geothermal development programme of the State of Baden-Württemberg with a total of € 3 million. € 2 million flow into the completion of the geothermal power station in Bruchsal. € 1 million has been given to subsidise the installation of geothermal heating for single and two-family houses. > p. 89

The energy research foundation Energieforschung Baden-Württemberg that is equipped with funds from the predecessor companies of EnBW endows a foundation chair at the University of Heidelberg in the field of radiochemistry.

EnBW enters into a partnership with FC Deutschland GmbH and supports the “Land of ideas” campaign with which Germany presents itself to the international public as host of the FIFA WM 2006™ in a series of projects and activities. The campaign which was initiated by the German government and the Federation of German Industries (BDI) emphasises the strength of Germany as an industrial location.

December 2005

The council of the state capital Düsseldorf decides to exercise a contractually agreed put option of 25.05% of the shares in Stadtwerke Düsseldorf AG (SWD). In this way EnBW will increase its share in SWD after approval by the European antitrust authorities to 54.95% > p. 101

The purchase of the 15% share of RWE Energy AG in Pražská energetika (PRE) Holding a.s. increases EnBW's share to 49%. PRE-Holding (City of Prague 51%, EnBW 49%) is the majority shareholder of the Prague electricity supply company Pražská energetika a.s. > p. 72, 113,121

From the perspective of the Baden-Württemberg Administrative Court (VGH), the condition imposed subsequently by the Baden-Württemberg Ministry of Economics at the instruction of the Federal Ministry of the Environment on the Philippsburg nuclear power plant is presumably unlawful. With a ruling in summary proceedings on December 2, 2005, the court releases EnBW from this condition until the main matter has been finally decided. In its substantiation the court follows the legal interpretation of EnBW in all material points.

The Baden-Württemberg Administrative Court agrees in all the main points with the suit filed by EnBW Kraftwerke AG against the levy of the full fee for the drawing-off of water for the Philippsburg nuclear power plant. The 8th senate requires the State to take a new decision on the application of EnBW Kraftwerke AG for a reduction taking the senate's instructions into account.

EnBW Energie Vertriebs- und Servicegesellschaft mbH offers public utilities in Baden-Württemberg a new innovative product referred to as a virtual slice of a power station which offers long-term procurement reliability while keeping the economic risks low.

EnBW Energie Vertriebs- und Servicegesellschaft mbH extends its product portfolio to include EnBW Index Active continuous. The electricity product, which is listed on the European Energy Exchange (EEX), also allows small and mid-sized industrial customers to spread their risks when buying electricity simply and transparently.

EnBW continues to expand large-scale hydroelectric power stations. The supervisory board of Rheinkraftwerk Iffezheim GmbH approves the funds for the detailed and approval planning for the installation of a fifth turbine in Rheinkraftwerk Iffezheim. With an output of 38 MW and a rotor diameter of around 7.40 metres it would be one of Europe's largest turbines.

The EnBW pilot trials with a mid-sized fuel cell plant at the Michelin tyre plant in Karlsruhe are successfully completed. During its three-year life, the plant achieved around 24,000 operating hours and generated more than 4 million kWh electricity. This is the largest energy output which has been generated to date by a plant of this type. > p. 88

January 2006

STEAG AG and EnBW sign an agreement regarding collaboration on the construction and operation of thermal power stations. Two projects are in the pipeline – in each case a power station of EnBW and STEAG. Mutual investments of the companies in the two power stations are also envisaged.

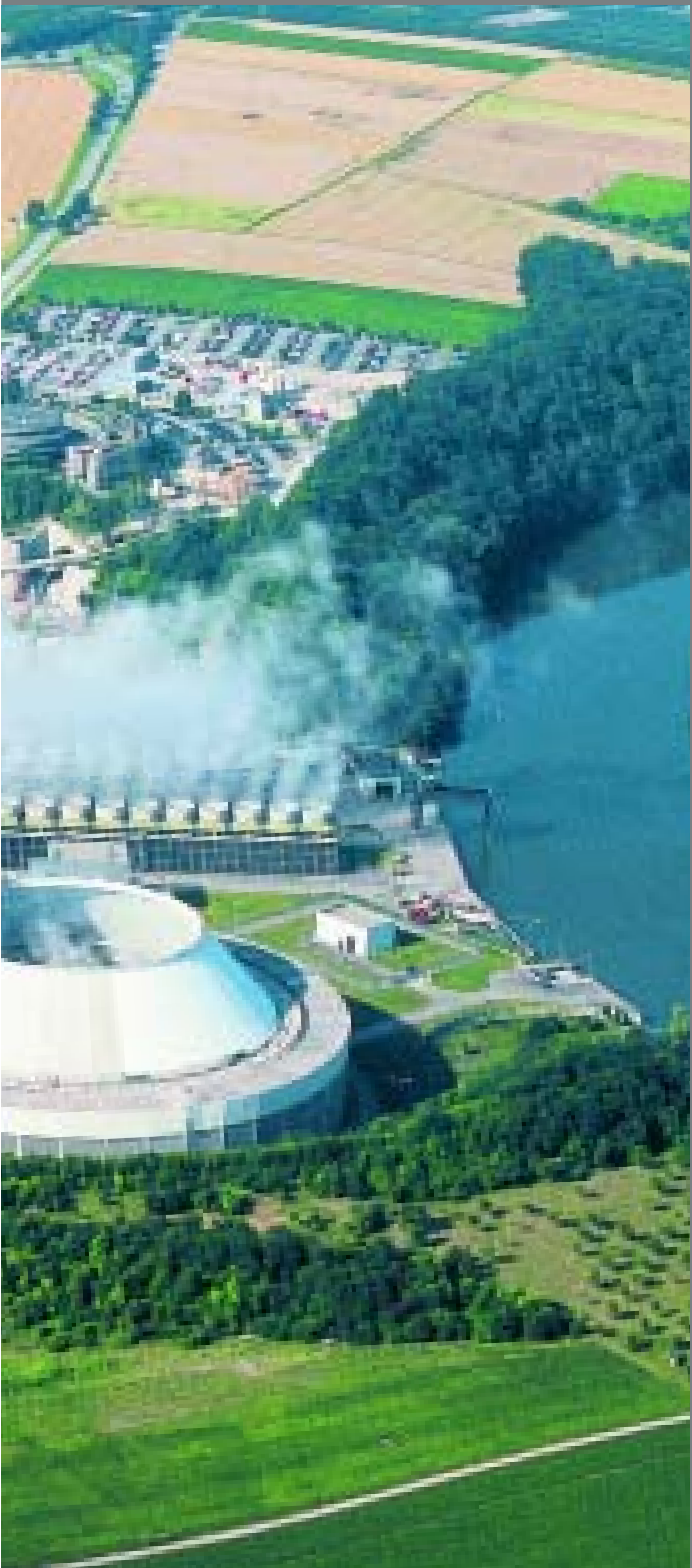
Sponsored by EnBW, the innovation prize of German industry in the start-up segment is awarded to Cairos technologies AG for its trendsetting technology. Its radio-supported position-fixing system can exactly pinpoint objects to the centimetre within a fraction of a second. EnBW is itself also honoured for its own innovative performance: With the project "Group reorganisation as process innovation with EnBW Energie Baden-Württemberg AG as an example" it reached the final round of this prestigious competition. This distinction of EnBW as finalist is the first time in Germany that a reorganisation has been acknowledged and appreciated as a process innovation.

With its partners, EnBW puts the first fuel cell heating device of european fuel cell GmbH in Germany into operation at the Schiltach tourist board.

February 2005

At a joint press conference, the partners EnBW, SWR1 and the State of Baden-Württemberg announce the Public Viewing Tour project in connection with which EnBW will be inviting people to eleven large-scale events in Baden-Württemberg under the motto "The biggest home game of all time" to watch and celebrate the FIFA WM 2006™ on video screens.

Neckarwestheim nuclear power plant



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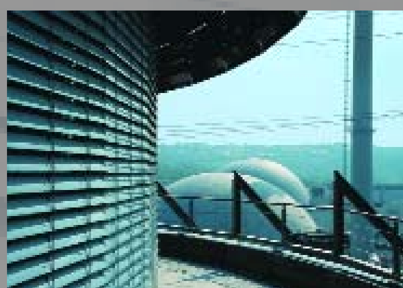
Neckarwestheim nuclear power plant

The Neckarwestheim nuclear power plant is located on the site of a former quarry of the Lauffen cement plant. The district ten kilometres to the south of the town of Heilbronn is directly on the Neckar and belongs to the Neckarwestheim and Gemmrigheim municipalities. The location has two pressurized water reactors which generated about 18 billion kilowatt hours in 2005. This output covers roughly a quarter of the electricity consumption in Baden-Württemberg. About 800 employees are employed at the plant.

Unit I has a total electrical output of 840 megawatts and was commissioned in May 1976. It is the only German nuclear power plant to generate both the customary three-phase alternating current (50 hertz) and a current with a frequency of $16\,^2/_3$ hertz for the railway network. The youngest reactor in Germany, unit II went online in 1989. With an electrical output of 1,395 megawatts, this unit does not generate current for railroad service, but part of the alternating current generated can be transformed to current for railroad service by a converter plant directly on site.

In contrast to most of the German nuclear power plants, the Neckarwestheim power plant uses cellular cooling towers and a hybrid cooling tower. They differ from the natural draught wet cooling tower in their more compact construction and lower height. A special cooling process in the hybrid cooling tower also considerably reduces the steam clouds produced.



Letter to our shareholders

Prof. Dr. Utz Claassen,
CEO

Dear Shareholders,

After presenting the best half-year result mid-year and, then after the third quarter, the best nine-month result in the history of the group as well, I am delighted to be able to announce that – as a logical continuation of the quarterly development – the overall group result for the year 2005 also marks an all-time high at EnBW in terms of the main earnings ratios. For the first time in the group's history, our profit before taxes exceeded the one billion-euro threshold.

The current figures for the main earnings ratios have once again exceeded the comparable prior-year figures and also the targets set in the budget. In the fiscal year 2005 earnings before taxes (EBT) saw a year-on-year improvement of 42% while the group net profit rose by as much as 64%. The development in sales in 2005 was also highly satisfactory with growth of 18%.

In total, the indicator earnings before taxes (EBT) has turned around from 2003 to 2005 from a loss of just under € 1.1 billion to a profit of nearly the same amount within the space of just two years. At the same time, the debt level was dramatically reduced while the equity ratio rose significantly. For the shareholders, all in all this represents an astonishing development of value – from the maintenance of value to the creation of considerable value.

Considered unattainable when the recapitalization and realignment process started, this truly unusually gratifying development, both in terms of the competition and beyond, is the result of extremely hard and targeted work and the huge efforts of an extremely motivated and committed team. I would like to thank our fantastic workforce whose constructive collaboration with the Board of Management and management and considerable sacrifices were behind the rapid and significant progress.

There is substance to these figures as well, backed up as they are by clear values and a clear value focus. Our vision, our corporate philosophy, our brand philosophy, our strategic and financing planning right down to the detailed plans of action in the operating area are clearly consistent; our ideas and positions on energy policy and the energy business are logically derived from a clear regulatory mission statement.

Truth, clarity and consistency have been, and will continue to be, our universal guiding principles. This form of continuity and consistency is also and above all reflected in these financial statements.

Indeed, the turnaround, the strategic realignment and the uninhibited forward-looking orientation of EnBW may even send a positive signal beyond our company and our industry. The decision to award the German industry's innovation prize to the EnBW group for the restructuring of the group meant that the reorganisation of a company was for the first time seen and acknowledged as a process innovation. This is an encouraging sign for the future. Creative innovative power and strict ratio-based corporate governance are by no means a contradiction in terms, in fact they are mutually dependent and strengthen one another. I therefore wish you, our shareholders, ourselves and our competitive and economic environment that we will continue to successfully overcome apparent contradictions in future.

The Board of Management
of EnBW Energie Baden-Württemberg AG
back, from left to right:
Prof. Dr.-Ing. Thomas Hartkopf,
Pierre Lederer, Prof. Dr. Utz Claassen, CEO,
Dr. Bernhard Beck LL.M.,
Dr. Christian Holzherr
front: Dr. h.c. Detlef Schmidt

We, the EnBW team, see managing complexity and accumulating knowledge and skills to be more than a fashionable management trend; for us it is a central corporate challenge. By living knowledge management we can also bridge the gap between social market economy and the global competitive economy. Nothing is more socially-minded that enabling people to develop their talents and nothing creates more value than the systematic enhancement of the competence existing in the corporate team.

We want to use this as a basis to tap the huge potential in Baden-Württemberg, Germany and Europe. In our efforts to achieve a multi-brand strategy, customer satisfaction, flexibility, speed of response and customer loyalty, achieving market leadership in Germany in terms of quality is an important milestone. If we can continue to uphold the discipline and consistency gained and at the same time combine them with strategic creativity and forward-looking prudence we can achieve this goal, and many more. Our pan-European partnership with EDF should generate further potential here as well.

In future, we would ask you to measure us on whether we say what we think, do what we say and that our figures and your values reflect what we do.

Very truly yours,

Prof. Dr. Utz Claassen
CEO

Board of Management

Prof. Dr. Utz Claassen
Born 1963 in Hanover
Chairman of the
Board of Management
Chief Executive Officer
since May 1, 2003
also Chief Financial Officer from
July 4, 2003 to December 31, 2004
Appointed until April 30, 2008
Hanover/Stuttgart

Dr. Bernhard Beck, LL.M.
Born 1954 in Tuttlingen
Member of the Board of Management
Chief Human Resources and Information Officer since October 1, 2002
Appointed until September 30, 2007
Leonberg

Prof. Dr.-Ing. Thomas Hartkopf
Born 1948 in Solingen
Member of the Board of Management
Chief Technical Officer
since November 1, 2002
Appointed until October 31, 2007
Leimen

Dr. Christian Holzherr
Born 1963 Tuttlingen
Member of the Board of Management
Chief Financial Officer
since January 1, 2005
Appointed until December 31, 2007
Stuttgart

Pierre Lederer
Born 1949 in Paris
Member of the Board of Management
Management board member responsible for customers since June 1, 2000
Chief Operating Officer
since May 1, 2003
Appointed until May 31, 2010
Karlsruhe

Dr. h.c. Detlef Schmidt
Born 1944 in Döbern
Member of the Board of Management
Chief Marketing and Sales Officer
since July 1, 2003
Appointed until June 30, 2007
Gifhorn/Karlsruhe

As of February 10, 2006

Report of the Supervisory Board

Peter Schneider,
Chairman of the Supervisory Board

Monitoring of management

The Supervisory Board assumed the control and advisory functions imposed by law and articles of incorporation and bylaws over the reporting year. It monitored the company's management, advised the Board of Management on corporate governance and was involved in all major decisions. The Board of Management informed the Supervisory Board regularly, without delay and comprehensively of all significant aspects of business development, of corporate strategy and planning, the economic situation as well as risk situation and risk management.

Variation between the actual business development and previously formulated plans and targets were explained in detail in each case. At its six meetings, the Supervisory Board dealt in detail with oral reports and written draft resolutions of the Board of Management. It requested reports from the Board of Management on various topics, which were rendered immediately and properly in each case. It was not necessary to inspect the books and net assets of the company as there were no issues that needed to be clarified. The key topics of the debates and resolutions passed in 2005 were:

> Regular detailed review of the sales and earnings development of the group, its financial position and the progress of the TOP FIT cost-cutting programme

> Approval to place a second package of 12,887,449 treasury shares to further improve the structure of equity and liabilities

> Approval of the renewal of the existing syndicated line of credit for € 2.5 billion making use of the favourable refinancing possibilities

> Discussions regarding the future generation strategy and the prospective capital expenditure on power stations required in this context

> Approval of the reconstruction of the Rheinfelden hydroelectric power station

> Approval of conclusion of an electricity procurement agreement with STEAG AG and acknowledgement of the planned cooperation in the power station area

> The safety management system in the nuclear power plants

> Approval of the acquisition of RWE's 15% share in the Prague electricity distribution holding company Pražská energetika Holding a.s.

> Discussion on the future eastern Europe strategy of the company

> Approval of the sale of the 4.94% share held in Motor Columbus AG

> Approval of the divestiture of 33% share in Wroclaw district heat distributor MPEC by acceptance of the takeover bid of the new majority shareholder Fortum Heat Polska

> Development of the U-plus subgroup and experience with the new ISKA® technology

> Approval of the reconstruction of the office centre in Biberach

> Marketing activities of the EnBW and the new brand philosophy

> Review of board liability claims against former members of the Board of Management

> Implementation of the German Investor Protection Improvement Act (AnSVG) at EnBW and adjustment of the internal corporate governance principles to the revised German Corporate Governance Code

> The provisions of the new Energy Industry Act (EnWG) and their implications for the company and the first experiences with emissions trading

> Approval of the 2006 budget and acknowledgement of the mid-term planning 2007 – 2009 consisting of income statement, balance sheet, investment planning and the cash flow statement

Furthermore, during an additional two-day conference at ENSO Strom AG, formerly ESAG Energieversorgung Sachsen Ost AG, in Dresden the Supervisory Board discussed important future topics with the Board of Management. These included global trends in the energy industry, the challenges facing EnBW and future strategic stages of growth.

The Board of Management also produced written reports to inform the members of the Supervisory Board about business events of particular importance for the company between the meetings. In addition, the Supervisory Board Chairman was in constant contact with the Board of Management, in particular the CEO, to discuss questions relating to the strategic orientation, important individual transactions and impending decisions in detail.

The large majority of the Supervisory Board members attended all Supervisory Board meetings. No member of the Supervisory Board attended fewer than half of the meetings.

Work of the committees

The Supervisory Board created five committees to satisfy its duties in the best possible way. The members of the committees are presented on page 35. With the exception of the audit committee and the ad-hoc committee to review board liability claims against former members of the Board of Management, the Supervisory Board Chairman chairs all committees. At the Supervisory Board meetings the chairmen of the committees each reported extensively on the work of the committees.

The committee for management board matters met seven times during the reporting year. It decided on the amount of the variable remuneration components for the members of the Board of Management, discussed the future remuneration structure and passed a resolution to supplement the management board contracts.

The finance and investment committee met five times and prepared the investment decisions of the Supervisory Board. It also took an in-depth look at the financial, liquidity and profit situation of EnBW as well as at the budget and mid-term planning.

The audit committee had three meetings and looked at questions relating to accounting, risk management and the independence of the auditor. In the presence of the auditor, it analysed the interim financial statements in depth and prepared the meeting of the Supervisory Board to ratify the annual and consolidated financial statements. It also decided on the appointment of the auditor and determined the focal points of the audit and the fee volume.

The auditor issued the independence declaration required by No 7.2.1 of the German Corporate Governance Code. The requirements of No 7.2 of the Code on the contractual relationship between company and auditor have been satisfied.

At its meeting on March 10, 2005, the Supervisory Board additionally set up an ad-hoc committee whose task it is to perform a detailed check of the further procedure when filing board liability claims against former members of the Board of Management. The committee comprises four members and chose not to elect a chairperson. It met on the occasion of regular supervisory board and committee meetings or exchanged information in writing.

The arbitration committee in accordance with Sec. 27 (3) German Codetermination Act (MitbestG) did not have to be convened in the past fiscal year.

Corporate governance and declaration of compliance

The Board of Management and Supervisory Board are fully aware that good corporate governance is vital for the success of the company and act accordingly. The Supervisory Board thus took an in-depth look at the refinement of the company's own corporate governance principles. A detailed report of the Board of Management and the Supervisory Board can be found in the section "Corporate Governance Report" on pages 36 – 41.

At its meeting on February 1, 2005 the Supervisory Board again reviewed the efficiency of its rules and procedures. The review focused in particular on the procedures within the Supervisory Board, the provision of information by the Board of Management and the collaboration of the two boards, the work of the committees and the cooperation with the auditor.

In this efficiency review members of the Supervisory Board identified valuable ways of further optimising the board and committee work.

In addition, the Board of Management informed the Supervisory Board for the first time on December 9, 2004 and then again on February 1 and September 29, 2005 of the amendment of the German Securities Trading Act (WpHG) in the connection with the German Investor Protection Improvement Act (AnSVG) that came into force on October 30, 2004. The Supervisory Board discussed the measures presented in the area of insider law, directors' dealings and management of insider lists extensively with the Board of Management.

At its meeting on December 8, 2005, the Supervisory Board issued an updated declaration of compliance pursuant to Sec. 161 German Stock Corporation Act (AktG). The Board of Management had previously passed an identical declaration at its meeting on November 21, 2005. The declaration of compliance was made permanently accessible to the shareholders on EnBW's website. It is reproduced in full in the section "Corporate Governance Report" on pages 36 – 41. EnBW is in compliance with all the new recommendations resulting from revision of the German Corporate Governance Code dated June 2, 2005.

Ludwigsburg Palace and Favorite Palace

Audit of the financial statements and consolidated financial statements

The financial statements of EnBW Energie Baden-Württemberg AG as of December 31, 2005 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/International Accounting Standards (IFRS/IAS) as well as the combined management report were audited by the audit firm Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Stuttgart. The auditor was elected by the annual general meeting on April 29, 2005 and the assignment to perform the audit of the financial statements was made in writing by the chairman of the audit committee of the Supervisory Board. The audit committee selected the following focal points for the audit – the U-plus group, the accounting treatment of provisions in the nuclear power area and sufficiency and adequacy of the provisions set up in the Thermoselect area. The audits did not give rise to any objections and unqualified opinions were rendered by the auditor. The audits also covered the monitoring system to be installed by the Board of Management for the early detection of risks. The auditor confirmed that the system that had been installed is adequate for its purpose.

The report of the auditor on the annual and consolidated financial statements was distributed to all Supervisory Board members in good time before the closing meeting and incorporated in the discussion and review of the financial statements. At its meeting on February 10, 2006, the audit committee looked at the audit documents in detail and had no objections. The auditor attended the meetings of the audit committee and of the Supervisory Board about the financial statements and the consolidated financial statements of the company. It reported on the main results of its audit and was available to supply further information. The Supervisory Board acknowledged the result of the audit with approval.

The Supervisory Board reviewed the annual and consolidated financial statements as of December 31, 2005 and the combined management report and the Board of Management's proposal for the appropriation of net profit. There were no objections. The Supervisory Board especially shares the assessment of the Board of Management expressed in the combined management report. At its closing meeting on February 20, 2006, the Supervisory Board therefore approved the financial statements and the consolidated financial statements prepared by the Board of Management. The financial statements have thus been ratified. The Supervisory Board agreed with the profit appropriation proposed by the Board of Management.

The report prepared by the Board of Management pursuant to Sec. 312 AktG on the relations of the company to affiliated companies was also presented to the Supervisory Board members for review.

After careful review of this report in accordance with Sec. 313 (3) AktG, the auditor issued the following audit opinion: "Based on our audit and assessment which was carried out according to professional standards, we confirm that

> 1. the information given in the report is correct,

> 2. the payments made by EnBW Energie Baden-Württemberg AG, Karlsruhe, in the transactions listed in the report were not unreasonably high."

The auditor participated in the Supervisory Board's discussion on the dependent company report and reported on any significant audit findings. The Supervisory Board acknowledged the result of the audit with approval. It conducted a review of its own for completeness and accuracy and, based on the results of its own review, came to the conclusion that there were no objections to the declaration of the Board of Management made at the end of the report on the relations to affiliated companies and included in the management report.

Personnel changes on the Supervisory Board

Jean-Pierre Benqué and Christian Fontanel retired from office on the Supervisory Board of EnBW as of January 30, 2005. To replace them, Bruno Lescœur, Directeur Général Adjoint Participations Internationales at Electricité de France, and Gérard Roth, Directeur de la Coordination Allemagne at Electricité de France, were appointed by the District Court Karlsruhe as Supervisory Board members, effective January 31, 2005.

Franz Fischer, who had been a member of the EnBW Supervisory Board since 1998 in his capacity as regional director of the ver.di trade union in the Oberschwaben district, died on April 6, 2005. Over the years he rendered the company great service, showing great commitment in both his social function as trade union representative and his entrepreneurial function as supervisory board member. Marianne Kugler-Wendt, regional director of ver.di's Heilbronn-Neckar-Franconia district, was appointed Mr. Fischer's successor on the Supervisory Board by resolution of the Karlsruhe district court effective June 30, 2005.

Peter Neubrand, chairman of the central works council of EnBW Regional AG and deputy chairman of the Supervisory Board of EnBW AG, died on June 27, 2005. Mr. Neubrand performed his many functions within the company with exceptional commitment and a great sense of responsibility. The Supervisory Board is greatly indebted to him for his work. Dietrich Herd, the chairman of the central works council of EnBW Kraftwerke AG, was appointed Supervisory Board member by the Karlsruhe district court effective August 22, 2005 as Mr. Neubrand's successor.

Dr. Wolfgang Schürle, district administrator of the Alb-Donau district, chairman of Zweckverband Oberschwäbische Elektrizitätswerke (OEW) and chairman of the EnBW Supervisory Board, retired on July 17, 2005 and stepped down from the Supervisory Board on the same day. As the Chairman of the Supervisory Board, Dr. Schürle was a guarantor for a balanced and future-oriented alignment of EnBW over many years and above all through the economically difficult corporate restructuring period. The members of the Supervisory Board would like to express their thanks to him and recognition for all his work. By resolution of the Karlsruhe district court, Peter Schneider, regional director of the Biberach district and the new chairman of OEW, was appointed member of the company's Supervisory Board effective July 18, 2005. At the board meeting on June 30, 2005, the Supervisory Board elected him chairman as of July 18, 2005 subject to his appointment by the court.

The Supervisory Board thanks the members of the Board of Management and all employees for their excellent work in the past fiscal year as well as for successfully pursuing the realignment of the company.

Karlsruhe, February 20, 2006
The Supervisory Board

Peter Schneider
Chairman

Supervisory Board

Peter Schneider MdL, Andelfingen
District administrator
of the Biberach district
Member and chairman since
July 18, 2005

Rolf Koch, Maselheim
Full-time works council member
of EnBW Regional AG
Deputy chairman since June 30, 2005

Gisela Beller, Karlsruhe
Chairwoman of the central works
council of EnBW Systeme
Infrastruktur Support GmbH

Joachim Bitterlich, Paris
Directeur des Affaires Internationales
at Veolia Environnement SA

Marc Boudier, Sèvres
Directeur Europe
at Electricité de France SA

Dr. Daniel Camus, Croissy sur Seine
Directeur Général Délégué Finances
at Electricité de France SA

Willi Fischer, Meßstetten
District administrator
of the Zollernalb district

Josef Götz, Stuttgart
Chairman of the central works
council of EnBW Regional AG

Dietrich Herd, Philippsburg
Chairman of the central works
council of EnBW Kraftwerke AG
Member since August 22, 2005

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

Marianne Kugler-Wendt, Heilbronn
Regional director at ver.di,
Heilbronn-Neckar-Franconia district
Member since June 30, 2005

Bruno Lescœur, Paris
Directeur Général Adjoint
Participations Internationales
at Electricité de France SA
Member since January 31, 2005

Gérard Roth, Bois d'Arcy
Directeur de la Coordination
Allemagne at Electricité de France SA
Member since January 31, 2005

Gerhard Stratthaus, Brühl
Finance Minister of the State
of Baden-Württemberg

Volker Stüber, Schöneiche
Federal collective bargaining
secretary for the ver.di head office

Siegfried Tann, Meckenbeuren
District administrator of the
Lake Constance district

Christoph Walther, Langebrück
Deputy chairman of the works
council of ESAG Energieversorgung
Sachsen Ost AG

Franz Watzka, Neckarwestheim
Chairman of the works council
of EnBW Kernkraft GmbH, Neckar-
westheim nuclear power plant

Klaus-Michael Weber, Ludwigsburg
Lawyer at EnBW Systeme
Infrastruktur Support GmbH

Alfred Wohlfart, Ulm
Deputy district director ver.di,
Baden-Württemberg district

Jean-Pierre Benqué, Paris
Directeur Général Adjoint Commerce
at Electricité de France SA
Member until January 30, 2005

Franz Fischer, Berg †
Regional director at ver.di,
Oberschwaben district
Member until April 6, 2005

Christian Fontanel, Chatou
Directeur de la Stratégie Groupe
at Electricité de France SA
Member until January 30, 2005

Peter Neubrand, Winnenden †
Chairman of the central works
council of EnBW Regional AG
Member and deputy chairman
until June 27, 2005

Dr. Wolfgang Schürle, Ulm
Former district administrator
of the Alb-Donau district
Member and chairman until
July 17, 2005

Committees of the Supervisory Board

Arbitration committee (committee pursuant to Sec. 27 (3) German Codetermination Act (MitbestG))

Peter Schneider
Chairman since July 18, 2005

Dr. Wolfgang Schürle
Chairman until July 17, 2005

Marc Boudier

Josef Götz

Rolf Koch
Member since June 30, 2005

Peter Neubrand
Member until June 27, 2005

Committee for management board matters

Peter Schneider
Chairman since July 18, 2005

Dr. Wolfgang Schürle
Chairman until July 17, 2005

Gisela Beller
Member since June 30, 2005

Marc Boudier

Rolf Koch

Peter Neubrand
Member until June 27, 2005

Finance and investment committee

Peter Schneider
Chairman since July 18, 2005

Dr. Wolfgang Schürle
Chairman until July 17, 2005

Marc Boudier

Dr. Daniel Camus

Dietrich Herd
Member since September 29, 2005

Dr. Claus Dieter Hoffmann

Rolf Koch

Peter Neubrand
Member until June 27, 2005

Klaus-Michael Weber

Alfred Wohlfart

Audit committee

Dr. Daniel Camus
Chairman

Gisela Beller

Marc Boudier

Franz Fischer
Member until April 6, 2005

Willi Fischer

Marianne Kugler-Wendt
Member since June 30, 2005

Peter Neubrand
Member until June 27, 2005

Siegfried Tann

Christoph Walther

Franz Watzka
Member since June 30, 2005

Ad-hoc committee for the review of board liability claims against former members of the board of management

Joachim Bitterlich

Rolf Koch

Siegfried Tann

Klaus-Michael Weber

As of February 10, 2006

Corporate governance report

At EnBW, responsible and transparent actions geared to long term success are a core element of the corporate culture. We feel committed to all the rules and values of the German Corporate Governance Code and consequently follow all its recommendations. We took the revision of the German Corporate Governance Code on June 2, 2005 as an opportunity to review our own internal corporate governance principles thoroughly and improve them further in light of recent developments. We understand them as a standard and guideline for us to permanently enjoy the trust placed in EnBW by shareholders, customers, employees as well as the public.

As in prior years, the corporate governance officer, EnBW Board of Management member Dr. Bernhard Beck LL.M., monitored compliance with the corporate governance principles at our company. At meetings on November 21, 2005 and December 8, 2005 he reported in depth to the Board of Management and the Supervisory Board on corporate governance during the fiscal year 2005.

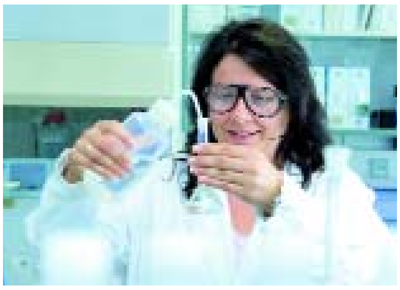
Both boards acknowledged the report and thereupon issued the declaration of compliance for the fiscal year 2005 that is printed at the end of this section.

Shareholders and annual general meeting

Prior to the annual general meeting, EnBW publishes the agenda and all reports and documents of relevance for an assessment of the company on its internet pages and sends them to the shareholders upon request. Countermotions received by EnBW before the deadline and regulatory statements are also made available on the internet pages. Shareholders who are not able to attend the annual general meeting in person have the possibility of delegating a proxy of the company with a duty to comply with instructions who can also be reached during the annual general meeting. Our annual general meeting is broadcast via the internet until the end of the CEO's report.

Cooperation between Board of Management and Supervisory Board

Close cooperation between the Board of Management and the Supervisory Board in the interest of the company constitutes an essential part of their understanding of their responsibilities. The Supervisory Board is informed regularly, without delay and comprehensively by the Board of Management about the business development, corporate strategy and planning and the risk situation.



Neckarwestheim nuclear power plant
above: Laboratory assistants Tanja Häring and Elisabeth Hötzl in the water chemistry laboratory
below: Laboratory assistant Gabi Günther preparing a diluting solution for ion chromatography

The Supervisory Board provides detailed information about the focus of its work in fiscal 2005 in its report on pages 28 to 33. No consulting or other service agreements existed between members of the Supervisory Board and the company in the reporting year.

EnBW has arranged an appropriate deductible for its D&O insurance – three monthly basic salaries for members of the Board of Management and half of the annual remuneration for members of the Supervisory Board.

Pursuant to a new recommendation of the German Corporate Governance Code, EnBW keeps old declarations of compliance with the Code available on its internet pages for five years.

Composition of the Supervisory Board

The German Corporate Governance Code as amended on June 2, 2005 recommends that the chairman of the audit committee have a good knowledge and some experience with the application of accounting standards and internal control procedures. By appointing Dr. Daniel Camus, CFO of EDF and a renowned finance expert, to this position, EnBW has already met this recommendation for several years.

German company law prescribes a dual board system for stock corporations. The management board is responsible for the executive management of the company, while the supervisory board exercises a controlling and advisory function.

The legal system requires that the supervisory board remain independent in order to duly perform its tasks. The German Corporate Governance Code has incorporated this principle and recommends that the supervisory board should have what it considers to be a sufficient number of independent members, referring to the professional and personal independence of the supervisory board members vis-à-vis the company or its management board. The Supervisory Board dealt with the assessment of these independence criteria at its meeting on December 8, 2005 and reached the conclusion that it had a sufficient number of independent members.

Elections to the Supervisory Board by the annual general meeting are conducted as individual elections at EnBW. Any motion for court appointment of a Supervisory Board member is limited in time until the next annual general meeting. Candidates suggested for the chair of the Supervisory Board are announced to the shareholders.

EnBW does not have any former members of the Board of Management on the Supervisory Board. In accordance with the new recommendations of the German Corporate Governance Code, it is not the rule for a previous chairman or member of the Board of Management to become chairman of the Supervisory Board or of a supervisory board committee. Should such a changeover be planned in the future, special reasons will be presented to the annual general meeting in advance.

The Supervisory Board is required by law to appoint and remove the members of the Board of Management. At EnBW the maximum period of appointment of five years for first-time appointments is not the rule.

Remuneration of the Board of Management and Supervisory Board

EnBW discloses the remuneration of the Board of Management and the Supervisory Board individually per person and broken down into fixed and performance-based components[1]. The basic principles of the remuneration system for the Board of Management are explained in the notes to the consolidated financial statements on pages 185 to 186. The Board of Management remuneration is disclosed there by person.

Pursuant to the resolution of the annual general meeting on April 29, 2004, the Supervisory Board members receive fixed remuneration of € 5,000 payable at the end of a fiscal year in addition to reimbursement of their expenses. In addition, for every dividend of € 0.01 per share distributed to the shareholders in excess of a dividend amount of € 0.50 per share for the past fiscal year, they receive variable remuneration of € 300. The variable remuneration of the Supervisory Board members currently does not include any components geared towards the long-term success of the company. The Chairman of the Supervisory Board receives twice the above amounts and the Deputy Chairman receives one and a half times the above amounts.

The chairman of a committee also receives one and a half times the amounts and each committee member one and a quarter times the amounts providing the committee met at least once in the fiscal year. If a member of the Supervisory Board holds several offices at the same time, he/she only receives remuneration for the highest office. Remuneration paid to Supervisory Board members who only belonged to the supervisory board or a committee or acted as chairman for part of the fiscal year is proportionately lower.

Total remuneration may, however, not exceed € 30,000 for the Chairman of the Supervisory Board, € 22,500 for his deputy and the chairman of a committee, € 18,750 for a committee member and € 15,000 for the other Supervisory Board members.

In addition, the Supervisory Board members receive a per-meeting fee of € 300 for attending supervisory board meetings and committee meetings. Attendance at preliminary meetings is remunerated with € 150 per meeting; this remuneration is however only paid for one preliminary meeting per supervisory board meeting. To the extent that the Supervisory Board remuneration is subject to VAT, the members of the Supervisory Board are reimbursed for the VAT levied on their remuneration.

Provided that the annual general meeting approves the proposed dividend, total remuneration of the Supervisory Board members in fiscal 2005 (including attendance fees and remuneration for offices held in subsidiaries) will be as follows:

[1] See addition on page 41.

Neckarwestheim nuclear power plant
Reactor building of unit II: Refuelling machine above the reactor pressure vessel

€	Fixed remuneration	Variable remuneration[5]	Board remuneration of subsidiaries	Total
Peter Schneider[1], Member and chairman since July 18, 2005	6,075	10,432	2,970	19,477
Dr. Wolfgang Schürle[1], Member and chairman until July 17, 2005	9,325	12,368	0	21,693
Rolf Koch, Deputy chairman since June 30, 2005	14,084	15,616	7,109	36,809
Peter Neubrand, Member and deputy chairman until June 27, 2005	6,958	8,339	4,417	19,714
Gisela Beller	10,750	12,500	7,669	30,919
Jean-Pierre Benqué[2], Member until January 30, 2005	411	937	0	1,348
Joachim Bitterlich	8,717	12,733	0	21,450
Marc Boudier[2]	13,150	12,500	0	25,650
Dr. Daniel Camus[2]	9,900	15,000	0	24,900
Franz Fischer[3], Member until April 6, 2005	2,844	3,748	1,651	8,243
Willi Fischer[1]	9,550	12,500	0	22,050
Christian Fontanel[2], Member until January 30, 2005	411	937	0	1,348
Josef Götz	8,300	10,000	1,944	20,244
Dietrich Herd, Member since August 22, 2005	3,030	4,857	12,380	20,267
Dr. Claus Dieter Hoffmann	9,850	12,500	0	22,350
Marianne Kugler-Wendt[3], Member since June 30, 2005	4,368	7,222	6,400	17,990
Bruno Lescœur[2], Member since January 31, 2005	6,389	10,411	0	16,800
Gerard Roth[2], Member since January 31, 2005	6,989	10,411	0	17,400
Gerhard Stratthaus[4]	5,900	10,000	0	15,900
Volker Stüber[3]	7,550	10,000	0	17,550
Siegfried Tann[1]	9,550	12,500	0	22,050
Christoph Walther	10,450	12,500	11,440	34,390
Franz Watzka	9,534	12,844	2,000	24,378
Klaus-Michael Weber	11,050	12,500	0	23,550
Alfred Wohlfart[3]	10,300	12,500	12,140	34,940
Total	**195,435**	**255,855**	**70,120**	**521,410**

[1] Pursuant to Secs. 82 – 88 Civil Service Act (LBG) in conjunction with Sec. 5 Ancillary Activities Ordinance (LNTVO), remuneration is transferred to the district.
[2] The remuneration is transferred to EDF.
[3] In accordance with the regulations of the German Federation of Trade Unions (DGB) on the transfer of supervisory board remuneration, the remuneration is transferred to the Hans-Böckler-Stiftung foundation.
[4] Applying Sec. 5 Ancillary Activities Ordinance (LNTVO) by analogy, remuneration is transferred to the German state of Baden-Württemberg.
[5] The variable remuneration for the fiscal year 2005 is subject to the annual general meeting passing a resolution on the dividend amount and will be paid out in fiscal year 2006.

Transparency

We inform our shareholders, all capital market participants, financial analysts, shareholder associations as well as interested members of the general public regularly and promptly about any major business changes in the company. We mainly use the internet to ensure that all the interested parties are informed equally and on a timely basis. The EnBW financial calendar summarises all the dates of the regular publications.

The German Investor Protection Improvement Act (AnSVG) came into force on October 30, 2004, tightening the securities trading law by introducing new provisions on insider law, ad-hoc reporting and directors' dealings. EnBW looked into the amended legal provisions at an early stage. We created a working group with experts from various functional departments to monitor important transactions on an ongoing basis in terms of relevance for ad-hoc reporting requirements. Outside the regular reporting, the Board of Management publishes insider information which pertains directly to the company without delay by means of ad-hoc reports. In addition, a record was made of all persons with regular access to insider information in insider lists, who were instructed about their obligations.

EnBW did not receive any notices in the fiscal year 2005 on transactions with EnBW shares or related financial instruments of persons in managerial positions and persons closely related to them. The total shares held by all members of the Board of Management and the Supervisory Board of EnBW AG amount to less than 1% of the company's shares outstanding.

Accounting and annual audit

The accounts of EnBW are prepared according to International Financial Reporting Standards/International Accounting Standards (IFRS/IAS). The audit committee engaged Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Stuttgart, the auditor elected by the annual general meeting for the fiscal year 2005, to audit the annual and consolidated financial statements for the fiscal year ending December 31, 2005, having first satisfied itself that there were no doubts as to the independence of the audit firm being engaged.

It was agreed with the auditor that the chairman of the Supervisory Board and the chairman of the audit committee would be informed without delay of any grounds for disqualification or any factors affecting impartiality if they arise during the audit, unless they are remedied immediately. It was also agreed that the auditor would report without delay on any findings or events material for the tasks of the Supervisory Board and audit committee which arise during the audit. Moreover, the auditor will inform the audit committee and the Supervisory Board and report in the audit report if facts are discovered during the audit which indicate that the declaration of compliance with the Corporate Governance Code issued by the Board of Management and the Supervisory Board is not correct.

There are currently no stock option plans or similar securities-based incentive programmes at EnBW.

Declaration of compliance[1]

The Board of Management and Supervisory Board declare in accordance with Sec. 161 AktG that in the past fiscal year EnBW complied without exception with the recommendations of the government commission for the German Corporate Governance Code as amended on May 21, 2003 and published in the electronic German Federal Gazette (Bundesanzeiger). In addition, it complied without exception with the recommendations of the government commission as amended on June 2, 2005 and will continue to do so in the future.

[1] See addition on page 41.

Comments on the suggestions of the Corporate Governance Code

Pursuant to No. 3.10 of the German Corporate Governance Code, the Board of Management and Supervisory Board declare that EnBW has complied with the suggestions of the Code, with the following exceptions, and will in future comply with, with the same exceptions:

Code No. 2.3.4: Transmission of the annual general meeting via modern communication media
EnBW transmits the annual general meeting until the end of the report of the CEO via the internet. Due to the small free float of the EnBW share and the usual length of our annual general meeting, the transmission of the entire annual general meeting would not be justified in light of the high costs involved.

Code No. 4.2.3: Components with long-term incentive effect and risk element as a component of the variable remuneration of the Board of Management
At EnBW, the variable components of the remuneration of the Board of Management consist of non-recurring as well as annually recurring components based on the success of the business.

Neckarwestheim nuclear power plant
left: Maintenance at the rotor of the generator for railroad service
right: Peter Bildhäuser from quality management

There are currently no components with a long-term incentive effect and risk element because a remuneration system with components based on the long-term success of the company throughout the group is still in the initial stages.

Code No. 5.4.6: Election or reelection of Supervisory Board members by the shareholders on different dates and for different terms of office
EnBW has not yet made use of this option because, due to the specific shareholder structure, the shareholder side of the Supervisory Board is largely determined by the two large shareholders Electricité de France (EDF) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW). This allows occasional changes in office holders on the shareholder side between the election dates while continuity is ensured beyond the election period by reappointment of some of the shareholder representatives. The introduction of a graduated election system would thus be of no advantage to EnBW.

Code No. 5.4.7: Components of the remuneration of the Supervisory Board based on the long-term performance of the company
The performance-based remuneration of the Supervisory Board members does not currently contain any components based on the long-term performance of the company because EnBW wants first to wait until such remuneration components are introduced for the Board of Management.

The listed subsidiary ZEAG Energie AG also implements the German Corporate Governance Code. Deviations from the recommendations of the Code will be set forth in the company's declaration of compliance of February 7, 2006.

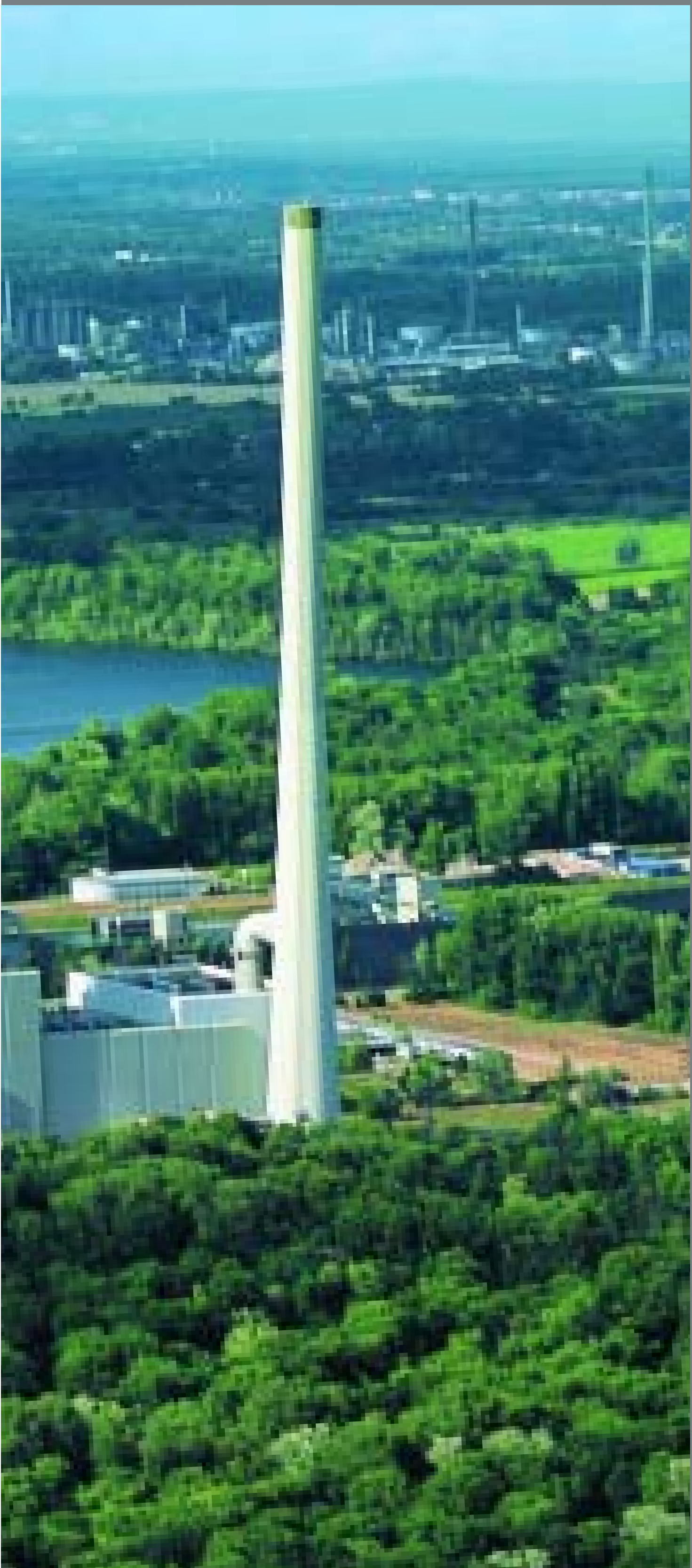
Karlsruhe, December 8, 2005
EnBW Energie Baden-Württemberg AG

The Board of Management	The Supervisory Board

Addition dated February 10, 2006 to the corporate governance report of the Board of Management and the Supervisory Board and to the declaration of compliance dated December 8, 2005
The Board of Management remuneration for the fiscal year 2005 is only broken down by person in this annual report with respect to the fixed remuneration components. The variable remuneration components are disclosed only at the amount of the provision, as the committee on management board matters had not decided on the variable management board remuneration at the time the financial statements were prepared.

The full corporate governance principles of EnBW adopted by the Board of Management and the Supervisory Board, the declaration of compliance presented above as well as other information on the topic corporate governance are available on the internet at www.enbw.com in the "Investors" section. Within Germany, the printed version of the EnBW corporate governance principles can also be ordered via our shareholders' hotline (phone 0800 1020030).

Rheinhafen thermal power station
in Karlsruhe



EnBW share

46 The EnBW share

Rheinhafen thermal power station in Karlsruhe

With an electrical output of 1,260 megawatts, the Rheinhafen thermal power station in Karlsruhe is one of EnBW's important power stations.

The power station's coal-fired unit 1 started operation in 1955 with an output of 60 megawatts. Growing electricity needs required the addition of further units in subsequent years for various primary energy sources. A total of seven power station units were commissioned between 1955 and 1985.

With a highly modern gas and steam turbine plant, unit 4 has an efficiency level of approximately 57 percent, and stands for the safe generation of electricity combined with maximum reduction of emissions. The steam power station also ensures cost-effective district heating in the Karlsruhe region.

Rheinhafen thermal power station, Karlsruhe
above: Oliver Ertl, electrician, and Ralf Haupt, shift worker, in the turbine hall of unit 7

below: Norbert Siebert, control station operator, and Uwe Förster, unit supervisor, in the control room of unit 4

The EnBW share

- **EnBW share climbs to € 55.88 in September**
- **Treasury shares reduced from 7.21% to 2.42%**
- **Contact to investors and analysts intensified**

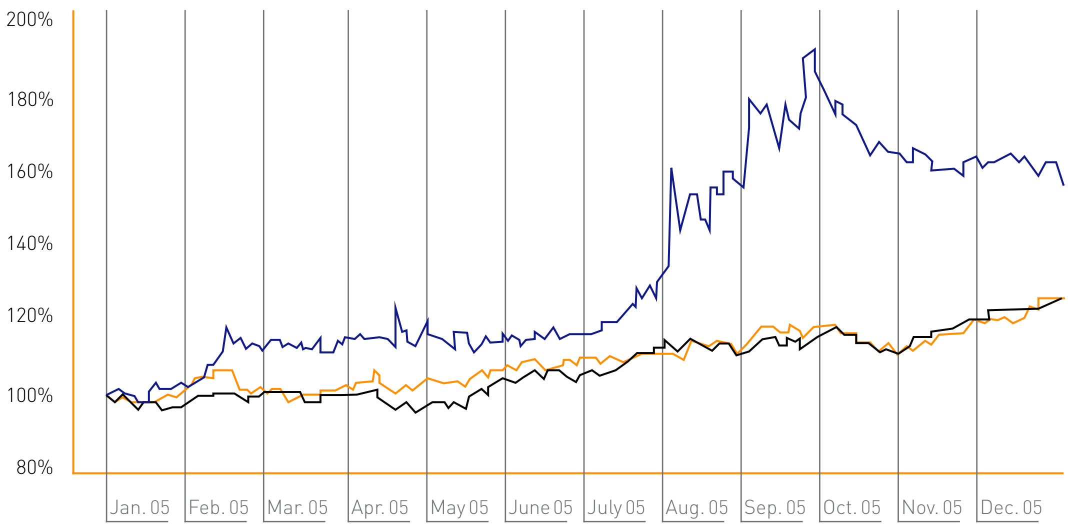
The stock exchange environment in 2005 was more friendly than usual. Closing at 5,408.26 points at year-end, the German stock exchange index DAX was up 27.1% compared to the start of 2005. Just one year earlier this stock market indicator made up of the 30 German standard values had fluctuated within a narrow band of between 3,700 and 4,300 points. The DAX index successfully established itself above the 5,000 points threshold in 2005.

After a brief upswing at the beginning of the year, the EnBW share, which is listed on the Frankfurt and Stuttgart stock exchanges, initially fell to an annual low of € 24.20 (Frankfurt a.M. floor). In the further course of the first half year of 2005, the share recovered rapidly, already closing at € 34.10 on June 30, 2005. The positive development of the EnBW share price continued in the second half of the year in line with the development of the German stock market. At € 55.88, the EnBW share reached its highest value on September 26 since its flotation on August 3, 1998. Among other things, this development is certainly attributable to the consistently high level of group profit generated both in 2005 and the already highly successful fiscal year 2004. On December 30, 2005, the EnBW share closed at € 45.80.

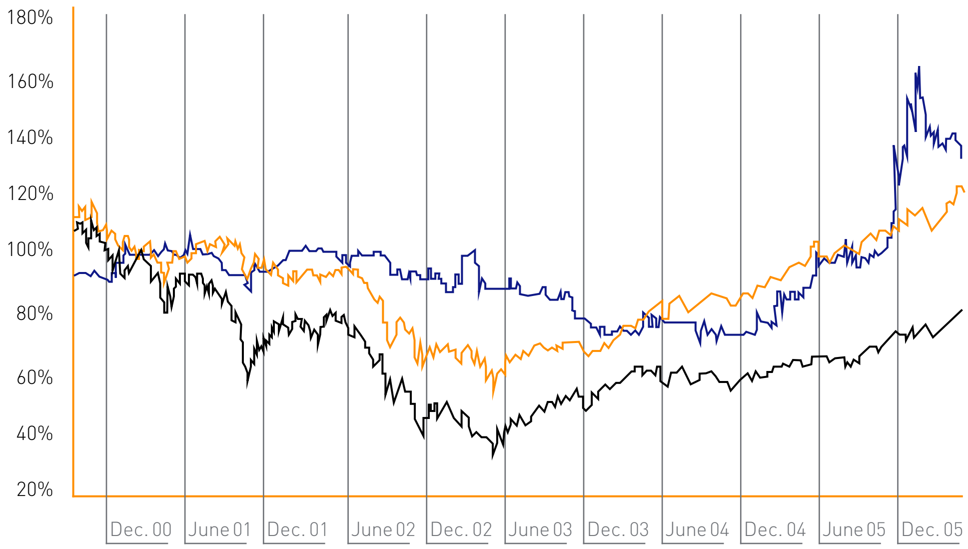
Key data of the EnBW share

ISINDE000	5220008
Securities identification number	522000
Stock exchange abbreviation	EBK
Stock markets	Official listing on the stock exchanges in Frankfurt a. M. and Stuttgart
Index	CDAX utilities
Number of shares	250,006,200 registered no-par value shares

Performance of the EnBW share in 2005



Performance of the EnBW share in the past five years



EnBW
DAX 30
DJ Euro STOXX Utilities

EnBW share in figures

		2005[1]	2004[1]	2003[1]	2002[1]	2001[2]
Number of shares outstanding as of December 31[3]	million shares	243.957	231.974	220.711	221.011	243.765
Annual high	€	55.88	30.00	34.44	34.94	36.43
Annual low	€	29.11	24.20	24.96	29.75	29.95
End-of-year price	€	45.80	29.10	25.15	33.94	34.44
Stock exchange trade (total)	number	902,000	260,700	113,300	159,700	242,800
Stock exchange trade (daily average)	number	3,537	1,109	567	791	1,220
Dividends per share	€	0.88[4]	0.70	–	0.66	0.66
Earnings per share from group net profit	€	2.16	1.40[5]	-5.40	-0.19	0.74
Operating cash flow per share	€	5.52	6.80[5]	4.01	2.23	1.89
Distribution	€ millions	214.7[4,6]	162.4	–	145.7	160.9
Distribution quota[7]	%	41.2	51.1[5]	–	–[8]	89.1
Number of shares outstanding (weighted average)	million shares	240.961	227.281	220.711	232.347	243.140
Market capitalisation as of December 31[9]	€ billions	11.2	6.8	5.6	7.5	8.4

Notes:
The price information relates to floor trading on the Frankfurt a. M. stock exchange.
[1] IFRS/IAS
[2] HGB
[3] Total number of shares: 250.006 million
[4] Dividend proposal for the fiscal year 2005, subject to the approval of the annual general meeting on April 28, 2006
[5] The prior-year figures have been adjusted.
[6] Distribution in terms of the shares entitled to dividends as of December 31, 2005
[7] Distribution in terms of the net earnings of the EnBW group
[8] Net earnings of the EnBW group 2002 under IFRS/IAS negative
[9] Number of shares outstanding at the end of the fiscal year multiplied by the end-of-year price

Shareholder composition

The changes in the shareholder composition are due, on the one hand, to the sale of shares by Deutsche Bank AG and by HSBC Trinkaus & Burkhardt KGaA and, on the other, to the placement of our own shares. On January 28, 2005, Deutsche Bank and HSBC Trinkaus & Burkhardt sold a total of 11.88% of the EnBW shares to OEW and EDF. EnBW's large shareholders each acquired half of the total number of shares sold.

From March 23 to April 6, 2005, EnBW offered its shareholders 12,887,449 treasury shares held by the company for purchase. In total, we were able to place 11,982,449 treasury shares with our shareholders, which equals just under 93% of the shares offered (for further details see page 73). This way we were able to reduce our treasury shares significantly again after the first placement in June 2004 from 7.21% (as of December 31, 2004) to 2.42%. Electricité de France International (EDFI) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW) now each hold 45.01% of the EnBW shares, while municipal associations in Baden-Württemberg hold 5.1%.

Shareholder composition of Energie Baden-Württemberg AG as of December 31, 2005

Zweckverband Oberschwäbische Elektrizitätswerke (OEW)	45.01%
Electricité de France International (EDFI)	45.01%
EnBW Energie-Baden-Württemberg AG[1]	2.42%
Free float	2.46%
Badische Energieaktionärs-Vereinigung (BEV)	2.61%
Gemeindeelektrizitätsverband Schwarzwald-Donau (G.S.D.)	1.29%
Landeselektrizitätsverband Württemberg (LEVW)	0.74%
Neckar-Elektrizitätsverband (NEV)	0.46%

[1] 2.3% directly and 0.12% indirectly via Energiedienst AG, figures rounded to two decimal places

Investor Relations

In 2005, we again maintained and even intensified contact with our shareholders. As usual, when our annual report and our interim reports are published, we offer a telephone conference in which our CEO, Prof. Dr. Utz Claassen, our CFO, Dr. Christian Holzherr, and Senior Vice President – Head of Finance/Investor Relations, Ingo Peter Voigt, present and explain the current figures and answer any questions of the investors. Since 2005, this telephone conference is broadcast live on the internet without access restrictions.

This is one of the ways in which we put into practice the claim formulated in our corporate governance principles of providing comprehensive and simultaneous information to all market participants. A recording of the telephone conference will be available on our website free of charge.

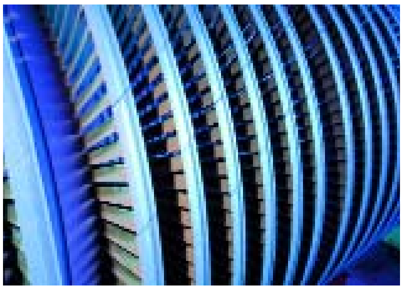
We are thus turning more towards the internet in our investor relations work. By revamping our homepage in spring 2005, we also made the investor relations pages easier to navigate.

As part of the road show staged in the second quarter of 2005, our Chairman of the Board of Management, Chief Financial Officer and Senior Vice President – Head of Finance/Investor Relations visited Frankfurt, London, Paris, Zurich, Munich, and Stuttgart to meet investors and answer any questions.

The main topics were the turnaround and EnBW's future strategic alignment as well as issues concerning the energy market, such as trade with CO_2 emissions certificates and the regulation of the German energy market.

In 2005 we were again present at all major investor conferences in Germany and abroad, holding numerous individual talks with investors and analysts. At our EnBW locations, we also informed our business partners of current topics and offered them the possibility of visiting plants like the Rheinhafen steam power station in Karlsruhe.

In 2006, we will seek and maintain personal contact to our investors and analysts and continue our committed investor relations work.



Rheinhafen thermal power station, Karlsruhe
left: Turbine of unit 7 opened for maintenance
centre: New rotor of the intermediate pressure turbine
right: Inspection work on the generator

Altbach/Deizisau
combined heat and power (CHP) station

Combined management report of the EnBW group and EnBW AG

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Altbach/Deizisau combined heat and power station

The Altbach/Deizisau CHP is an important economic factor in the Stuttgart region and guarantees a reliable, cost-effective and environmentally friendly energy supply. EnBW operates several units at this location with a total electrical output of approximately 1,200 megawatts. The two units of CHP station are coal-fired and produce electricity and district heating simultaneously in the co-generation mode. Secure district heating power of 280 megawatts can be uncoupled from the CHP stations 1 and 2.

A cogeneration plant, CHP station 1 is only designed for the conventional steam process. CHP station 2 additionally has an integrated gas turbine process (integrated unit). This unit is one of the most modern hard coal power stations in Europe. In addition, there are a combined gas and oil unit and two gas turbines. Due to the diversity of these plants, the Altbach/Deizisau location can produce electricity for all load levels: base load, medium load and peak load. The central information centre which provides information on EnBW's conventional electricity and heating supply is located on the same site as the power station.

Corporate strategy

- Focus on our core business
- Strengthening our presence in Germany and central, east and south-eastern Europe
- Optimisation of the value-added chain
- Value-based management

Focus on our core business

Following the successful completion of portfolio streamlining at the end of 2004, in 2005 we started to focus more on expanding our core business. In future, we will continue to focus on our core competencies and supply our customers reliably and competently with energy and energy-related services. A balanced, environmentally-friendly energy mix is especially important to us: for only if we manage our resources in a responsible manner today, will we be able to guarantee the energy supply to our customers in the future.

Strengthening our presence in Germany and central, eastern and south-eastern Europe

Traditionally, we are firmly rooted in Baden-Württemberg. We also operate throughout Germany and in other markets of central and eastern Europe. Our top priority is to expand our position on our home market. This is a reflection of our vision to be the market player in our industry with the strongest regional base and responsibility (Vision No 1).

Baden-Württemberg is the regional basis for our commercial activity. The largest energy provider in Baden-Württemberg, it is our claim, duty and responsibility to ensure sustainable, competitive and safe energy supply at a reasonable price for our customers. We will endeavour to fulfil this claim throughout the whole of Germany.

We intend to expand our presence in the growth markets of central and eastern Europe. This primarily involves intensifying our activities at our existing equity investments. In central, eastern and south-eastern Europe, we also want to use the privatisations made in the energy sector in the course of alignment with the EU standards to position ourselves with a competitive edge in selected attractive regions.

We hope to benefit from further profitable growth as a result of the expansion of the internal market for energy and the above-average growth currently exhibited by central and eastern European countries in relation to their western European neighbours. We are consequently examining the possibilities of setting up business in south-eastern Europe. Such plans are based on strict investment criteria.

Altbach/Deizisau CHP station
Unit 2 in the power station's own park

Optimisation of the value-added chain

We want to achieve the best possible result for our customers and our shareholders. This is reflected in our target of being the most focused market player in our industry that bundles its strengths most effectively and does the important things the right way (Vision No 4). We have oriented ourselves towards the market and focused our efforts along the value-added chain. With respect to competition, we make the most of the advantages of an integrated company by pooling and optimising the opportunities from sales and distribution, trading and power generation. There are clearly defined interfaces between the competitive area and the network companies, which meet the requirements of unbundling. The key success factor with regard to competition is the co-operation between sales and distribution and trading on the one hand and between trading and generation on the other. We have positioned ourselves in such a way that we can consider the needs of our customers, possibilities of the market and opportunities of our assets in the best possible way and reduce risks as far as possible.

Value-based management

We want to be the number one in terms of our ability to adapt rapidly to a dynamic business environment (Vision No 7). We achieved this target in 2005. The relative EBITDA increase rate of the EnBW group in the first to third quarter of 2005 compared to 2004 outstripped that of the national core competitors by far. We also want to be the market player in our industry with the highest relative earnings power (Vision No 6). Consequently, we have defined the value added as the key figure and set ourselves the target of raising it continuously. Value is generated when our operating performance exceeds our cost of capital. The primary objective is to steadily increase earnings before interest and tax (EBIT) and thus also the return on capital employed (ROCE). By steadily increasing the cash flow from operating activities and setting ourselves the target of a positive free cash flow, we will create the financial stability needed to meet this growth target.



Altbach/Deizisau CHP station
Markus Sieferer, power station supervisor for electrical engineering and process control technique, meter-reading at a steam control module

Company and market environment

Organisation of the group

- **EnBW segments: Electricity, gas and energy and environmental services**
- **All stages of the value added chain covered**
- **Good working relationship between Board of Management and Supervisory Board**

EnBW group

The EnBW core activities focus on the segments electricity, gas as well as energy and environmental services. As a corporate group, we are vertically integrated and cover all stages of the value-added chain in the electricity segment. The gas segment consists of the trade, procurement, transportation and distribution as well as the sale of gas.

The energy and environmental services segment includes thermal and non-thermal disposal, water and other services. The segment reporting contains separate reports on these business segments.

The EnBW group is headquartered in Karlsruhe. The central administrative buildings are located in Karlsruhe and Stuttgart. The major locations of the group, our power stations, distribution plants, regional and operating centres as well as sales branches and processing centres are spread over the whole of Baden-Württemberg. We also have other sales branches throughout Germany. In addition, EnBW has equity investments in Dresden, Switzerland, Austria, Hungary, the Czech Republic and Poland. The major shareholdings of EnBW AG are presented in the financial statements.

EnBW AG

As operative holding company, EnBW Energie Baden-Württemberg AG exercises the management function in the EnBW group. Profit and loss transfer agreements are in place with the main subsidiaries of EnBW AG.

In addition, EnBW AG provides central treasury management. As the business development, the economic situation and the opportunities and risks of the future development of EnBW AG do not diverge from the business development, economic situation and the opportunities and risks of the future development of the EnBW group, we have combined the management report of the EnBW group and that of EnBW AG.

Board of Management and Supervisory Board

The Board of Management of the EnBW group consists of six members who are jointly responsible for the management of the group. In its work, the Board of Management pursues the aim of increasing the value of the company in the long term. Besides the responsibilities of the CEO, the tasks of the Board of Management are divided into the portfolios "Finance", "Marketing and Sales", "Operations", "Human Resources, Law and IT" and "Technology". The members of the Board of Management are presented in the financial statements.

> The responsibilities of the CEO primarily include strategic, investor relations, social, political and group-wide issues. Corporate communications, public relations, mergers and acquisitions, internal audit, responsibility for methodology, and target costing and target investment are also allocated to this portfolio.

> The Finance portfolio manages and controls group-wide financing activities. These include not just corporate controlling, accounting and tax, but also treasury and investor relations as well as the management of the TOP FIT cost-cutting programme.

> The Marketing and Sales portfolio is responsible for developing, implementing and monitoring group-wide marketing concepts across all segments, products, brands, sales channels, subsidiaries and equity investments as well as selling energy, energy services and other products and services.

> The Operations area is responsible for management and optimisation of the activities and equity investments along the electricity and gas value-added chains as well as for management of regulatory aspects concerning the energy industry. It is further responsible for managing the foreign investments of EnBW in central and eastern Europe as well as contracting and associated energy-related services.

> The Human Resources, Law and IT portfolio, to which the function of the Chief Human Resources Officer is also allocated, is responsible for these central functions. It also covers risk management, industrial health, industrial safety, property management and knowledge management as well as legal questions concerning the new regulatory framework, in particular questions relating to the coordination of regulatory management and compliance office.

> The Technology portfolio includes the technical business segments and tasks in the group. These are first and foremost the issues of power generation (nuclear, fossil and renewable) and disposal. This area is responsible for managing the relevant companies in the group. Its competence also includes research and development, innovation management, central crisis management, materials management, technology and operations in the network area as well as environmental protection.

The Supervisory Board at EnBW has 20 members with an equal number of members representing shareholders and employees in accordance with the German Codetermination Act (MitbestG). The shareholder representatives are elected by the annual general meeting and the employee representatives by the employees of the EnBW companies with the ver.di trade union nominating three employee representatives.

The Supervisory Board monitors and advises the Board of Management on the conduct of its business. It is consulted on all decisions of fundamental importance for the company. The Supervisory Board's rules of procedure contain a list of transactions and measures subject to approval. The Supervisory Board is above all responsible for appointing and dismissing members of the Board of Management and ratifying the financial statements. It analyses the business development and planning as well as the corporate strategy with the Board of Management at regular intervals.

To be able to assume its function in the best possible way, the Supervisory Board has a committee for management board matters, a finance and investment committee, an audit committee, an ad-hoc committee for the review of board liability claims against former members of the Board of Management and the arbitration committee in accordance with Sec. 27 (3) German Codetermination Act. The members of the Supervisory Board are presented in the financial statements.

Products, market and competition

- Vertical integration in the electricity and gas segments
- Competitive position successfully defended

This section provides information on the electricity and gas segments. As the energy and environmental services segment is highly diversified and not as relevant for the result from operations as the other two segments, the economic development of this segment is commented on in the presentation of the company situation of the EnBW group.

Electricity

EnBW has generation capacities in the area of nuclear power, conventional power station technology (coal, gas, oil) and renewable energies, including above all hydroelectric power. We cover our electricity sales to a large extent from our own power stations and through long-term delivery agreements. We operate the very high voltage network in Baden-Württemberg and distribution networks in Baden-Württemberg and Saxony.

In our home market Baden-Württemberg, we supply electricity and local and district heating to private final customers, commercial and industrial customers, municipalities and public utilities under the EnBW brand. In the national market outside Baden-Württemberg, we supply private final customers and commercial customers with energy under the Yello brand and SMEs as well as chains under the Watt brand.

Our industrial customers outside Baden-Württemberg are served by our employees from the national EnBW branches and our key account managers.

In the electricity segment, EnBW faces competition from the three large groups E.ON, RWE, and Vattenfall Europe as well as from some regional providers, numerous public utilities and foreign providers.

In the Business-to-Business sector within and outside Baden-Württemberg, we successfully maintained our competitive position compared to the end of 2004. In the Business-to-Consumer sector within Baden-Württemberg, too, we defended our position. In the national market, we increased our market share slightly in that sector with the Yello brand.

EnBW is the only German energy provider to pursue a strictly synergetic multiple-brand strategy with clearly defined roles and mission statements for the corporate, private and industrial customer brand EnBW, the national private and commercial customer brand Yello Strom, the brand specially tailored to SMEs and chain customers, e.g. in the trading area, Watt, and the product brand natural energy for ecologically minded customers throughout Germany.

With highly specialised offers and services that are exactly tailored to customer requirements, EnBW's customer relationships have benefited directly from the multiple-brand strategy in all sectors of the energy market.

Operating under these conditions, our aim is to reinforce, develop and expand our number three position in the industry in Germany, to pursue – compared to the competition – the most consistent synergetic multi-brand strategy and to achieve the highest levels of customer satisfaction (Vision No 2).

Gas

In the gas segment, EnBW covers all stages of the value-added chain via partner companies and subsidiaries and is vertically integrated in this segment.

On the procurement side, we have a strong partner in the Italian Eni S.p.A., one of the largest oil and gas explorers and gas importers worldwide.

The core market of EnBW's gas business is Baden-Württemberg. We are represented in the midstream area here with Gasversorgung Süddeutschland GmbH (GVS), one of the largest German regional grid gas companies, which we hold as a "50/50" joint venture with Eni. A company with strong regional basis, GVS is the most important gas supplier in Baden-Württemberg.

In the downstream area, EnBW Gas GmbH is our gas distribution company with a focus on the Stuttgart region while ENSO Erdgas GmbH, formerly Gasversorgung Sachsen Ost GmbH, in which we have a majority holding, is our distribution company in eastern Saxony.

The current competitive environment is dominated by the competition with heating oil. Gas-to-gas competition can be observed in the customer sectors redistributors and business-to-business. Promulgation of the amended energy industry act in July 2005 and the establishment of the Federal Network Agency will encourage further competition.

Altbach/Deizisau CHP station
Bridge connecting the flue gas desulfurisation plant with the chimney of CHP unit 2

Economic environment

Altbach/Deizisau CHP station
above: Sascha Giczi-Keller, production coordinator
below: Ventilators in the hybrid cooling tower of CHP unit 1

Overall economic developments

– **Positive development of economic growth in 2005**

The fiscal year 2005 was affected by high oil prices. Despite this, the European economy grew. The real GDP in the euro zone came to 1.4% in 2005, having risen at an exceptionally high rate in the last six months of the year. Considering the persistently high unemployment rate of 8.5%, this welcome growth was supported and confirmed by higher capital expenditures. Although the inflation rate of consumer prices in the euro zone of 2.2% was fairly low and stable compared to the prior year, the European Central Bank (ECB) raised the short-term interest rate from 2% to 2.25%, indicating its concern about rising inflation.

The real GDP in Germany was slightly lower (1.1%), with growth picking up considerably in the second half of the year on the first half. Germany also followed the general trend with a satisfactory increase in capital expenditures. At the same time, the continuing reluctant private consumer behaviour due to the high level of unemployment remains a cause for concern. Inflation rose at a relatively high rate, reaching the euro-zone level for the first time. Given this background and the unchanged high unemployment rate of 9.5%, the move of the ECB to increase interest rates is generally viewed sceptically.

Developments in the industry

Electricity market

– **Generation down in Germany**
– **Electricity prices up on the wholesale market**
– **Electricity prices up for private and business customers**

Consumption

Despite economic growth, German electricity consumption remained on its prior-year level of 503 TWh owing to the moderate weather conditions.

Generation

At 500 TWh, gross generation from power stations for general electricity supply in Germany also matched the prior-year level in 2005. As in 2004, nuclear power and brown coal were the main sources of primary energy for power generation in 2005.

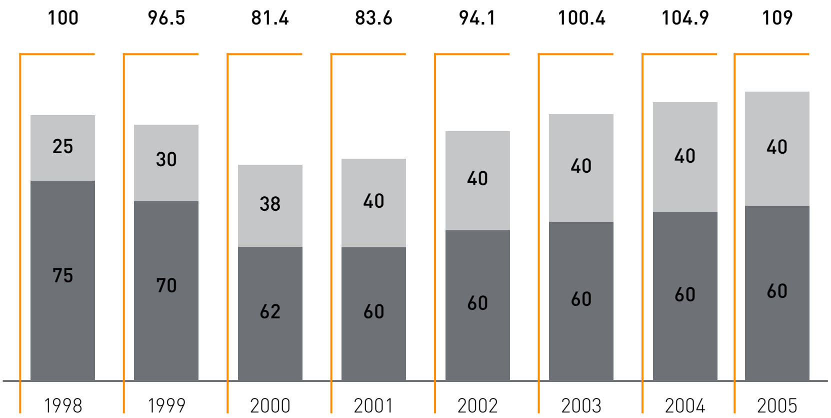
Export

In 2005, German energy companies exported more electricity to neighbouring countries than they imported from there. The power exchange balance with neighbouring countries presented a trade surplus of approx. 8 TWh.

Price development for private and business customers

In 2005 private and business customers faced increases in electricity prices by numerous energy providers throughout Germany. In most cases, those price increases were due to the sharp rise in costs for the procurement of electricity, higher procurement costs for fuels owing to the global rise in demand for fuels and a higher price level on the wholesale market for electricity.

Average monthly electricity bill
for a three-person household (3.500 kWh/year in %, 1998 = 100%)



Based on information from the German Electricity Association VDEW, as of January 2006

- Generation, transportation, distribution
- Taxes and fees (Renewable Energies Act (EEG), Combined Heat and Power Act (KWKG), electricity tax, license fees, VAT)

The cost allocations pursuant to the German Combined Heat and Power Act and the Renewable Energies Act also went up once again.

In particular the expenses for wind energy fed into the network in what was a relatively windy year 2005 and the much higher photovoltaic feed-in with very high specific compensation rates were responsible for the cost increases resulting from the Renewable Energies Act. The amended Energy Industry Act that came into force on July 13, 2005 and the new regulatory authority introduced by it for electricity and gas has not yet changed the competitive situation noticeably.

Altbach/Deizisau CHP station
Ventilators in the hybrid cooling tower of CHP unit 1

Trade

The spot market for electricity was characterised by several brief high-price phases and an overall rising level of prices in 2005. At an average of € 45.98/MWh, base supplies[1] in 2005 were some 61% higher than in the prior year, while peak supplies[2] were up approximately 67% to an average price of € 63.09/MWh. The price level was particularly high in the fourth quarter. The reasons were relatively large-scale outages with respect to generation and lower levels of electricity generated by run-of-the-river power stations due to the low water level in the rivers. The base and peak supplies were listed at € 59.82/MWh and € 89.16/MWh respectively; they were thus 30% and 41% up on the annual average.

Prices were also influenced by the significantly higher gas and oil prices compared to the prior year (+41% in a year-on-year comparison) which were felt above all in the peak supplies.

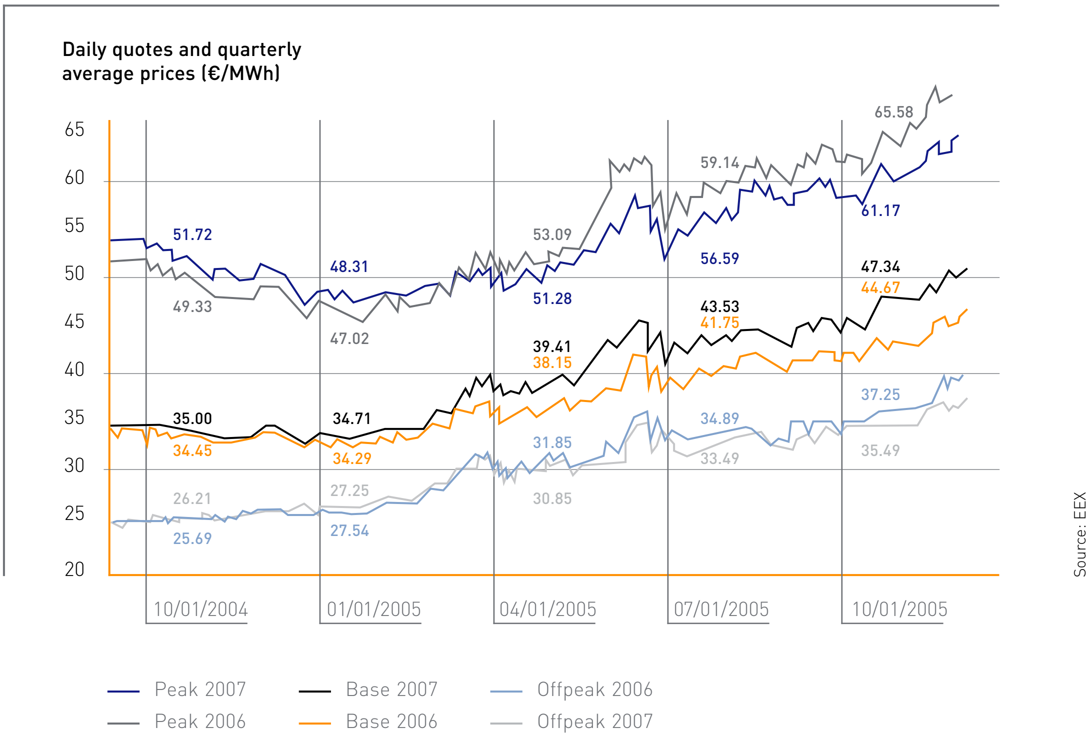
The spot prices for electricity increasingly reflected the effects of the EU emissions trading introduced at the start of the year. Within the EU emissions trading system, prices climbed from approximately € 9/t CO_2 at the start to about € 30/t CO_2 in the course of the year, which meant that in the second half of the year in particular the rise in prices for emission allowances more than compensated for the drop in prices recorded on the coal market (-15% in a year-on-year comparison). This in turn led to a corresponding price hike for the indirectly traded off-peak supplies[3], which are dominated by coal-based electricity generation.

On the forward market for electricity, by contrast, CO_2 prices were hardly felt at the start. Although prices on the forward market rose steadily over the year – in the fourth quarter of 2005, for example, base and peak supplies for 2006 were listed at an average of € 47.34/MWh and € 65.58/MWh, i.e. some 37% and 33% higher than in the fourth quarter of 2004 – up to the middle of the year this price increase is principally due to the higher fuel costs resulting from high gas prices (+57% in a year-on-year comparison of supplies for 2006) and slightly higher coal prices (+2% in a year-on-year comparison of supplies for 2006). It was not until the fourth quarter of 2005 that the forward prices for electricity started to reflect the prices for emission allowances.

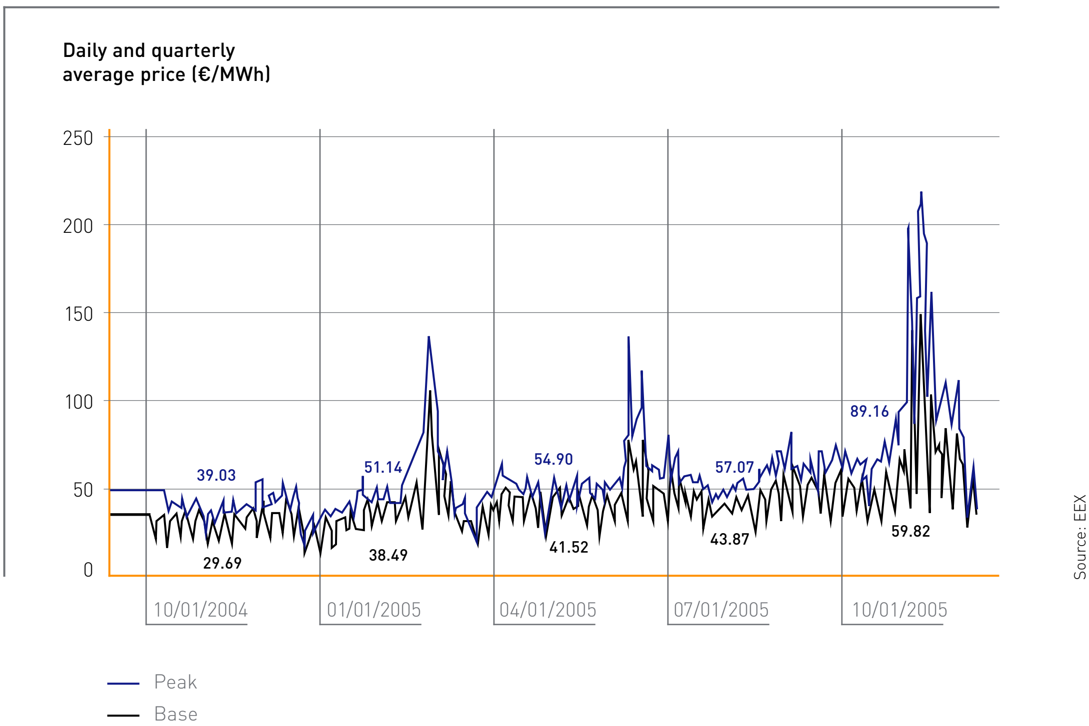
[1] Price for constant purchase/supply throughout the year
[2] Price for purchase/supply Monday to Friday, 8 am to 8 pm
[3] Price for purchase/supply Monday to Friday midnight to 8 am and 8 pm to midnight; Saturday and Sunday around the clock

Altbach/Deizisau CHP station
Hybrid cooling tower of CHP unit 1

Development of electricity prices on the forward market (EEX)



Development of electricity prices on the spot market (EEX)



Management report

CO_2-Markt

- Trading volume increased on European CO_2 market
- Price fluctuation for CO_2 allowances remains high

The trading volume on the still very new European market for CO_2 exhibited a satisfactory development. It grew by some 30.6 million tonnes of CO_2 in the first quarter of 2005 to more than 99.5 million tones of CO_2 in the fourth quarter of 2005. At the same time, prices for CO_2 allowances rose by about 159% from an average € 8.85/t CO_2 in the first quarter of 2005 to an average of € 22.07/t CO_2 in the fourth quarter of 2005. Prices for CO_2 allowances peaked in July at just under € 30/t.

The high price level is largely attributable to the fact that the CO_2 market is closely tied to the fuel markets. Short-term reductions in emissions can be achieved primarily through a fuel switch in the energy industry, i.e. through increased generation by gas power stations as a substitute for coal-fired power stations. The prices for emission allowances respond very sensitively to the difference in price between gas and coal as fuel. Rising gas prices (supply 2005: +41% in a year-on-year comparison) lead to increased use of the high-emission, coal-fired power stations (supply 2005: -15% in a year-on-year comparison), and thus to higher CO_2 emissions. This increases demand for CO_2 allowances, which in turn leads to higher prices for CO_2 allowances.

In addition, numerous European and in particular eastern European industrial companies have not yet actively entered the market due to delays with the allocation of allowances and implementation of the national emission registers, which means that the market does not reflect the entire EU trading sector yet. Political decisions are also pending – concerning the National Allocation Plans, for example – which could have a considerable impact on CO_2 prices. Consequently, it is not just the basic market mechanisms that are decisively shaping the market development at present, but also the expectations of market players.

If this situation continues and important regional and sector-related sub-groups cannot or will not participate in the market and if the uncertainty at political level remains high, prices on the market look set to continue fluctuating.

Coal market

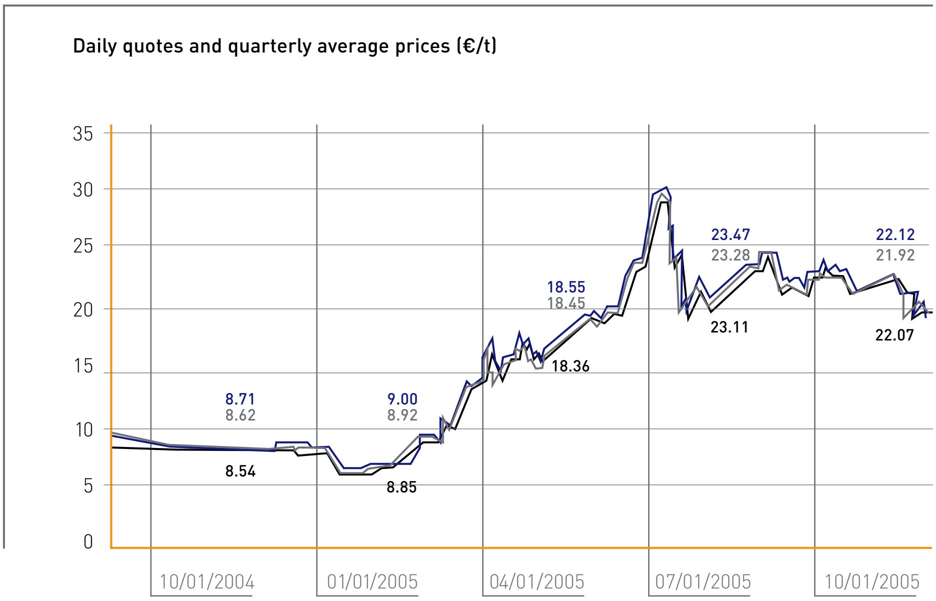
- Slight drop in world market prices for hard coal due to falling freight rates

In particular for short-term deliveries from the second quarter of 2005 onwards, the development of world market prices for hard coal was marked by falling freight rates for the Richards Bay route from South Africa to the ARA ports (Amsterdam, Rotterdam, and Antwerp). In line with the trend emerging at the beginning of the year for physical deliveries due in the following quarter, such short-term deliveries benefited most from the declining freight rates, as did deliveries in 2006 later in the year. Towards the end of 2005, prices for deliveries in the following quarter were lower than for deliveries in 2006, which in turn were lower than prices for deliveries in 2007. The exact opposite applied for the period from the start of the year to mid-year.

Low river levels from October 2005 played a role in this context, delaying transportation of coal from ARA ports to locations further inland. The “excess supply” thus reinforced the drop in prices, especially for short-term delivery dates.

Overall, the development in the last six months of 2005 led to a slightly lower level of prices compared to the prior year. Coal deliveries due in 2007 and 2006 were listed at average prices of US$ 57.65/t and US$ 55.52/t respectively, which is about 5% and 17% below the prices for the comparative prior-year period. The price for physical deliveries in the following quarter fell by as much as 28% in a year-on-year comparison to an average of US$ 53.99/t.

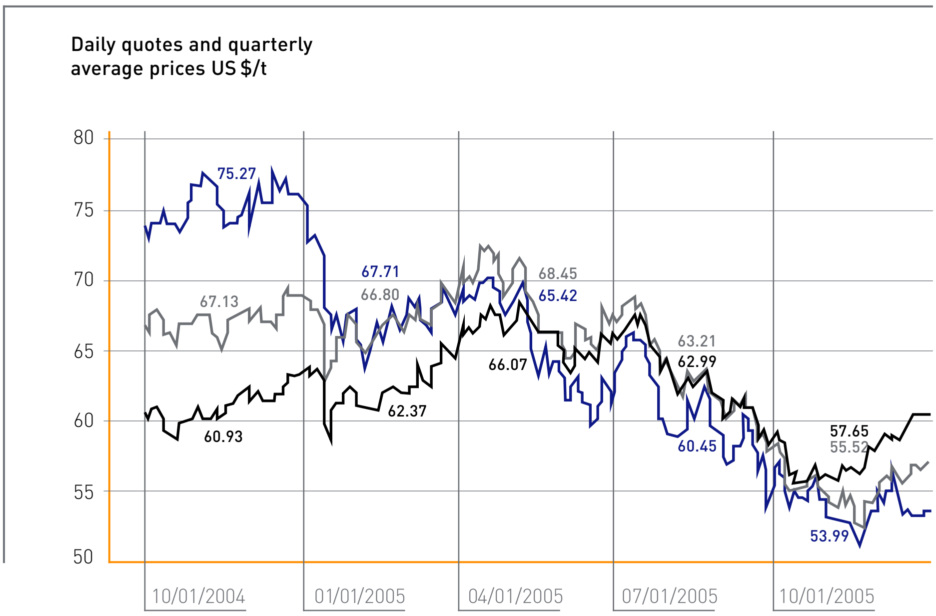
Development of CO_2 prices on the forward and physical market



EUA 2007
EUA 2006
EUA 2005
EUA = European Union Allowance

Source: Point Carbon

Development of coal prices on the forward and physical market



Physical delivery in the following quarter
API #2 – Index 2006 (financial)
API #2 – Index 2007 (financial)
API = All Publications Index

Source: Evolution

Management report

Gas

- Slight increase in natural gas consumption in Germany
- Natural gas most popular energy source on the heating market
- Natural gas prices up

Consumption

In 2005, natural gas consumption in Germany remained unchanged compared to the prior year at approx. 996 billion kWh. While there was an aggregate increase in demand in the first nine months, consumption dropped in the fourth quarter due to the weather conditions. The industrial consumption of natural gas was up slightly due to the economic development. Use in power stations increased by around one tenth following the commissioning of new plants, particularly for combined heat and power, while the demand of private households dropped slightly, although temperatures were comparable to 2004, due to the energy saving measures and more efficient heating technology.

In 2005, 47.7% of households were heated with natural gas, while heating oil was used in 31.0% of all households. The share of district heating was 12.5%. The remainder was covered by electricity (5.7%) and coal (3.1%).

Procurement

Permanent supply reliability is a basic prerequisite if the rising consumption of natural gas in the next few years is to be covered. To ensure this, the natural gas industry in Germany uses various procurement sources. Some 16% of natural gas consumed in 2005 came from domestic production and the remaining 84% from imports of diverse origin. The largest shares came from Russia (33%) and the fields in the Norwegian North Sea (25%). In the EU, 20% is imported from the Netherlands and 6% each from the UK and Denmark.

Price developments

To secure the sales basis in the long term, the gas price is based on the price level of rival energy sources. In the household and small-scale consumption sector, this is light heating oil and in the industrial sector it also includes heavy heating oil. In the power station sector, there is substitution competition with coal. The gas price follows the adjusted average price oil price with a time lapse. This link to the oil price is a basic contractual component of long-term supply agreements between producers and German importers and has an impact on all downstream components of the supply chain.

The rise in prices on the international markets for raw materials which began back in 2004 continued at a higher rate in 2005. The crude oil price increased by an average of 47% in the past year. These price increases were caused by several developments. On the one hand, 2005 was characterised by a considerable rise in consumption, mainly in emerging countries such as China and India as well as a continuing high demand for oil in the United States. On the other hand, the ever increasing level of interest shown in particular by investment companies in buying oil contracts pushed prices up in 2005.

Altbach/Deizisau CHP station
Power station worker Dieter Schnell checking the combustion chamber through the inspection viewport

The price fluctuation in recent months is to some extent also due to speculation. Prices were also driven up by the continuing shortage of refinery capacities.

At the trading places along the Rhine, Düsseldorf, Frankfurt am Main, Mannheim and Ludwigshafen, the price for light heating oil climbed by 33.6% to over € 48.81/hl in 2005.

Regulatory framework

- **Amended German Energy Industry Act implemented**
- **EnBW suggestion realised for ex-ante regulation**
- **Intensified competition on the gas market**

Since the middle of last year, discussion on energy policy in Germany has been dominated by the pending amendment of the Energy Industry Act (EnWG). With the approval of the lower and upper houses of the German parliament on June 16 and 17, 2005, the discussions came to an end. The four most important decrees attached to the EnWG, which regulate the electricity and gas network charges as well as access to the electricity and gas network, were enacted by the upper house of parliament on July 8, 2005. The law was published in the Federal Legal Gazette (Bundesgesetzblatt) on July 12, 2005 and was promulgated on July 13, 2005. The decrees also took effect after their publication in the Federal Legal Gazette.

This marks the end of an almost two-year legislative process which will materially change the way the German energy industry works. In line with its objective of actively participating in the future development of energy policy and the energy industry and intervening appropriately, clearly and constructively (Vision No 9), EnBW put forward its own suggestion in this process of an incentive-based ex-ante regulation of network fees. The main aspects of our suggestion were incorporated in the law. Within one year of the publication of the law, the Federal Network Agency as regulatory authority will now develop a model for the incentive regulation of the German electricity networks. The German federal states, the energy industry and science are involved in this development process. The Federal Ministry of Economics must then transform the model into a decree which will in turn require the approval of the upper house of parliament. This will allow true competition to develop, even in a natural monopoly. In the interim period, the network operators present their tariffs to the Federal Network Agency for pre-approval.

The amended EnWG and the decrees on gas network access and gas network fees will encourage competition on the German gas market. Unbundling provisions and the simplified and non-discriminatory access to gas networks create the necessary basis. The access model involves an entry-exit system that is independent of the transaction path. To the extent possible with regard to the network, gas is to be supplied according to competition criteria independent of any given feeder point. When designing the entry-exit model, the structures of the gas industry and technical restrictions of the individual network providers will be taken into account. The access model also provides for numerous cooperation duties on the part of network providers.

Discussions concerning the design of the entry-exit model are currently being held by the German Federal Network Agency with various associations.

At European level, important EU projects such as the sector analysis were scheduled for 2005. To be in a better position to accompany these projects, EnBW officially inaugurated a representative office in Brussels in the middle of the year.

The Energy Commissioner, Andris Piebalgs, presented a green paper on energy efficiency in June, thus launching a consultation process. It is currently not foreseeable whether concrete bills will follow.

In autumn 2005 the Commission presented progress reports on the expansion of renewable energies and implementation of an internal market for electricity as well as a biomass action plan.

Altbach/Deizisau CHP station
Exit flue gas diffuser of gas turbine E

Company situation of the EnBW group

Comments on reporting

The enactment of new International Financial Reporting Standards/International Accounting Standards (IFRS/IAS), amended accounting rules for emission allowances and commodity derivatives as well as changes in the consolidation method applied for foreign companies means that the reporting of the EnBW group has changed compared to the 2004 financial statements. Further explanations are given in the notes.

External sales of the EnBW group by business segment in € millions[1]

	2005	2004	Variance %
Electricity	8,150.2	7,088.9	+15.0
Gas	2,101.7	1,540.6	+36.4
Energy and environmental services	517.4	494.8	+4.6
Total	**10,769.3**	**9,124.3**	**+18.0**

[1] After deducting electricity and natural gas tax; the prior-year figures have been adjusted.

Unit sales of the EnBW group in billions of kWh[1]

	2005	2004	Variance %
Electricity	106.7	100.9	+5.7
Gas	88.6	82.9	+6.9

[1] The prior-year figures have been adjusted.

Sales

- **Higher sales revenues in all segments**
- **Electricity and gas unit sales up**

In fiscal year 2005, the EnBW group recorded external sales before deducting electricity and natural gas tax of € 12,056.8 million, 15.3% more than in the prior year. In fiscal year 2005, external sales after deducting electricity and natural gas tax increased by 18.0% to € 10,769.3 million.

Sales increased above all in the electricity and gas segments. Adjusted to eliminate changes in the consolidation group, sales rose by € 1,509.2 million or 16.3%.

Electricity

The electricity business segment generated 75.7% of the sales of the EnBW group in fiscal 2005.

The development of fuel prices and electricity prices enabled us to increase production. At the same time, we increased unit sales of electricity by 5.7% to 106.7 billion kWh thanks to successful marketing activities.

Sales revenues rose by 15.0% to € 8,150.2 million. The increase is primarily attributable to higher sales generated by our trading companies and our network companies. Higher electricity prices also increased sales revenues in the electricity segment. The increase in electricity prices was a result of higher costs owing to higher fuel purchase prices and a higher level of prices on the wholesale market for electricity. EnBW is seeking to limit the price effects on final customers by means of ambitious cost savings.

The extent to which these cost savings can be realised will depend not only on the future market development, but also on developments on the political stage.

Gas

In fiscal year 2005, the gas segment accounted for 19.5% of the sales revenues of the EnBW group.

Consolidation effects from the purchase of ENSO Erdgas GmbH are the reason for the rise in unit sales of gas by 6.9% to 88.6 billion kWh. Adjusted for consolidation effects, unit sales of gas rose by 1.0% in the fiscal year 2005.

Gas sales revenues went up by 36.4% to € 2,101.7 million. Adjusted to eliminate consolidation effects, sales revenues increased by € 425.3 million or 25.4%. The reasons for this increase include the higher gas purchase prices passed on to our customers as well as the fact that our subsidiary EnBW Trading GmbH raised its sales revenues in the gas segment considerably in fiscal year 2005.

Energy and environmental services

Sales revenues in the energy and environmental services segment comprise sales revenues from disposal, water supply, and other energy services. They amount to € 517.4 million. This represents an increase of 4.6% compared to the fiscal year 2004.

Earnings and business development

- **Improved operating efficiency and earnings power**
- **Higher EBITDA in the electricity and gas segments**
- **EBIT raised in the electricity and gas segments**
- **EBT of more than € 1 billion generated for the first time**
- **Group net profit up 64%**

Thanks to the rigorous implementation of the TOP FIT cost-cutting programme, lower depreciation and amortisation as well as a noticeably improved financial result, we were able to generate EBT of more than € 1 billion for the first time in fiscal year 2005. This is in line with our vision of becoming the competitive force with the greatest ability to adapt rapidly to a dynamic business environment (Vision No 7).

EBITDA of the EnBW group by business segment in € millions[1]

	2005	2004	Variance %
Electricity	1,780.3	1,765.1	+0.9
Gas	219.6	194.4	+13.0
Energy and environmental services	139.6	176.3	-20.8
Other activities/holding company	-85.2	-91.3	–
Total	**2,054.3**	**2,044.5**	**+0,5**

[1] The prior-year figures have been adjusted.

The EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) rose 0.5% or € 9.8 million. The operating EBITDA rose 4.1% or € 68.1 million to € 1,748.8 million.

EBIT of the EnBW group by business segment in € millions[1]	2005	2004	Variance %
Electricity	1,202.9	1,131.0	+6.4
Gas	129.7	115.7	+12.1
Energy and environmental services	71.1	87.1	-18.4
Other activities/holding company	-85.2	-91.3	–
Total	**1,318.5**	**1,242.5**	**+6.1**

Earnings ratios of the EnBW group in € millions[1]	2005	2004	Variance %
EBITDA	2,054.3	2,044.5	+0.5
EBIT	1,318.5	1,242.5	+6.1
EBT	1,080.8	759.1	+42.4
Earnings after tax	597.9	409.7	+45.9
Minority interests	75.4	52.0	+45.0
Result of continuing operations	**522.5**	**357.7**	**+46.1**
Result of discontinued operations	-0.9	-39.9	–
Group net profit for the year	**521.6**	**317.8**	**+64.1**

[1] The prior-year figures have been adjusted.

In the electricity segment, we have again improved earnings power. The EBITDA here rose by 0.9% or € 15.2 million. The operating EBITDA rose 4.4% or € 64.8 million to € 1,552.7 million. Our TOP FIT cost-cutting programme has boosted our operative earnings power in the electricity segment. The operating EBITDA was burdened above all by the unscheduled business interruption over several weeks at our nuclear power plant in Philippsburg and extensive maintenance measures at our power stations and the distribution plants.

In the gas segment, the EBITDA rose by 13.0% to € 219.6 million. The operating EBITDA in the gas segment rose 29.8% or € 47.7 million to € 207.8 million. The EBITDA increase was mainly due to consolidation effects as well as the improved results in the midstream sector.

The EBITDA in the energy and environmental services segment dropped by 20.8% to € 139.6 million. Effective January 1, 2005, we sold further retail properties of the former Salamander AG. We are planning to sell the remaining retail properties in the course of the ongoing grooming of the property portfolio.

The operating EBITDA in the gas segment decreased by 29.9% or € 41.6 million to € 97.6 million. The decrease was mainly attributable to lower results in the field of thermal waste disposal and stoppages caused by damage to our mechanical-biological waste treatment plants.

Compared with fiscal year 2004, the EBIT (Earnings Before Interest and Taxes) increased by € 76.0 million to € 1,318.5 million. The operating EBIT rose 11.0% or € 105.5 million to € 1,068.7 million. Adjusted for the amortisation of goodwill of € 24.5 million in the course of capital consolidation in the fiscal year 2004, the operating EBIT increased by € 81.0 million or 8.2%.

Compared with fiscal 2004, the EBT (Earnings Before Taxes) increased by € 321.7 million to € 1,080.8 million. The operating EBT rose 55.9% or € 296.7 million to € 827.5 million. Adjusted for scheduled amortisation in 2004 of goodwill from capital and equity consolidation of € 38.0 million, the EBT increased by € 258.7 million or 45.5%.

After deducting income taxes of € 482.9 million and minority interests of € 75.4 million, the result of continuing operations for fiscal 2005 comes to € 522.5 million. The result of discontinued operations amounts to € -0.9 million. Group net profit increased by 64.1% to € 521.6 million.

Altbach/Deizisau CHP station
Turbine hall, boiler house and switch-gear building of CHP unit 2 and chimneys of CHP units 2 and 4

Non-operating and operating result

- **Non-operating result down**
- **Operating result up**

The non-operating result of the EnBW group comprises extraordinary results and results relating to other periods. The positive non-operating result at EBITDA level is due above all to gains on sale and reversals of provisions.

With regard to the investment result, the non-operating result in the fiscal year 2005 is characterised especially by the fact that the results of some associates which are accounted for according to the equity method were recorded in the EnBW group in the same period and not a year later because the current information was available for the first time. The non-operating interest result is burdened by risk provisioning for interest expenses from current tax field audits.

Non-operating result of the EnBW group in € millions[1]

	2005	2004	Variance %
Non-operating EBITDA	305.5	363.8	-16.0
Non-operating EBIT	249.8	279.3	-10.6
Non-operating EBT	253.3	228.3	+10.9

[1] The prior-year figures have been adjusted.

After deducting non-operating results from the earnings ratios EBITDA, EBIT, and EBT, the operating earnings ratios are as follows:

Operating result of the EnBW group in € millions

	2005	2004	Variance %
Operating EBITDA	1,748.8	1,680.7	+4.1
Operating EBIT	1,068.7	963.2	+11.0
Operating EBT	827.5	530.8	+55.9

TOP FIT
cost-cutting programme

– **TOP FIT targets again considerably exceeded in 2005**

We successfully continued the TOP FIT cost-cutting programme throughout 2005. We have already largely reached our target of achieving sustainable cost savings of € 1 billion by 2006.

We realised cost savings of € 850 million compared to 2003, thus clearly exceeding our target of € 700 million. The optimisation measures, many of which had been put in place in prior years, came to fruition in 2005 and the cost savings realised even generated positive non-recurring effects.

By continuously improving our purchasing processes and terms and conditions, bundling needs across the group, adjusting specifications and consistently issuing invitations for tender for various contracts, our procurement department made a significant contribution to our TOP FIT programme.

Capital expenditures
and acquisitions

– **Total investments increased**
– **Investments focus on electricity segment**

Capital expenditures in the fiscal year 2005 amounted to € 547.0 million. This is € 129.3 million or 31.0% up on the prior year.

Some 65% of capital expenditure was made in the electricity segment. Spending focused on the expansion of the power stations and distribution plants.

We increased our share in Energieversorgung Niederösterreich AG (EVN) from around 13% to just under 30% in the fiscal year 2005. After NÖ Landes-Beteiligungsholding GmbH, which holds 51% of the shares in EVN, EnBW is the company's second largest shareholder and from January 2006 on has a seat on the supervisory board of EVN.

The purchase of the 15% share of RWE Energy AG in Pražská energetika (PRE) Holding a.s. increases EnBW's share to 49%. PRE-Holding (City of Prague 51%, EnBW 49%) is the majority shareholder of the Prague electricity supply company Pražská energetika a.s.

Capital expenditure of the EnBW group on intangible assets and property, plant and equipment by business segment in € millions[1]

	2005	2004	Variance %
Electricity	356.3	264.6	+34.7
Gas	54.5	46.8	+16.5
Energy and environmental services	136.2	106.3	+28.1
Total	**547.0**	**417.7**	**+31.0**

[1] The prior-year figures have been adjusted.

Vineyards on the Upper Rhine plateau at the foot of the Black Forest

Bühler Höhe near Baden-Baden

Financing

- Financing needs covered
- Equity strengthened by placement of treasury shares
- Syndicated line of credit concluded at favourable terms
- Risks reduced by sound interest and currency policy
- A-category rating retained

In addition to the group's own funds, the EnBW group uses the following four pillars for borrowed funds to cover the total financing needs:

> Euro Medium Term Note Programme (EMTN programme)
> Syndicated loan
> Commercial paper programme
> Offering of special products and measures to strengthen equity

The aim of EnBW is to use the existing financing pillars to the best possible advantage. With this flexibility, EnBW is in a position to ensure financing at all times, regardless of the conditions prevailing on the international capital markets at a given time.

Placement of treasury shares

In March 2005, the Board of Management and Supervisory Board stipulated the details for the placement of treasury shares to further strengthen equity. Comparable with the capital measure in May/June 2004, the shareholders were offered the opportunity to purchase around 12.9 million of the treasury shares held at that time by EnBW. The purchase ratio of 18:1 allowed each shareholder to purchase one EnBW share for every 18 shares held. As EnBW provided for a settlement of fractional amounts, shareholders who own fewer than 18 shares were in principle able to purchase one share of EnBW. The purchase offer was thus rounded up to the full number of shares. In total, 12,887,449 treasury shares (plus the shares that may be necessary for the settlement of fractional amounts) were offered for a purchase price of € 31.30. The purchase period ran from March 23, 2005 to April 6, 2005. We were able to place 11,982,449 treasury shares with our shareholders. This is equivalent to a purchase quota of almost 93%.

The purchase price for the no par value bearer shares with full profit participation rights for fiscal 2004 held by us was € 31.30 per share. From this transaction, EnBW received placement proceeds of around € 375 million which further strengthen equity.

The shares not purchased by the shareholders remain as treasury shares at EnBW. The share of treasury shares held by EnBW was thus reduced from 7.21% (as of December 31, 2004) to 2.42%.

Syndicated loan

At the end of May 2005, EnBW signed a syndicated line of credit for € 2.5 billion. This new line of credit which was oversubscribed by around 50% replaces the line of credit which was originally established in June 2003. The bank consortium was led by Barclays Capital, Société Générale, Citigroup, Bayerische Landesbank, JPMorgan and Deutsche Bank as Mandated Lead Arrangers and consists of around 20 national and international banks.

The line of credit, which was concluded at considerably improved conditions, again consists of two tranches. The first tranche with a volume of € 1 billion has a term of 364 days which can be prolonged each time for a further year until final maturity of the second tranche. The volume of the second tranche is € 1.5 billion. It has a term of five years and can be prolonged after the first two years for one year each time.

In the course of business operations we are exposed to interest risks. As part of our treasury management, we hedge these risks individually by means of interest hedges taking account of fixed-interest periods in our credit portfolio. Most of our existing financial liabilities have fixed interest rates. As a result, changes in the general level of interest rates only influence EnBW's refinancing conditions, where refinancing is scheduled for subsequent years, and thus its net interest result.

The open currency items resulting from operations are closed by means of suitable hedges in accordance with the internal rules. Currency fluctuation therefore does not have any major effect.

Rating changes

In October 2005, the rating agency Moody's increased its long and short-term rating of EnBW by one notch, from A3 to A2 and from Prime-2 to Prime-1, the best category. Moody's raised the outlook for both the long and short-term rating to "stable".

By changing the rating, Moody's has recognised especially the fundamental improvements in the company and financial profile of EnBW. The new rating method GRI (Government Related Issuers), which takes account of potential financial support from shareholders, was applied for this rating.

The main reasons given by Moody's for the improved rating are streamlining of the corporate structure, focus on the core business energy, the good market position in Baden-Württemberg, the integrated value-added chain and the steady reduction of borrowed capital.

The stable outlook was justified above all by the low risk profile and the stable cash flows in EnBW's core business.

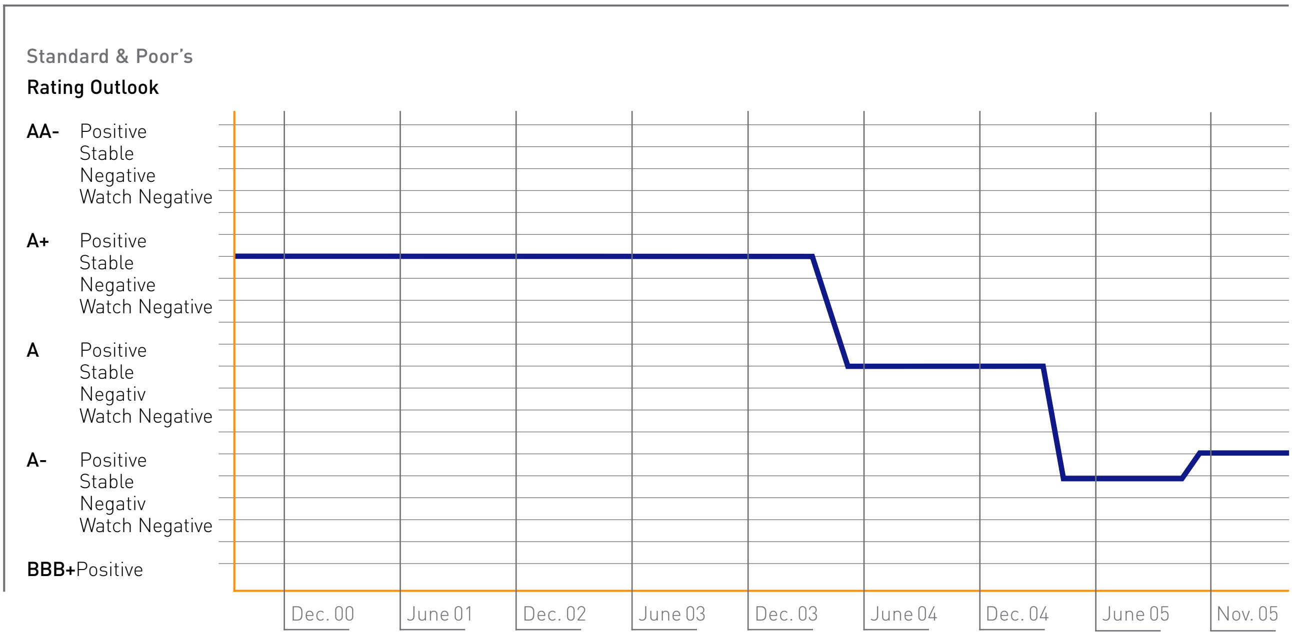
In November 2005, the Standard & Poor's rating agency confirmed both the long-term rating A- and the short-term rating A-2. The outlook was raised to "positive".

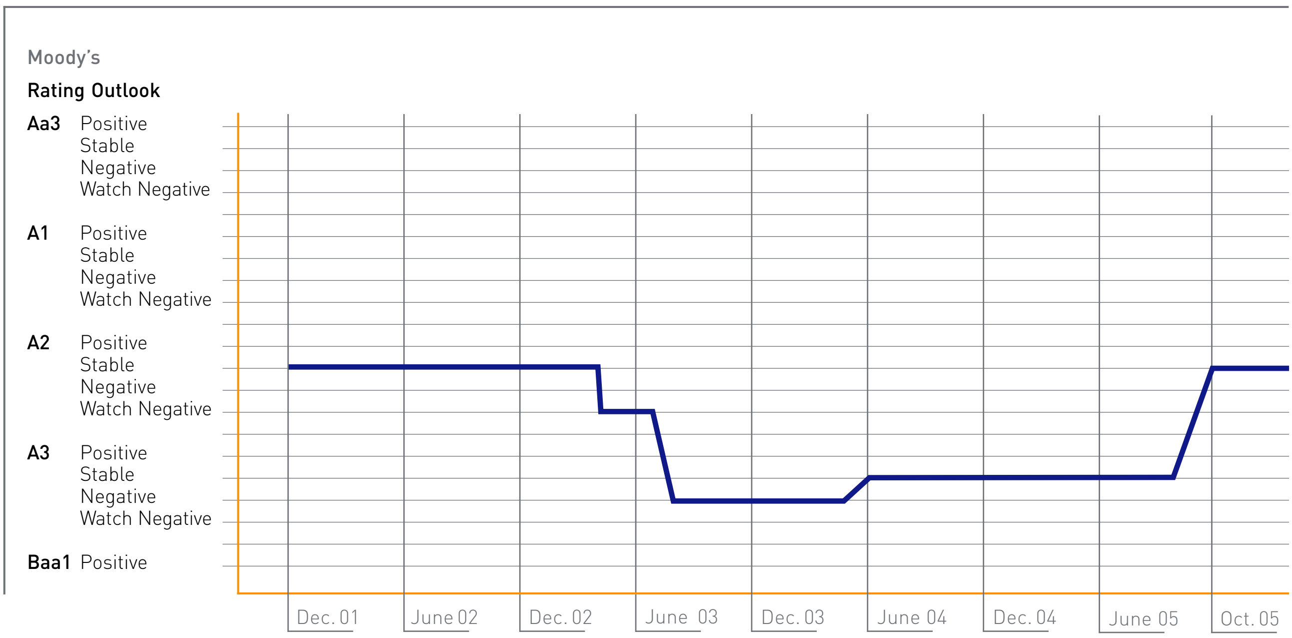
The rating from Standard & Poor's is a tribute to EnBW's strong regional market position in Baden-Württemberg and the stable results from the distribution business. Further reasons put forward by Standard & Poor's included the high-quality and competitive business processes, considerable reduction of debt with a strong free cash flow generated among other things by the sale of Hidroeléctrica del Cantábrico S.A. and the considerable financial turnaround achieved in 2004. It was made possible through implementation of the ambitious and closely monitored TOP FIT cost-cutting programme.

The positive outlook was justified by Standard & Poor's with reference to EnBW's ongoing strong operating performance and its ability to generate a strong free cash flow. The rating is expected to improve in the medium term provided EnBW can strengthen its financial profile further and demonstrate that the improved financial profile will be maintained even if the company's focus shifts from consolidation to growth.

As in prior years, both rating agencies have thus again put EnBW's creditworthiness in the A category. It is one of EnBW's long-term targets to maintain its rating in this category.

The rating changes in detail





As of December 31, 2005

Composition of the balance sheet of the EnBW group

- **Total net assets increased**
- **Equity ratio climbs to 13.2%**
- **Financial liabilities reduced**

Compared with December 31, 2004, the total net assets for the group rose by € 1,191.6 million or 5.0%.

The non-current assets – accounting for 78% of total net assets – increased by 4.7% to € 19,571.3 million. This increase is due above all to the increase in financial assets.

Current assets increased by 7.9% to € 5,479.6 million. The main reasons for this are the positive market values of derivative financial instruments.

Non-current assets held for sale and assets of discontinued operations dropped by 57.1% to € 68.2 million. This is largely due to the sale of land and buildings of the former Salamander group.

The equity ratio in the group, including minority interests, rose from 10.0% (as of December 31, 2004) to 13.2%. The increase in the equity ratio is attributable to the positive result and the sale of treasury shares. Another reason was the offsetting of negative differences against the revenue reserves as of January 1, 2005.

The non-current liabilities of the EnBW group dropped by 2.8% to € 16,627.7 million. They comprise the non-current provisions, deferred tax liabilities and non-current liabilities. The non-current provisions mainly contain the provisions relating to the closure and decommissioning of our nuclear power plants and the pension provisions. The non-current liabilities consist of financial liabilities and construction cost subsidies.

Current liabilities increased by 18.7% to € 5,121.5 million. This increase is first and foremost attributable to the increase in negative market values of derivative financial instruments. This was offset by the repayment of our current financial liabilities.

Overall, financial liabilities dropped by 20.9% to € 4,698.8 million.

The liabilities at non-current assets held for sale and discontinued operations decreased by 43.1% to € 58.0 million.

Condensed balance sheet of the EnBW group in € millions[1]

	12/31/2005	12/31/2004	Variance %
Assets			
Non-current assets	19,571.3	18,692.1	+4.7
Current assets	5,479.6	5,076.3	+7.9
Non-current assets held for sale and assets of discontinued operations	68.2	159.1	-57.1
	25,119.1	**23,927.5**	**+5.0**
Equity and liabilities			
Equity	3,311.9	2,398.5	+38.1
Non-current liabilities	16,627.7	17,111.1	-2.8
Current liabilities	5,121.5	4,315.9	+18.7
Liabilities at non-current assets held for sale and discontinued operations	58.0	102.0	-43.1
	25,119.1	**23,927.5**	**+5.0**

[1]The prior-year figures have been adjusted.

Company situation of EnBW AG

Economic situation of EnBW AG hinges on the economic situation of the group

As operative 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 full financial statements of EnBW AG on which Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Stuttgart, rendered an unqualified audit opinion are published in the Federal Gazette ("Bundesanzeiger") and filed with the Commercial Register of the Karlsruhe District Court under No HRB 7956. The full financial statements of EnBW AG are available for downloading at www.enbw.com.

The financial statements of EnBW AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporations Act (AktG).

Condensed balance sheet of EnBW AG in € millions[1]

	12/31/2005	12/31/2004
Assets		
Non-current assets		
Intangible assets	3.5	0.0
Property, plant and equipment	5.0	4.0
Financial assets	10,254.6	9,989.4
	10,263.1	**9,993.4**
Current assets		
Receivables from affiliated companies	1,892.1	1,739.5
Other receivables and other assets	292.0	342.6
Securities and cash and cash equivalents	1,248.0	1,660.3
	3,432.1	**3,742.4**
Prepaid expenses	69.1	67.5
	13,764.3	**13,803.3**
Equity and liabilities		
Equity	1,200.4	1,036.5
Provisions	3,201.6	2,952.2
Liabilities to affiliated companies	8,950.4	8,943.4
Other liabilities	388.1	845.0
Deferred income	23.8	26.2
	13,764.3	**13,803.3**

[1] In accordance with German commercial law

Net assets of EnBW AG

Net assets of EnBW AG heavily dependent on its equity investments and central treasury management

The net assets of EnBW AG depend heavily 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 companies.

The pension obligations of significant subsidiaries are bundled at EnBW AG. The annual expenses for post-retirement benefits are paid by the subsidiaries concerned in each case.

Condensed income statement of EnBW AG in € millions[1]

	2005	2004
Investment result	1,215.6	831.7
Interest result	-310.6	-336.3
Personnel expenses	-141.3	-189.2
Other income and expenses	-146.9	-9.5
Result from ordinary activities	**616.8**	**296.7**
Taxes	-282.1	-86.0
Net profit for the year	334.7	210.7

[1] In accordance with German commercial law

Net profit of EnBW and dividend

– EnBW AG records retained earnings of € 245.2 million

At € 334.7 million, EnBW AG's net profit for the year is € 124.0 million higher than in the prior year owing to the positive development of the group. Including the profit of € 3.0 million brought forward and after contributing € 16.7 million to the statutory reserve, € 45.8 million to the reserve for treasury shares and € 30.0 million to other revenue reserves, retained earnings come to € 245.2 million.

On April 28, 2006, the Board of Management will propose to the annual general meeting that a dividend of € 0.88 per share be distributed from the retained earnings of EnBW AG. As of December 31, 2005, a total of 243,956,523 shares were entitled to dividends. If the AGM approves this proposal, the amount distributed by EnBW AG for fiscal 2005 will total € 214.7 million.

Cash flow statement in € millions[1]	2005	2004	Variance %
Cash flow from operating activities	1,329.9	1,545.7	-14.0
Cash flow from investing activities	-439.6	1,044.6	–
Cash flow from financing activities	-1,385.3	-1,625.1	-14.8
Net change in cash and cash equivalents	-495.0	965.2	–
Exchange rate changes in cash and cash equivalents	0.5	0.2	–
Change in cash and cash equivalents	**-494.5**	**965.4**	**–**

Free cash flow in € millions[1]	2005	2004	Variance %
Cash flow from operating activities	1,329.9	1,545.7	-14.0
Capital expenditures	-547.0	-511.4	+7.0
Cash received from disposals of intangible assets and property, plant and equipment	206.2	184.9	+11.5
Cash received from construction cost and investment subsidies	81.5	111.6	-27.0
Free cash flow	**1,070.6**	**1,330.8**	**-19.6**

[1] The prior-year figures have been adjusted.

Cash flow statement

– Drop in operating cash flow
– Financial liabilities steadily reduced
– Solvency of the group secured for the future

In fiscal 2005, the cash flow from operating activities decreased by € 215.8 million to € 1,329.9 million. Adjusted for shares of discontinued operations in the cash flow from operating activities, this was a drop of € 98.5 million or 6.8%. This drop is due to a large extent to the unfavourable development of working capital.

The cash flow from investing activities fell by € 1,484.2 million to € -439.6 million. The decrease is due above all to capital expenditures in group companies and divestitures of group companies carried out in the prior year.

Cash flow from financing activities came to EUR -1,385.3 million. This was due first and foremost to the rigorous reduction in financial debt. We succeeded in reducing our financial liabilities with effect on cash by € 1,260.9 million.


Altbach/Deizisau CHP station
left: Transformer unit of CHP unit 2
right: Control room of CHP unit 2

The cash and cash equivalents of the EnBW group fell by € 494.5 million to € 1,474.0 million on account of the development described above and taking changes in currency rates of € 0.5 million into account.

The drop in free cash flow is due primarily to the decrease in the cash flow from operating activities and from higher spending on intangible assets and property, plant and equipment.

EnBW's solvency is secured for the future by the positive free cash flow and free lines of credit of € 2.9 billion.

Net financial debt in € millions[1]	12/31/2005	12/31/2004	Variance %
Cash and cash equivalents[2]	1,204.5	1,695.5	-29.0
Short-term investments	210.4	303.8	-30.7
Cash and cash equivalents	**1,414.9**	**1,999.3**	**-29.2**
Bonds	2,860.6	3,053.7	-6.3
Commercial papers	0.0	237.4	–
Liabilities to banks	965.6	1,369.4	-29.5
Other financial liabilities	872.6	1,277.3	-31.7
Financial liabilities	**4,698.8**	**5,937.8**	**-20.9**
Net financial debt	**3,283.9**	**3,938.5**	**-16.6**

[1] The prior-year figures have been adjusted.
[2] Without cash and cash equivalents of the special purpose fund

Net financial debt

– Net financial debt reduced

The positive free cash flow and drop in our cash and cash equivalents enabled us to reduce the net financial debt significantly in the fiscal year 2005 by € 1,239.0 million from € 5,937.8 million to € 4,698.8 million.

Net financial debt is financial liabilities less cash and cash equivalents and short-term investments. The cash and cash equivalents of our special purpose funds were not included in the calculation of net financial debt for the first time in the fiscal year 2005. The comparative figures have been adjusted accordingly. We succeeded in reducing our net financial debt by € 654.6 million to € 3,283.9 million in the fiscal year 2005.

Dependent company declaration

Pursuant to Sec. 312 AktG, the Board of Management of EnBW AG prepared a dependent company report for fiscal year 2005. This details relationships with affiliated companies, and closes with the following declaration:

"In the legal transactions listed in the dependent company report, and according to the circumstances that were known to us when those legal transactions were performed, our company received an appropriate consideration in each legal transaction and was not placed at a disadvantage. There were no actions at the instigation or in the interest of the controlling companies on which we would be obliged to report."

Subsequent events

The Court of First Instance of the European communities in Luxembourg rejected the suit of three public utilities against the EU Commission and ruled that the German ruling on tax exemption for the provisions regarding the costs of disposal and the closure of nuclear power plants does not constitute government assistance. The court shared the interpretation of the EU Commission and the nuclear power plant operators that both the tax exemption ruling and also the details of the disputable tax ruling by the administration does not represent preferential treatment of the nuclear power plants which would fall under the definition of government assistance.

This means that the court has also recognised the commercial law principle of prudence according to which all taxable companies have to consider the financial cover of the foreseeable burdens which occurred at the closing date of the financial statements. When the annual report went to print, the public utilities that lost the case still have time to file an appeal limited to legal questions with the European Court of Justice.

In January 2006, EnBW sold its 33.11% share in the Wroclaw district heat distributor Miejskie Przedsiebiorstwo Energetyki Cieplnej Wroclaw S.A. (MPEC). The purchaser was a strategic investor which also purchased the majority shareholding in MPEC from the city of Wroclaw.

Frauenalb Monastery

Value-based management system

- Value defined as guiding principle for our actions
- Value added and ROCE are key indicators

Our entrepreneurial actions taken with a view to reaching our strategic targets are guided by the principle of value. We have developed an instrument for this purpose which does not just calculate net profit in accordance with the law, but also gauges the economic success of our actions in an objective fashion. Within these parameters, we generate value if our operating performance exceeds our cost of capital.

We have placed the focus on the efficient use of capital, basing our criteria on the requirements of the capital market. Not only our shareholders and outside capital sources, but also our customers and employees will benefit from competitive products and secure jobs as a result.

Value added concept

We have established a uniform measuring system and, on that basis, a management system for the entire group. This system is transparent for both internal management decisions and external communication and is in place throughout the group. Value added is calculated as an earnings ratio (adjusted EBIT) less cost of capital. The latter is capital employed multiplied by cost of capital rate.

We ensure consistency and transparency of our management system by deriving the earnings ratio and capital employed from the financial statements. The cost of capital ratio is determined using the WACC model (Weighted Average Cost of Capital).

Cost of capital rate

The cost of capital rate represents the minimum rate of return of equity and debt capital sources weighted with our target composition of equity and liabilities. The weighting takes into account the different return requirements for equity and debt capital. The cost of debt capital rate can be derived from our financing terms and conditions. It is included in the cost of capital rate considering the tax deductibility of debt capital interest (tax shield). The cost of equity rate reflects the individual risk from a capital market perspective of an investment in EnBW. A beta factor is used as a measure of risk, calculated from empirical stock exchange data using actuarial methods.

Value added = (ROCE – Cost of capital rate) x Capital employed

ROCE = Adjusted EBIT/Capital Employed

Calculation of the cost of capital rate (WACC)	
	2005
Risk-free interest rate	5.1%
Market risk premium	5.0%
Beta factor	0.8
Cost of equity rate after tax	**9.1%**
Cost of debt capital rate before tax	5.7%
Tax shield of interest on debt capital	-2.0%
Cost of debt capital rate after tax	**3.7%**
Equity share	40%
Debt capital share	60%
Cost of capital rate after tax	**5.8%**
Tax rate	35%
Cost of capital rate before tax (group)	**9.0%**

Adjusted EBIT in € millions[1]		
	2005	2004
EBIT	1,318,5	1,242.5
Non-operating EBIT	-249.8	-279.3
Investment result	137.6	54.7
Non-operating investment result	-20.2	32.9
Tax adjustment investment result[2]	63.2	47.2
Adjusted EBIT	**1,249.3**	**1,098.0**
Average capital employed in € millions[1]		
	2005	2004
Intangible assets	1,605.1	1,578.6
Property, plant and equipment	10,160.2	10,299.3
Investment properties	138.2	149.4
Equity investments	2,113.7	1,409.7
Inventories	578.2	570.3
Current trade receivables[3]	1,810.2	1,620.8
Remaining assets	1,984.5	1,137.2
Non-interest bearing provisions	-1,623.2	-1,730.7
Non-interest bearing liabilities[3]	-3,752.5	-2,496.1
Other (deferred taxes, subsidies, liabilities at non-current assets held for sale)	-3,469.2	-3,376.4
Capital employed	**9,545.2**	**9,162.1**
Average capital employed	**9,353.7**	**9,400.8[4]**

[1] The prior-year figures have been adjusted
[2] Operating investment result / (1-tax rate of 35%) – operating investment result
[3] Without affiliated companies
[4] Capital employed 2003: € 9639.4 million

In order to reflect the various risks of our activities along the value-added chain, our capital costs are differentiated. The yield requirements in the regulated electric network are lower, for example, than those for the generation of electricity. At segment level, we have calculated weighted average figures.

Return on capital employed (ROCE)

The ROCE measures the return on capital employed. We have defined our earnings ratio as adjusted EBIT, which measures EnBW's operating and sustainable performance. The investment result is converted to a pre-tax figure. This is added to EBIT, as our equity investments belong to our core business and are consequently an integral part of our business model. Non-operating effects are eliminated. Capital employed includes all assets from the operating business. Equity and liabilities without the minimum rate of return are eliminated. In order to present the cut-off date-related parameter capital employed congruently to the period-related adjusted EBIT, we apply the average of opening and closing figures.

Operationalisation of the value-based management system

By analytically breaking the key figure "value added" down into its individual components, we render the effects and interdependence of actions transparent. Through our management system, we gear all activities towards generating value added. This system has been established consistently across all management levels – from the group level to our segments and subsidiaries and our employees.

The subsidiaries are incorporated in the management system by their responsibility for their earnings and via operating and company-specific key indicators. The key indicators are selected business-specific figures that measure the operating performance as well as the company's future potential, and thus have a significant influence on our creation of value-added.

Value-based orientation is an integral part of our investment management. On account of tying up funds for the long term and requiring high amounts of capital, investments are decisive for the value added in our industry. This is why we include yield requirements from the value orientation when assessing the profitability of a specific investment and analyse the effects of investment decisions on the value added and ROCE of the company as a whole.

Profit participation by our employees is closely linked to our value-based management ratios. Deeply rooting this value orientation in the group provides a broad basis for them and ensures the active support of all our employees.

Development of value added in the fiscal year 2005

In fiscal 2005, our adjusted EBIT by far exceeded our cost of capital, which meant that we generated a positive value added of € 407.5 million. This corresponds to growth of € 155.6 million compared to 2004. The main reasons include the increase in operating EBIT and in the operating investment result, while average capital employed remained practically unchanged compared to 2004. The increase in ROCE from 11.7% in 2004 to 13.4% in 2005 reflects our claim of becoming the market player in our industry with the highest relative earnings power (Vision No 6). The electricity and gas segments in particular made a positive contribution towards improving the value added and ROCE, more than compensating for the decrease in the energy and environmental services segment.

The main reasons for the drop in value added in the energy and environmental services segment are the lower results in the thermal disposal sector and start-up problems with new ISKA® plants for waste treatment. We expect the "Primus" restructuring and optimisation programme at U-plus, the commissioning of the new waste incineration boiler in Stuttgart-Münster and growth potential in the contracting business at our subsidiary ESG to bring about a positive development. Detailed explanations about the various segments are presented in the relevant sections of this report.

Value added by business segment[1]

	Electricity		Gas		Energy and environmental services		Other activities/ holding company		**EnBW group**	
	2005	2004	2005	2004	2005	2004	2005	2004	**2005**	**2004**
Adjusted EBIT (€ millions)	1,176.2	1,019.2	132.2	86.6	50.2	98.7	-109.3	-106.5	**1,249.3**	1,098.0
Average Capital Employed (€ millions)	7,080.7	6,973.3	1,421.7	1,340.1	824.6	818.0	26.7	269.4	**9,353.7**	9,400.8
ROCE (%)	**16.6**	14.6	**9.3**	6.5	**6.1**	12.1	**–**	–	**13.4**	11.7
Cost of capital rate (%)	9.0	9.0	8.5	8.5	9.5	9.5	–	–	**9.0**	9.0
Value added (€ millions)	**539.0**	391.6	**11.4**	-27.3	**-28.1**	21.0	**–**	–	**407.5**	251.9

[1] The prior-year figures have been adjusted.

Employees

- Headcount down 2.5%
- TOP FIT targets achieved
- Measures passed to safeguard competence
- New works agreement and new re muneration system for executives introduced
- New focus defined for corporate philosophy and knowledge management
- EnBW voted top employer

Employees in the EnBW group[1]	12/31/2005	12/31/2004[2]	Variance %
Electricity	12,262	12,500	-1.9
Gas	675	639	5.6
Energy and environmental services	4,340	4,654	-6.7
Holding	487	382	27.5
Continuing operations	**17,764**	**18,175**	**-2.3**
Discontinued operations	1	48	-97.9
Total	**17,765**	**18,223**	**-2.5**
In full-time equivalents[3]	**17,166**	**17,653**	**-2.8**

[1] Number of employees without apprentices/trainees and without inactive employees.
[2] Adjusted to the segment structure as of December 31, 2005 taking into account changed consolidation methods.
[3] Translated into full-time equivalents.

Headcount development

As of December 31, 2005, the EnBW group employed 17,765 employees, that is 458 or 2.5% fewer than in the prior year. In the segments electricity, gas and energy and environment services, the number of employees decreased on balance by 552. This is primarily due to our TOP FIT cost-cutting programme and the personnel cuts in a socially compatible manner agreed therein.

The slight increase by 36 employees in the gas segment is above all attributable to a company newly consolidated in ENSO Erdgas GmbH as of January 1, 2005. At the holding company, the headcount rose by 105 as a result of internal restructuring and new hires. In the area of discontinued operations, Thermoselect Südwest GmbH employees moved to other group companies.

Personnel composition

Of the total of 1,383 part-time employees (7.8%), 924 are women (66.8%). This is a slight increase of 0.6% in part-time employment in a year-on-year comparison. The proportion of female employees in the total workforce climbed to 24.3% as of December 31, 2005 (prior year: 23.9%). The average length of service of group employees is 13.8 years. Of our employees, 18% completed studies at a university, university of applied sciences or vocational college, 74% an apprenticeship or training programme at a technical college and 8% of the workforce are without formal training.

Training

As in the past, EnBW invested heavily in training young people again in the reporting year 2005. With trainees accounting for 8.4% of the headcount at the main energy companies (as of December 31, 2005), EnBW matched the high prior-year level again, which is far higher than the number of employees trained in those areas needed by the company. We continue to offer our trainees a position in the group for at least six months after the successful completion of their professional training or apprenticeship.

Personnel expenses

Personnel expenses went up by € 85.2 million or 7.5% in 2005 to € 1,222.2 million (prior year: € 1,137.0 million). While personnel expenses were reduced by the TOP FIT programme, they increased on account of non-recurring effects, a 1.8% pay increase as of January 1, 2005 and hiring new employees.

TOP FIT targets

We already reached all TOP FIT targets in the personnel area by the end of 2005. We successfully realised all the agreed measures to cut and restructure our human resources in a socially compatible manner. We are confident that the personnel cuts affecting a total of 2,140 employees planned as part of the TOP FIT programme which have already been agreed by individual contracts in a socially compatible manner will be realised by the end of 2006.

In-house internal employment exchange

With the help of our internal employment exchange, we were able to speedily and efficiently make progress with the necessary personnel restructuring again in 2005. The internal employment exchange was able to place more than 82% of the 403 employees affected by personnel cuts by the end of 2005 in permanent jobs within the EnBW group. The employees concerned are mainly in the trade/technical areas.

Safeguarding competence

In early 2005 the Board of Management of EnBW passed measures to safeguard competence. The aim is to prevent a loss of know-how that could arise, for instance, when highly qualified employees, in most cases with many years of experience, leave the company.

The measures for the short and medium term include hiring external specialists and managers in the area of engineering or for special commercial functions. This is particularly relevant for our nuclear power plants, the personnel requirements of which are still covered without restriction in terms of safety standards. In addition, we offer training courses and other measures to prepare our employees thoroughly for new tasks.

Works agreements

We have made further progress with restructuring and aligning works agreements in 2005. The emphasis in the prior year had been placed on monetary arrangements in works agreements such as provisions governing profit participation and company pensions. In the past fiscal year we reached an agreement with our negotiating partners on the employee side to harmonise numerous provisions for the majority of our group companies, thus reducing our processing costs. The new works agreements negotiated include provisions on the selection of staff, the performance of company training and fulfilment of the statutory data protection requirements.

Besides implementing the statutory changes concerning the German phased retirement scheme in our company pension plans, we signed works agreements to accumulate capital for employment benefits, protect phased retirement arrangements in the event of insolvency, concerning the employer's liability insurance, and the payment of bonuses beyond those provided for by the collective wage agreement.

Personnel and management development

We continued the CHANGE support programme in 2005. It is designed to support our employees and managers effectively when faced with the necessary changes in the course of the restructuring and realignment of the EnBW group. We will continue to improve the tools for the further development of management and high potentials. To strengthen the EnBW management team by systematically planning development and succession, we assessed the potential and development possibilities of some 500 executives and high potentials. Management conferences were held at all companies in this context. In addition, we restructured our programmes to promote high potentials. The first programme in the transportation and distribution area was launched in April 2005 with 15 participants.

Altbach/Deizisau CHP station
Cycling past coal stockpile

In 2005 we developed a new remuneration system for our executives which was introduced for top management and upper management levels as of January 1, 2006. In this way, we have largely realised our aim of creating the basis for a transparent market and performance-based remuneration policy and guaranteeing an equitable classification of jobs in our company.

By using standard contractual elements, in which variable components are linked to both the individual performance and the success of the company, we were able to implement a uniform remuneration system for executives throughout the group. The system will be introduced for middle management in the course of 2006.

Corporate philosophy

The first set of a total of 37 workshops started in February 2005. By the end of April about 800 employees and executives from different companies and departments in the group had taken part and developed around 260 suggestions for mission statements following an intensive debate of values. The ten guiding principles of our corporate philosophy, which in conjunction with EnBW's new brand philosophy describes the common values of the company, were chosen from these results. We see the ten guiding principles as an inseparable unit. All the principles are interdependent and of economic importance.

Our ten guiding principles are

> We satisfy our customers' requirements better than the competition.

> We achieve an excellent performance through commitment and competence.

> We are consistent and reliable in our actions. We are as good as our word.

> We think beyond our sphere of responsibility. Fairness, respect and trust are the basis for cooperation.

> We offer our employees challenges and support. Managers lead the employees to success in a clear and purposeful manner.

> We share our knowledge and advance through continuous learning.

> We always act efficiently and increase the value of our company.

> We are thought leaders and pave the way for innovative action in our industry.

> We see change as an opportunity and promote change with conviction.

> We act with foresight, conscious at all times of our special responsibility for the environment and society.

Knowledge management

We prepared a "knowledge balance sheet" for the EnBW group for the first time in 2005. Our aim is to introduce a future-oriented management tool and supplement our finance-based accounting with a tool for recognising intangible assets. We have prepared a consolidated overall knowledge balance sheet from the separate knowledge balance sheets of our major core operating companies in the electricity segment.

Our structured analysis focuses on human, structural and relationship capital. In the area of human capital, we already have some uniform and objective indicators.

Ideas management and continuous improvement process

A new works agreement was signed which will make ideas management even more efficient in future. We now have an IT tool at our disposal that offers ultimate transparency for suggestions and their processing status. 680 ideas were submitted to ideas management and 1,300 suggestions to the continuous improvement process in 2005. Ideas management considered 43 ideas to be useful and paid out premiums worth over € 105,000. The potential savings are estimated at around € 300,000. The continuous improvement process has implemented or is in the process of implementing about 25% of the ideas.

Company ranking

In April 2005, EnBW was awarded the title "Top employer in Germany 2005". In a company ranking of the job and business journal "karriere" in collaboration with Corporate Research Foundation and the Munich-based geva-institut, EnBW ranked among the top 20 employers in Germany.

The companies that entered the competition came from different industries and were assessed in terms of working conditions, remuneration, development possibilities, corporate culture and management as well as corporate development and image. EnBW achieved good or very good rankings in all categories.

Research and development

- R&D expenses raised from € 7.5 to € 22.3 million in 2005
- Efficiency and profitability of power stations increased
- More cost-effective and environmentally friendly use of hydroelectric power
- Involvement in promising geothermal projects
- Project partner for the construction of the first large fuel cell plant running on biogas in Germany

EnBW's research and development activities are designed to develop technologies for an environmentally safe, efficient and economical energy supply. This includes increasing efficiency of existing power stations and developing highly efficient power stations of the future as well as improving the use of renewable energies. Technologies that leverage the great potential of a more efficient use of electricity and heat are also gaining importance. With our commitment in this field, we participate actively in the development of the future energy-mix (Vision No 9). We help to secure the future of energy, and thus at the same time the future of the EnBW group.

In 2005, spending on research and development was increased significantly in the EnBW group to € 22.3 million (prior year: € 7.5 million). Our work focused on measures to improve efficiency and reliability of conventional power stations, to develop fuel cell technology further and implement the "lighthouse projects" of the Federal Government's "Partners for Innovation" initiative.

In the area of renewable energies, we made progress with deep geothermal energy as well as with tapping the potential of hydroelectric power.

We continued our tried and tested research concept – development alliances at an early stage and application-oriented in-house implementation – and enlarged the research team. At the start of 2006 the central team has 16 members, most of whom are engineers. In 2004 the team was made up of ten. Their main task is the development of strategies and projects. More than 50 engineers and mechanics at EnBW companies are responsible for conducting research projects in addition to their everyday work.

Fuel cells

The fuel cell programme was expanded to include 17 plants. 16 fuel cell heaters are installed in residential buildings at EnBW customers and partners. Manufacturers include Sulzer Hexis AG, Vaillant GmbH and, for the first time nationwide, european fuel cell GmbH.

The plants for heating buildings are supplemented by two medium-sized plants of the same type from MTU CFC Solutions GmbH in municipal and industrial application. EnBW thus is one of the energy companies offering the broadest range of manufacturers, types, and applications.

In addition to the technical results, the response to the heating contracting on offer with fuel cell technology has been extremely positive. The molten carbonate fuel cell used at the Michelin tyre plant in Karlsruhe reached about 24,000 operating hours during its term of operation generating more than 4 million kWh of electricity. This is the largest amount of energy generated to date by a plant of this type. With major support from EnBW, the first molten carbonate fuel cell using biogas from a compost plant will be erected in Leonberg near Stuttgart in the first half of 2006.

Geothermal energy

In the spring of 2005, EnBW agreed to support the state of Baden-Württemberg in finding ways of making geothermal heat usable. Some of the funds will be used to complete the geothermal project of the Bruchsal municipal utilities.

Tests carried out in 2005 produced highly promising results concerning the flow rate and temperature. Use of the hot springs deep in the earth in the Upper Rhine rift valley for the purpose of generating energy only makes economic sense in exceptional cases, even subsidised under the German Renewable Energies Act (EEG), as demonstrated by a detailed study in which EnBW was involved in the summer of 2005. According to the study, the costs for geothermal energy generated in the Upper Rhine rift valley exceed the EEG subsidy rates by far. At the same time, there is potential for development in the fields of drilling, the construction and operation of power stations.

That is why we intend to participate in the highly promising projects in the Alsatian town of Soultz-sous-Forêts and in Basle. We entered into negotiations in 2005. The underground heat exchanger in Soultz is practically finished after three drillings and already produced a thermal output of 5 MW in a test without optimisation. In Basle, preparation for drilling began in 2005. A geothermal CHP station with district heating extraction and an additional gas turbine is to be erected by 2008. It is expected to further improve the effectiveness when converting geothermal energy to electricity.

The geothermal project in Bad Urach remains an interesting project. EnBW's planned activities are concentrated on the construction and operation of the aboveground geothermal power station. No suitable partner has been found yet for the completion of the underground heat exchanger.

Partners for Innovation

EnBW is involved in three lighthouse projects from the Federal Government's initiative "Partners for Innovation": "The Energy-Efficient School", the "Energy Table" – a meeting point for trade and industry to exchange measures for energy efficiency –, and the "Price Signal at the Socket".

With the "Price Signal at the Power Socket", EnBW has presented an innovative approach that will help to make the generation and, in the long term, the distribution of electricity more cost-effective. Customers – generators and consumers alike – receive up-to-the-minute rates that are listed on the stock exchange. They can therefore actively choose to use their plant and equipment, and save costs this way. The pilot project planned for 2006 was rendered more concrete in 2005 in terms of rates, customers, and information technology.

The "Price Signal" has also given rise to the concept of a self-controlled virtual power station that goes clearly beyond any previous central control approaches. The idea of a virtual power station is based on the idea of bundling the output of many decentralised power stations and creating a large virtual power station.

Hydroelectric power

In light of the necessary measures for climate protection, it is becoming more and more important that the potential of hydroelectric energy be exploited in full. This is why we advocate optimising existing locations and tapping new locations. On the one hand, our aim is to simplify complicated approval processes and, on the other, to develop methods to make the generation of electricity from hydroelectric power more cost-effective and environmentally friendly.

Energy mix/PowerPortal

In the next few decades we will continue to rely on conventional power stations for the generation of electricity worldwide. For this reason, we initiated a series of development projects in 2005, which are geared towards increasing the efficiency and effectiveness of processes in the generation of electricity.

These include the pilot application "PowerPortal". EnBW is the first energy company to introduce this software at its power stations in Altbach/Deizisau, Heilbronn, Karlsruhe, and Stuttgart, as well as the headquarters of EnBW Kraftwerke AG in Stuttgart. The software developed by SAP and Siemens merges operational and technical data from various basic systems in a single system, supporting fast and well-founded business decisions across all areas, from the operation of power stations to management.

Risk report

- New legal requirements on risk management implemented
- Continuously refined risk management

In line with developments in the past few years, the government again raised the requirements for risk management. The German law to introduce international accounting standards and ensure the quality of the statutory audit ("accounting law reform act", BilReG) came into force on December 4, 2004. Bringing German accounting law into line with EU Directives, the law is intended to strengthen corporate integrity and investor protection.

In this context, the disclosures required in the management report have been changed, for instance. Whereas the reporting on financial instruments had to be adapted in the past fiscal year, the changes in the forecast report only affect fiscal years starting after December 31, 2004. One of the main changes is that the anticipated development of the company must be assessed and explained in terms of its significant opportunities and risks. Future-oriented statements on underlying assumptions must also be reported.

In the past year, we continued the continuous refinement of risk management structures and processes. In regular working groups of our risk managers from the core companies with group risk management, we promote the ongoing interdisciplinary exchange of experience and knowledge. We increase awareness for risks among our employees by involving them in local risk management processes and via the multiplier effect of our risk officers and employees responsible in this area. Besides external and internal training courses, we offer all risk managers in the group a platform at the annual EnBW Risk Forum to meet in person and exchange information on current risk management topics.

Altbach/Deizisau CHP station
Flue gas desulfurisation plant of unit 2

Overall economic risks

- Credit risks identified and systematically assessed
- Objection filed by EnBW Kraftwerke AG against allocation decision of the German emissions trading agency

Credit risks

The sustained difficult economic situation in Germany also affects our relationships with customers, trade partners, and suppliers. In addition to managing market risks, credit risks from a potential default of a business partner – and the identification and management thereof – are becoming increasingly important. We systematically identify and assess significant credit risks in each area of the company. In order to manage the credit risks, we then create group-wide credit evidence using a uniform consolidation method.

Allocation of CO_2 allowances for the trading period 2008 – 2012

Once the German emissions trading agency (DEHSt) had passed allocation decisions for 1,849 plants in December 2004, allocating CO_2 emission allowances free of charge, trade began on the European Energy Exchange (EEX) in Leipzig in March 2005. EnBW Kraftwerke AG filed an objection against the allocation decision due to insufficient allocation. There is currently a risk stemming from the allocation procedure for the second trading period from 2008 to 2012 which has not been closed yet. The European Directive establishing a scheme for greenhouse gas emission allowance trading (2003/87/EC) provides for allocation free of charge at a national level of 90% or more of the allowances.

The remaining share of no more than 10% may be auctioned off by the German Federal Government. If 10% of the German emission allowances were to be auctioned off, this would reduce the free allocation by 48.5 million allowances per year. The knock-on costs of having fewer allowances would present a burden for all companies emitting greenhouse gas in Germany. The Federal Government has to decide by mid-2006 whether to exercise the option to auction the allowances.

Industry risks

- Question concerning ultimate storage for radioactive waste in Germany yet to be solved
- EnBW decision on construction of new power stations planned for 2006
- EnBW suggestion for ex-ante incentive regulation to calculate network charges adopted by the German Federal Network Agency

Non-technical risks – nuclear power

Disposal of radioactive waste

The decree blocking changes to secure the investigation of the Gorleben salt dome for ultimate storage of radioactive waste promulgated by the Federal Government came into force on August 17, 2005. The risk of changes in the salt dome which could render it unsuitable as ultimate storage before closure of the investigations has thus been eliminated. The Federal Government has thus kept its promise made in the nuclear energy consensus to companies using nuclear energy. The question concerning ultimate storage for radioactive waste in Germany remains to be solved. There are some planning uncertainties in this respect.

Pursuant to the decree on advance payments for the establishment of federal facilities for safe custody and ultimate storage of radioactive waste (Endlager VIV), the currently unquantifiable costs for the investigation of storage locations must be borne by the companies using the nuclear energy.

Amendments of the rules issued by the Nuclear Safety Standards Commission

The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety is planning amendments of the nuclear safety standards. The reason for this is a change in safety philosophy; there are no well-founded new findings. This could entail considerable modernisation measures for all German nuclear power plants. The energy providers operating nuclear power stations in Germany have pointed out to the Federal Government that the project is not in line with the nuclear energy consensus and that fundamental changes should be agreed at a European level.

Nuclear power provisions

The European institutions are still debating on the creation of nuclear power provisions. A member of parliament submitted an initiative report to the Committee on Industry, Research and Energy, calling for the spin-off of nuclear power provisions into an external provisions fund. This report could have an impact on the position of the European Parliament and the European Commission.

An action filed by German municipal utilities against the Federal Republic of Germany is currently pending before the European Court of Justice, which also pertain to nuclear power provisions. The municipal utilities feel that the provisions constitute a serious distortion of competition to their detriment. However, in agreement with the German government and the companies operating the nuclear power plants, the European Commission is of the opinion that the German nuclear power provisions do not constitute government assistance.

New power stations

EnBW has to decide by the end of 2006 whether to build new power stations to replace the power stations which we agreed to decommission in the nuclear energy consensus in 2001. Despite carefully checking and assessing the basis for our decision, there are certain investment risks, as it is not possible to precisely forecast the main profitability parameters, e.g. raw materials prices and electricity sales prices, over the power stations' useful life.

Reform of the German Energy Industry Act

The German Energy Industry Act and the decrees on electricity and gas networks came into force in July 2005. At the same time, a Federal Network Agency (Bundesnetzagentur, BNetzA) was created as the successor organisation of the German Regulatory Authority for Telecommunications and Posts. It is responsible for developing the infrastructure markets electricity and gas by means of deregulation and liberalisation. It will focus mainly on the calculation of network user charges. One of the declared aims of the Federal Network Agency is to reduce network user charges, and transportation and distribution network providers are therefore facing a high level of planning uncertainty.

Altbach/Deizisau CHP station
Parts of the flue gas desulfurisation of CHP unit 2

In the long term, the ex-ante incentive regulation proposed by EnBW and incorporated in the law will play a role here. The Federal Government has not yet presented any bills for the design of such a regulation.

The separation requirements pursuant to the German Energy Industry Act, enforcing non-discriminatory structure/organisation and settlement of network operations (unbundling), have been implemented in the EnBW group. EnBW thus satisfies the legal requirements. We were able to limit the loss of synergies associated with the spin-off of network operations by taking action at an early stage and adjusting our internal structures and processes.

Operating risks

- **Supply reliability supported by high safety standards, prudent quality management and pro-active risk management**
- **IT risks minimised by numerous measures**

Technical risks

Through the operation of complex technical plants, EnBW is exposed to the related operating risks, i.e. unscheduled downtimes can occur at our power stations or parts of our electricity, gas or district heating supply network.

We are aware of these risks. We minimise potential negative effects and risks by means of high safety standards, prudent quality management and pro-active risk management. Where possible and economically feasible, we transfer our technical risks to external insurance companies. Each year we scrutinise the efficiency of the insurance cover. The parameters scope of insurance, deductibles and premiums are optimised on that basis.

IT risks

Information and communication technologies have become an integral part of our production and business processes. Innovative and efficient IT systems are a key success factor for us. For this reason, security and availability of the IT network and of the IT applications used are of particular significance.

Besides ensuring the protection of confidentiality and integrity, it is the declared objective of risk management and IT security management to maintain availability at a high level at all times. In the context of minimising risks, we expanded systems monitoring in 2005. We validated and expanded the risk assessment method. The procedures of the 'service continuity plans' were extended to encompass further application systems. These plans for the computer centre supply were drawn up and tested.

The IT security management has initiated various measures to respond to the rapidly changing risks connected to using the internet. Such measures include keeping employees informed to ensure that they are aware of security issues. There were no serious failures of the IT infrastructure in the fiscal year 2005.

Legal risks

- **EnBW group involved in various court cases from ordinary operations**

The EnBW group is involved in various court cases from ordinary operations. We do not expect them to have a material impact on the economic and financial position of the group.

Changes in the shareholder composition and acquisitions induced some shareholders to file an action against the cash compensation or conversion rate offered by us. Several arbitration proceedings are pending. We assume that the cash compensation and conversion rates, which were determined by public auditors appointed by the courts, will be confirmed.

There are also risks arising from regulatory approval procedures. These include the petition for approval to decommission and dismantle the nuclear power plant in Obrigheim. Active risk management in the group limits potential effects on EnBW. Particular care when filing the petition reduces the risk of delays in obtaining approval of the petition.

- **Distribution, generation and trading subject to risk of market price fluctuation**
- **Physical and financial transactions effected on the basis of master agreements**
- **Asset management strategically realigned**
- **Interest and currency risks hedged on a case-by-case basis**
- **Good liquidity and financial position achieved**

Energy market

Risks of market price fluctuation

The group net profit is affected to a great extent by the market prices for electricity and fuel. It is the key task of EnBW Trading GmbH (ETG), which is responsible for EnBW's trading transactions, to manage the risks of market price fluctuation. Risks are hedged in compliance with the EnBW risk strategy and taking market conditions into consideration. Derivative financial instruments are also used. To hedge against potential risks that could arise, for example, if higher fuel prices cannot be passed on, we hedge prices for primary energy sources in most cases. We also reduce the risk stemming from falling electricity prices that are not compensated by lower fuel prices by concluding hedge transactions.

The provision of energy quantities that have been sold is a key component of the risk management. Planned quantities and signed agreements are included in the position management at an early stage as are offers according to the likelihood of the contracts being awarded. Since commencement of trading with CO_2 allowances, these have also been included in the risk management in a comparable manner as fuel.

The second key component is the generation of electricity by our power stations, which is hedged against falling electricity prices and continuously optimised with respect to market prices using a strict multi-commodity approach. In this way, we derive high value added from the flexibility of our power stations.

The remaining risks of market price fluctuation are monitored constantly. To measure the exposure we use the Value at Risk (VaR), which is measured and reported on an ongoing basis by ETG's risk controlling along with the energy and financial position. We use ETG's market expertise to manage market price fluctuation risks not just from the group activities generation and distribution, but also trading for own account. Within defined limits, we can specifically choose to enter and hold energy-related items to generate additional income.

As of December 31, 2005, the nominal value of all energy derivatives totalled € 8,432.3 million. The market value of all energy derivatives as of the same date was € -163.8 million. These energy derivatives were mainly entered into to hedge the company's own generation and unit sales.

Credit risks

ETG generally effects physical and financial transactions on the basis of master agreements. Exceptions can be made in the case of special business interests, e.g. to develop new markets. The standard for physical electricity and gas trading transactions is the master agreement of the European Federal of Energy Traders (EFET). We conclude financial transactions on the basis of the German master agreement or the master agreement of the International Swaps and Derivatives Association (ISDA), and transactions with CO_2 allowances on the basis of the master agreement of the EFET and the International Emissions Trading Association (IETA). Our own EnBW coal trading master agreement is used for transactions with physical hard coal.

The trading partners are approved by the risk controlling department of our trading company. The products and business volume approved individually for each trading partner are based on the trading partner's credit rating. There is a pre-defined credit scope for each trading partner which is derived from external or internal ratings. With regard to trading partners with a particularly high trading volume, we conclude bilateral margin agreements in order to keep credit risks within certain limits.

The market price fluctuation and credit risks, compliance with the limits and the result measured against current market prices are recorded by ETG risk controlling on a daily basis.

Altbach/Deizisau CHP station
above: Boiler house of CHP unit 2 with coal conveyor

below: Inspection cage for the combustion chamber in CHP unit 1

Financial market

Asset management

We realigned our asset management strategically in 2005. By considering more asset classes, we were able to further diversify the risks.

An external consultant is assisting us to further improve the risk management for our financial assets. In this way, we have changed calculation of the value at risk (VaR) to case-by-case calculation, as for other risk controlling ratios. On this basis, the VaR as of the balance sheet date is € 64 million (95%/10 days).

When selecting the securities we always attach particular importance to high marketability and good credit rating.

Interest and currency risks

The interest and currency risks from operating activities are hedged using financial instruments on a case-by-case basis as part of our risk management.

As of December 31, 2005, the nominal value of all interest and currency derivatives totalled € 1,593.1 million. The market value of all financial derivatives as of the same date is € 48.1 million.

Liquidity/financing

The EnBW group has sufficient free credit lines at banks and cash and cash equivalents to cover its financing needs. Due to our positive financial development and the unchanged, stable rating situation, refinancing is always a possibility with international bank, money, and capital markets. Liquidity controlling is performed by standardised cash pooling throughout the group.

Overall risk

– Risk position stable following reorganisation of the group

Following the reorganisation of the group over the past few years, the overall risk position the EnBW group was stable in fiscal 2005. In spite of fiercer competition on the energy market, we were able to limit the associated risks. Due to the consistent focus on our core business segments electricity, gas and energy and environment services, risks that are material for the financial position, net assets and results of operations are concentrated in these areas. In fiscal 2005, there were no discernable risks to the continued existence of the company either from individual risks or from the overall risk position of the EnBW group.

Risk management system

– High quality of EnBW's risk management system confirmed

In 2005, we informed the EnBW Board of Management and the management of the group companies and other consolidated entities of the risk situation in detailed quarterly reports and monthly risk change reports. In the case of unforeseen risks, decision-makers were provided with additional ad-hoc reports.

On a quarterly basis, the EnBW Board of Management provides the EnBW Supervisory Board with in-depth information about the group's current risk situation.

The risk management system is one of the areas reviewed annually by the group's internal audit. In 2005, the focal point of the internal audit was the review of the risk management processes within the decentralised risk management organisation of our group companies. The internal audit paid special attention to the monitoring of group-wide risks, their consolidated evaluation and full risk reporting at all levels of the hierarchy.

As part of the annual audit, the auditors assess both operability and compliance of the risk management system installed at all our group companies and at holding level.

The auditors and the group internal audit confirmed the high quality of our risk management system and also that it complies with the legal requirements of an early risk warning system.

TV tower Stuttgart

Forecast report

In this forecast report we take an in-depth look at the expected future development of our company and the environment we work in for the next two fiscal years. Particular attention is paid to opportunities which may arise for EnBW. For us, opportunities for the future development of our company are positive development possibilities in the short-term which, under certain conditions, are considered to be feasible. For a presentation of the risks inherent in the future development of our company, we refer to our risk report.

The prerequisite for the forecasts we publish on the development of our company and the environment we work in actually occurring is for the company to grow on the planned scale due to external and organic factors.

The basis for this is a positive development in the financial position, net assets and earnings ratios on the forecast scale, i.e. among other things, an improvement in the operating performance and a corresponding development of the economic and political conditions relating to the energy industry. However, there is a risk that operating problems as well as other currently unforeseeable factors could have a negative influence on earnings.

Future corporate strategy

– EnBW focuses on generating and growth strategies

Having rapidly regained the financial ability to act, we are now able to invest heavily in the energy industry again and to shape developments. One focal point when developing our corporate strategy in the next two years is the power generation strategy. Continuously and unerringly, we will gear it to the future mixture of energy sources.

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 events, 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.

The regional growth strategies both in Germany and also in the potential target markets of central and eastern Europe are another focal point. Here, we want to use the opportunities offered by the increasingly liberalised energy markets of the new EU countries and the accession candidates.

Anticipated economic development

- **Germany expects further economic growth**

We expect that growth rates in Germany and in the euro zone as a whole will continue to increase, albeit to a moderate extent. Due to an anticipatory effect of the planned increase in the VAT rate scheduled for 2007, we expect a slight temporary improvement in private consumption in 2006. Economists expect the European Central Bank to further increase the short-term interest rate which could impede growth once again.

Anticipated development of the coal market

- **Unclear how the coal market will develop**

There are signs from the Atlantic coal market that the USA could have a growing demand for coal as it expands its import capacities. Consumption in Europe is expected to remain stable. As the price of coal already rose dramatically in recent years, Columbia and Russia, for instance, increased their production capacities so that they will be able to deal with a rise in demand from the Atlantic coal market.

Prices on the coal market for deliveries in later years are rising. How they will develop depends, however, on the development of the demand situation and the production and transportation capacities.

Anticipated development of the CO_2 market

- **CO_2 prices expected to remain highly volatile**

The numerous factors which are difficult to forecast such as the weather, allowance imports from the clean development mechanism in emerging countries, electricity and fuel prices as well as the political development mean that it is virtually impossible to make an accurate estimate of the future market price development for emission allowances. The demand for allowances is comparatively rigid. As CO_2 prices are influenced by parameters which are subject to dramatic fluctuation, such as the weather, the CO_2 prices are likely to be just as volatile. One year after the initiation of emission allowance trading it is becoming easier to estimate how many allowances individual companies and the European Union as a whole need. Nevertheless, further price jumps on the market for emission allowances in early 2006 cannot be ruled out.

Prices from 2008 will be influenced in particular by the enactment in mid-2006 of the national allocation plans for the second trading period (2008 – 2012).

Anticipated development of the electricity market and our electricity business

- **Electricity market increasingly impacted by CO_2 price**
- **Innovative products and services promise growth potential for EnBW**

Contrary to the situation on the spot market for electricity, the CO_2 price did not noticeably start to impact prices on the forward market for electricity until towards the end of the year.

This could be seen during 2005 from the fact that there was a greater rise in the price for electricity deliveries for the year 2006, which are transferred in the new year to physical delivery, i.e. to the spot market, than the price for deliveries in later years. For this reason, a further increase in prices for future years cannot be ruled out, at least for the short term.

Overall, however, the electricity price development hinges to a large extent on the development of the fuel and CO_2 markets.

In 2006 the federal network agency (BNetzA) will approve network user charges for the first time. Moreover, by mid-2006 BNetza is to come up with a concept for incentive regulation which could then be introduced in 2007. Thanks to the activities and standardisation requirements imposed by BNetzA we expect network access to be made easier in the next two years and also a tendency towards falling network user charges.

In the private customer business this development may lead to fiercer competition; in the industrial customer business it can be assumed that the keen competition that already exists will continue.

With its synergetic multi-brand strategy and its highly differentiated, segment-specific marketing, EnBW is well prepared for this situation.

Progress has also been made with the liberalisation of meter reading and measuring. Increasing competition relating to the installation, operation and servicing of meters will impact the measuring prices. However, the liberalisation of measuring requires further legal guidelines.

The moderate economic growth in Germany will not result in any major changes in the electricity consumption or the potential for electricity sales. Growth potential for EnBW will arise, among other things, from innovative electricity products and product and other services. In the years 2006 and 2007 we expect EnBW to enjoy moderate organic growth.

Anticipated development of the gas market and our gas business

- **The gas market looks set to grow**
- **EnBW is ready for new challenges**

In our opinion, the German gas market will continue to grow in the next few years. The main growth driver will be the power station gas segment. How fast it will grow hinges to a large extent on the development of the prices for CO_2 allowances for the main rival energy coal and on the life of the German nuclear power plants. EnBW is currently taking an in-depth look at the prerequisites for the construction of a gas and steam turbine power station.

In the gas segment, too, the coming years will be dominated by the challenges posed by the amended German Energy Industry Act. This applies in particular to the unbundling of network and selling activities and the implementation of the decrees on network access and network user charges. In future, network access at transportation level will no longer be carried out by reserving a fixed transportation path. Instead, the system is to be made as flexible as possible by means of freely allocable feed-in and out capacities. Supply reliability will be ensured by an efficient network operation.

The amendment of the energy law will intensify gas-to-gas competition. This means that we will continue to cater for the specific needs of our customers. In this respect, we benefit from our knowledge of local market conditions and the strong regional roots of our gas companies.

EnBW adjusted to the new challenges at an early stage by creating the basis for the implementation of the necessary measures. EnBW sees the changes in energy policy as an opportunity to strengthen its competitive position in the gas market in Baden-Württemberg and Germany as a whole. In the past year, we paved the way for the necessary realignment of the downstream gas business in an extensive project, the results of which are now to be put into practice without delay. In the core territory Baden-Württemberg we see growth potential in the final customer segment in the tapping of regions that are not currently supplied and also in a further consolidation of our supply territory. To this end, we are intensifying our marketing and sales activities. The development and introduction of innovative products and contracts will serve to underline our competitive orientation.

Besides the organic growth, especially in Baden-Württemberg, EnBW also sees potential for growth in the gas sector in the form of investments or takeovers in the midstream and downstream areas in particular.

Anticipated development of our energy and environmental services

- **EnBW well positioned in the market**

The U-plus group is expecting an exceptionally positive development in the electronic scrap recycling segment in 2006. By analogy and in addition to the EnBW TOP FIT programme, U-plus Umweltservice AG has its own restructuring and optimisation programme called "Primus" that aims to take U-plus from average results to its maximum performance by 2008. Focal points of the year 2006 include the optimisation of specific disposal processes as well as of the functions purchasing, flow of materials and organisation and the implementation of growth and marketing projects. In the medium term, the realisation of these projects will help to materially improve profits.

Due to the low level of market penetration, the contracting market is current attested great potential for growth. In the industry sector, EnBW Energy Solutions GmbH (ESG) is one of Germany's leading contracting companies. In the coming years, ESG will expand its position further and also continue to grow. Areas for growth include solutions in the field of local generation as a partner of industry.

Altbach/Deizisau CHP station
Coal mills in CHP unit 1

In the next few years, the political call for the modernisation of the German water industry will confront municipalities with special challenges. Thanks to its special competencies, EnBW Regional AG is ideally positioned to support them. We therefore plan to expand our range of services in the water area and to offer new products to the municipalities.

Future development of the regulatory framework

- **EnWG implementing decrees are put into practice**
- **Red tape in emissions trading to be cut**

The implementing decrees which came into force with the amended Energy Industry Act (EnWG) are currently being put into practice. Approval of the electricity and gas user charges by the Federal Network Agency is scheduled for the end of July 2006 at the latest. It is planned that the Federal Network Agency will develop a model incentive regulation in collaboration with the states, industry and science which will then be transformed into a decree as quickly as possible.

The drafts for a decree to govern network connections in the low voltage and low pressure range as well as for a decree guaranteeing the basic supply with electricity and gas will replace the degree that sets forth the general conditions for the supply of electricity to standard-rate customers. The new decrees are scheduled to come into force at the end of March 2006. EnWG contains numerous authorisations to issue decrees. Further decrees are therefore expected to be put forward in 2006 and 2007.

The coalition agreement of the CDU-SPD federal government will also have an effect on German energy policy in the coming years. "An overall concept for energy policy which contains a precautionary strategy in light of the worldwide diminishing resources" is being called for. According to the coalition agreement efficient energy will move to the centre stage of political deliberations and energy research is to be expanded.

The Renewable Energies Act (EEG) is embedded in the coalition agreement. In 2007 the economic efficiency of the different types of compensation are to be reexamined. In this context, the compensation rates, scale economies and subsidised periods are to be adjusted to the development stages of the various renewable energies and, where necessary, the focus will be changed.

In emissions trading, cutting through the red tape will be a priority in the coming years. The system should be "continued as an important instrument of climate protection", but made more economically and ecologically efficient. A central demand is the reduction of the cost burden which the CO_2 emissions trading represents for the energy-intensive industry. Moreover, the alleged windfall gains – by incorporating the allowance prices in the electricity price – are to be avoided despite the fact that the express objective of emissions trading is to make CO_2 emissions subject to charge. The only appropriate way for the government parties to deal with this at present would be to auction the legally admissible 10% of the allowances. To increase the liquidity of the allowance market, joint implementation and the clean development mechanism are to be strengthened and the airlines included in emissions trading.

The member states have to report their national allocation plans for the second phase of the emissions trading (2008 – 2012), known as the Kyoto phase, to Brussels by June 30, 2006. The EU Commission will also revise the EU emissions trading directive. In light of the legislative process that this involves it seems unlikely that the directive will be enacted before 2012.

In Brussels the way was already paved for projects at European level in the autumn of 2005. In the summer, the European Commission carried out a sector-based examination of the energy market; initial results are available. An interim report will be issued in February 2006, and the final results will be announced at the end of 2006.

Based on the green book on energy efficiency, a plan of action is to be drawn up in spring 2006. In 2005 the Commission already enacted a biomass plan of action which will be available in the institutions for discussion during 2006.

A central project of the Commission for 2006 is a "green book for the safe, competitive and sustainable energy policy". This is to contain an outline of the next steps. The 7th research framework programme for the period 2007 to 2013 is currently being prepared. It also contains a chapter on energy research. The imminent decisions of the Council and Parliament hinge on the EU financial planning for this period.

Anticipated development of significant acquisitions

– EnBW to take over majority in Stadtwerke Düsseldorf AG in 2006

The council of the state capital Düsseldorf decided in December 2005 to exercise a contractually agreed put option for 25.05% of the shares in Stadtwerke Düsseldorf AG (SWD). In this way EnBW will increase its share in SWD after approval by the European antitrust authorities to 54.95%. EnBW expects the European Commission to issue approval in the first quarter of 2006. Assuming corporate control of SWD is an important milestone in the implementation of the public utilities strategy of EnBW and opens up market potential for the EnBW group.

Once the European Commission has given its approval, SWD will be fully consolidated in the EnBW consolidated financial statements. As a result of the full consolidation of SWD, all revenue, sales and earnings figures of the EnBW group will increase significantly in all segments.

As the approval of the European Commission is still outstanding and the date of first-time full consolidation is thus also subject to uncertainties, and in view of the fact that the use of opportunities arising in central and eastern Europe can lead to further increases in important financial ratios of the EnBW group, the forecast below is restricted to the development of the operating earnings power of the existing EnBW group.

Anticipated development of the capital employed[1]

– Organic growth of the main operating financial ratios targeted

For the external and internal control of the group and the segments we also use the concept of value-based planning. The main ratios or components for value added and ROCE (return on capital employed) are capital employed and operative EBIT. The latter is always also considered in proportion to sales.

In the next two years we expect capital employed to drop slightly. This is still attributable to strict receivables management but also – as in prior years – to depreciation in excess of capital expenditures. The implementation of the planned power generation strategy will only be reflected in an increase in capital employed at a later point in time.

Anticipated development of sales revenues and unit sales[1]

– Development marked by planning uncertainty

The anticipated sales development in the electricity and gas segments in the next two years is marked by planning uncertainty in three areas:

> 1. It is the declared objective of the Federal Network Agency to reduce network user charges, leading to fiercer competition, particularly in the private customer segment, and a demerger of the integrated prices for electricity and gas.

> 2. The amount of sales of our trading company depends on the future market development.

> 3. In the gas segment, linking the gas price to the oil price causes additional planning uncertainty.

Based on a declining trading volume, a slight increase in unit sales to private customers and a relatively stable price for all customer segments, we expect external sales in the electricity segment to be slightly below the prior-year level in 2006 and 2007.

In the gas segment, based on our consolidation strategy, we anticipate an increase in gas unit sales in the private and industrial customer segment as well as a further increase in gas trading activities. If prices remain constant overall, this would lead to an increase in third party sales from 5% to 7% for 2006. However, based on falling prices we expect a drop in sales of some 3% for 2007.

In the energy and environmental services segment we expect average sales increases of approx. 4%. This is due on the one hand to the law governing the disposal of electrical and electronic equipment, which will lead to sales growth in the U-plus group, and on the other to the growth potential in the contracting market in which EnBW Energy Solutions GmbH (ESG) is one of the leading companies in Germany.

[1] Adjusted for changes in the consolidated companies

Anticipated earnings development[1]

– EnBW expects an increase in the operating profit in the electricity and energy and environmental services segments

In the electricity segment, we expect the EBIT to increase steadily in 2006 and 2007. In 2006, and still in 2007, this improvement will be attributable to the last stage of our TOP FIT cost-cutting programme. In addition, when concluding new contracts we will continue our margin focus in the profitable customer segments with a view to continuously improving margins. The lower margins in the regulated area will tend to run counter to this.

However, due to the provisions of IAS 39 on accounting for trading, the volatility of the income statement will increase dramatically and the forecast quality of the earnings figures will diminish.

In the gas segment, we expect that the operating EBIT of the year 2005 will be matched in 2006. In 2007 there is likely to be a moderate drop due to the regulatory activities. The TOP FIT cost-cutting programme in this segment was largely already implemented in 2005.

In the energy and environmental services segment we are confident that due to the activities described above of the U-plus group and of ESG we will be able to continuously improve on the operating profit recorded in 2005. Due to the planned commissioning of two further waste boilers of EnBW at the Stuttgart-Münster location, the expensive substitute disposal arrangement at the U-plus group will cease in 2007.

Anticipated development of the TOP FIT cost-cutting programme

– TOP FIT programme on verge of conclusion

The target we set ourselves for 2006 in the course of our cost-cutting programme was to cut costs permanently by € 1 billion. Measures have been planned or initiated to meet this target. When the € 1 billion is reached, we will conclude our TOP FIT programme as planned in 2006.

Planned dividend

– Dividend to be increased

At the annual general meeting on April 29, 2005 plans were announced to increase the dividend by 25% for 2005 and by around 20% for 2006. The prerequisite for this is a positive development of the earnings ratios on the planned scale, i.e. among other things an improvement in operating performance and a corresponding development of the economic and political conditions of the energy industry and of the prices charged to the final and industrial customers. There is, however, a risk that operative problems as well as other factors not apparent today may arise which could have a negative impact on earnings.

Planned capital expenditures[1]

– Capital expenditures to focus on power station capacities, distribu tion networks and very high voltage networks

In the planning period from 2006 to 2009 capital expenditures on property, plant and equipment in the region of € 3 billion are planned. The prerequisite for the realisation of the capital expenditures is that they are feasible and approved by the bodies concerned. Around 75% of the investment volume relates to the electricity segment, with generation and distribution weighted almost equally. Some 10% of the capital expenditures are earmarked for the gas segment. The remaining shares largely relate to the energy and environmental services segment.

In the next few years it is planned to increase spending on property, plant and equipment. Capital expenditures in the electricity segment will focus on the renewal of the distribution networks, the restructuring of the very high voltage network (380 kV and 220 kV) as well as the replacement of power station capacities in Baden-Württemberg. EnBW is also investing in hydroelectric power by building the new run-of-the-river power station in Rheinfelden.

It is also planned to build a new office complex in order to bundle our activities in Stuttgart.

Finance planning

– Financial flexibility is guaranteed

In 2006 and 2007 we want to secure our financing with the existing external financing possibilities – syndicated loan, commercial paper programme and medium term note programme. As of December 31, 2005 no use had been made of the syndicated loan (€ 2.5 billion) or the commercial paper programme (€ 2 billion). Moreover, if necessary EnBW also has access to the capital market via the EMTN programme so that the existing external financing possibilities offer adequate financial flexibility. With the current stable A rating, EnBW can obtain favourably priced refinancing on the capital markets and use the opportunities available.

[1] Adjusted for changes in the consolidated companies

Changes planned in the personnel and welfare area

- **Personnel restructuring nearly completed**
- **Knowledge management remains high on the agenda**

Ensuring that the TOP FIT targets are achieved will again play an important role in 2006. In particular, we want to complete the personnel restructuring once and for all. In the next few years we intend to start recruiting again. Adjusted for changes in the consolidated group, we assume that the number of employees will remain stable over the next two years.

Altbach/Deizisau CHP station
Hybrid cooling tower of CHP unit 1

Not only new demands placed on the company on the energy market, but also the demographic developments in our country will pose a huge challenge for us. Competition on the labour market will hot up. It will become increasingly difficult to recruit staff with the necessary skills and qualifications. Under these circumstances, we want to do more to be perceived on the market as an attractive employer which offers its employees good prospects. It is equally important that our employees also continue to meet the changing demands. In light of this, we want to further systematise and expand our competence management.

Knowledge management will also remain high on the agenda in the next two years. We want to continue the initiative started in 2005. We want to concentrate on the management and social competence, employee motivation, communication and organisation as well as corporate culture to start preparing now for future market requirements. In particular, we want to prepare knowledge balance sheets at other companies along the value-added chain and consolidate these into a group knowledge balance sheet. At the same time, we plan to successively extend our indicator base for the knowledge balance sheet in order to enhance its informative value.

In the personnel function we will continue to use our best efforts to optimise and refine our business processes. The greater use of IT instruments will play an important supporting role here.

Future research and development

- **Fuel cells, geothermics and energy efficiency are key issues**

After the marked rise in research spending in 2005, a further increase is planned for the years 2006 and 2007.

The long-term fuel cell programme of EnBW will not be adversely affected by the structural changes at our main supplier of fuel cells, Sulzer Hexis AG. The leading fuel cell manufacturers, Vaillant GmbH and european fuel cell GmbH have been obtained as partners.

In light of the good test results in the geothermal energy project of the Bruchsal public utilities we expect to be able to generate geothermal electricity from mid-2007. By the end of 2007 a geothermal power station should also go into operation in Soultz-sous-Forêt in Alsace. The pilot power stations are designed to demonstrate the development potential of geothermal power and its contribution to the mixture of energy sources in the future. The development of the renewable energy source geothermics will therefore remain an important topic which we intend to pursue beyond 2007.

Three locations were selected for the pilot projects "Energy-Efficient Schools" in 2005. Work already started at Stutensee; during 2006 we will put our concept into practice at the other two locations. The school renovations are designed to show that energy efficiency measures – done intelligently – will pay for themselves by the energy saved in later years.

Philippsburg nuclear power plant

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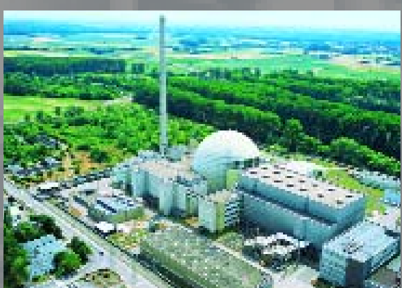
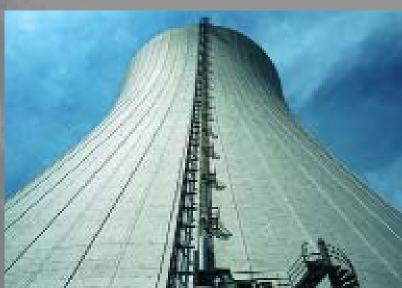




Philippsburg nuclear power plant

The Philippsburg nuclear power plant is located about 30 kilometres north of Karlsruhe on an island between the Rhine and the Old Rhine. The Rheinschanz island was created as a result of the straightening of the Rhine river from 1842 to 1876. The location is characterised by first-rate transport connections. The direct connection to waterways and railroad tracks makes it easier to deliver and remove heavy loads.

There are two units on the power plant site. Unit 1 is equipped with a boiling water reactor and generates an electrical output of 926 megawatts. This unit went online in 1979. Unit 2 is a pressurized water reactor. It went online in 1984 and produces 1,458 megawatts. Both units have a natural draught wet cooling tower that is clearly visible from afar. The electricity generated is fed into the 380-kilovolt network.

With an installed power capacity totalling 2,384 megawatts, Philippsburg is one of the largest nuclear power plants in Germany and an important employer for the region, providing jobs for about 800 employees. Both units demonstrate high availability and good operating results year after year. In 2005, the power plant generated approximately 17.5 billion kilowatt hours of electricity, which equals about a quarter of the electricity consumption in Baden-Württemberg.

Collaboration between EDF and EnBW

- Shareholder partnership between EDF and OEW further reinforced
- Collaboration between EnBW and EDF creates a competitive edge and ensures earnings power

Shareholder composition

The shareholder partnership of Electricité de France (EDF) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW) was further reinforced in the course of 2005. The share placement in 2004 had led to inequality in the shareholdings of the two major shareholders. In an extensive opinion-forming process covering the district councils of all nine OEW districts, OEW declared that as the regional partner it was determined to uphold its investment in our company on equal terms with the industrial partner EDF. The transactions needed for the implementation of this intent were concluded in April 2005. Since April 8, 2005 the two major shareholders each hold 45.01% of the EnBW shares. For us, this stable shareholder composition with its long-term perspective is a valuable foundation on which we can shape a successful, growth-driven future.

EnBW and EDF in corporate partnership

Through EDF's express decision to focus its international investment activity on Europe, in particular Germany, Great Britain and Italy along with central and eastern Europe, the relationship between EnBW and EDF has grown in importance. The two companies enjoy a cooperative dialogue as regards the definition of regional leadership responsibilities for certain markets. We understand the business partnership with EDF as a model example of our vision that we want to develop the strategic alliance with EDF into a model and symbol of pan-European collaboration (Vision No 5).

Cooperation

In a multi-faceted cooperation, EnBW and EDF bundle their forces, thus permanently strengthening their leading position within Europe. The practical cooperation covers a whole range of functions. In 2005, for example, we intensified the coordination in the field of risk management; EnBW and EDF support each other in order to take systematic precautions to prevent critical situations. Our crisis management based on collaboration in partnership has also been further extended.

On the Upper Rhine, EnBW and EDF/Electricité de Strasbourg have initiated cross-border projects. In a four-day exercise in Alsace, employees from EnBW Transportnetze AG together with their French colleagues from Réseau du Transport d'Electricité SA tested the technical connection of very high voltage lines in order to ensure a constant supply of electricity to customers on either side of the Rhine, even in the event of larger cases of damage.

Working together in Europe

The coordinated management of the investments – separate in the Czech Republic and Hungary, joint in Poland and Slovakia – is working well. The enlargement of the European Union to the east and the resulting gradual market opening and liberalisation have allowed the cooperation partners EnBW and EDF to intensify their activities in the energy industry in central and eastern Europe. A further wave of privatisations in eastern and in particular south-eastern Europe will open up further opportunities to invest in the energy industry, which can be used by EnBW and EDF individually or jointly.

Synergies

In 2005, the EnBW/EDF synergy project initiated two years before achieved positive results with financial savings of eight-digit figures; that is twice the amount achieved in 2004. Besides the financial success, the project also achieves synergy effects in terms of know-how.

Numerous projects at various stages along the value-added chain are currently being implemented. In the purchasing function, EnBW and EDF have saved significant amounts thanks to joint invitations to tender. Considerable synergy potential was also tapped in the electricity generating area, particularly with hydro-electric power and nuclear power.

Synergy potential has already been identified in more than 40 other topics in areas of work which had not yet been considered. The prerequisites for further savings are thus in place.

The cost savings achieved in the bilateral synergy project are an integral part of the two cost-saving programmes TOP FIT (EnBW) and Altitude 7500 (EDF). The intensive collaboration between EnBW and EDF creates competitive advantages and secures the earnings power of the two companies for the long term.

Exchange of personnel

The cooperation between EnBW and EDF is supported to a large extent by the employees of the two companies who have worked for several years in the partner company or a foreign subsidiary. Some 15 EnBW employees are always at EDF in France and another 20 at other international EnBW or EDF locations (Poland, Hungary, Czech Republic, Slovakia, Belgium, UK, Vietnam and the United Arab Emirates); around 25 EDF colleagues work at EnBW.

Every three months a “PAT meeting” is held which offers EnBW employees who have already spent time abroad (ExPATriates) the opportunity to meet foreign colleagues currently in Germany (ImPATriates). The goal is to exchange information and experiences both between expatriates and impatriates and also with other interested EnBW employees.

In the personnel area, EnBW and EDF also work together and hold joint events and seminars. The annual Human Resources Convention of the EDF group, for instance, took place in Stuttgart at the end of January 2005. This gave 120 board members, managers and employees from the HR function of the whole EDF group the opportunity to discuss current events and the strategy of the EDF group. This event was used to discuss specialist topics and further expand cross-company networking.

The Leadership Twinning Programme started as a pilot project in 2004 is a forum for the exchange of knowledge and experiences. The participants came from lower and middle management in the sales and sale-related functions of EnBW and EDF (and of EnBW and EDF Energy in London). In September 2005 this successful tandem project was relaunched.

Group Employment Opportunities (GEO), the international job exchange of the EDF group, was implemented at EnBW. GEO is designed to facilitate the search for specific skills within the EDF group and the know-how transfer between the companies, offer career prospects at group level and support the establishment of a group culture. Besides job advertisements and an applicant database, employees can find extensive information here about the countries and experience reports of expatriates from around the world.

Another component of the personnel exchange programme is the Young Engineers project developed and implemented jointly in 2005 in the area of nuclear power. The two companies each hire six engineering graduates. After a three-month introduction programme, these young engineers are then deployed to the partner company for three years with a view to promoting the know-how transfer, intensifying cooperation and networking.

Electricity segment

- Sales revenues and unit sales up in the electricity core segment
- Product and customer portfolio continuously refined
- Positive result and high degree of brand awareness achieved at Yello
- Energy-efficient generation with low CO_2 emissions
- EnBW largest network operator in Baden-Württemberg

General business development

In the fiscal year 2005, sales were around 15.0% up on the prior year. The reasons for the increase include organic growth, price increases at EnBW, and growth in unit sales in the key account management as well as price and unit sale increases at Yello Strom GmbH.

Unit sales of electricity rose by 5.7% to 106.7 billion kWh thanks to successful marketing activities.

In the electricity segment, we have again improved earnings power. The EBITDA here rose by 0.9% or € 15.2 million. The operating EBITDA rose 4.4% or € 64.8 million to € 1,552.7 million.

Our TOP FIT cost-cutting programme has boosted our operative earnings power in the electricity segment. The operating EBITDA was burdened above all by the unscheduled business interruption over several weeks at our nuclear power plant in Philippsburg and extensive maintenance measures on our power stations and the distribution plants.

Sales and marketing

In 2005 our sales and marketing structure was once again successfully optimised and the targets of the TOP FIT cost-cutting programme were achieved. In this way, we have created the basis for a sustainably improved cost structure. The expansion of integrated marketing throughout all customer segments and group brands also contributed to the operative success. A continuously refined product and customer portfolio once again boosted earnings power.

Due to rising fuel and wholesale market prices, the final user prices for electricity also rose in 2005.

Thanks to rigorous efforts to optimise processes, costs and yields, Yello Strom GmbH achieved a positive result again in 2005, reaching the highest number of customers since the formation of the company. Image perception and customer loyalty of the Yello Strom brand remain stable and, like the brand awareness, are considerably higher than the competition.

In the household customer segment, EnBW was able to defend its strong position in Baden-Württemberg with numerous customer loyalty and marketing measures.

€ millions[1]	2005	2004	Variance %
Unit sales (kWh billions)	106.7	100.9	+5.7
External sales[2]	8,150.2	7,088.9	+15.0
EBITDA	1,780.3	1,765.1	+ 0.9
EBIT	1,202.9	1,131.0	+ 6.4

[1] The prior-year figures have been adjusted.
[2] After deducting electricity tax

These included the refinement of the service guarantees, the offer of energy efficiency advice, the dispatch of birthday cards, campaign mailshots, schedulers for people moving, for leisure activities and builder-owners as well as the establishment of the product brand natural energy for ecologically minded customers and the increased use of Yello Strom in the network territories of aggressive rivals in Baden-Württemberg.

Despite growing competitive pressure, EnBW was able to assert itself even in the industrial customer and redistributors segments in the home market Baden-Württemberg and continue the strategy towards growth outside Baden-Württemberg.

The degree of recognition of the EnBW brand and the recall figures rose constantly in 2005 – both within and outside Baden-Württemberg.

EnBW still has more customers outside its own network territory than any other energy supply company. Our aim is to continue this competitive development in future as well.

Generation

We cover our electricity sales to a large extent from our own power stations and through long-term supply agreements; in 2005 we provided 73.6 TWh of electricity in this way. We rely here on a well-balanced generation portfolio of power stations with different sources of primary energy and procurement contracts. Nuclear power, coal, gas, oil and hydroelectric power form the basis for the reliable generation of electricity. At 89.3%, the availability of our nuclear power plants remained on the high level of prior years. In 2005, too, EnBW made an important contribution to climate protection: At 23.8% the share of fossil and other energy carriers in our mixture of energy sources to generate electricity is still very low and thus generates some 50% less CO_2 emissions than the German mixture of energy sources determined by VDEW.

Network

EnBW Transportnetze AG (TNG) operates the transmission network in Baden-Württemberg. EnBW also operates distribution networks in Baden-Württemberg and eastern Saxony. EnBW Regional AG (REG) is the largest distribution network operator in Baden-Württemberg.

Unit sales of electricity of the EnBW group by customer segment in 2005 in billions of kWh

	2005
Core business	
Private customers	20.933
Industrial customers	39.687
Redistributors	11.250
Network/Trade[1]	34.878
Total	**106.748**

[1] Net disclosure of electricity trading

Electricity provision by the EnBW group by primary source of energy in %

	2005
Nuclear power	36.0
Fossil and other energies	23.8
Renewable energies[2]	15.9
Primary energy source unknown	24.3

[2] By analogy to the disclosure pursuant to Sec. 42 EnWG

Generation mix in the EnBW group **Electrical output in MW**	12/31/2005
Nuclear power plants (incl. EDF contracts)	4,843
Conventional power stations	5,919
Run-of-the-river and storage hydropower stations	3,226
Other renewable energies	32
Total	**14,020**

Network grid lengths of the transmission network of the EnBW group in km	**2005**
Very high voltage 380 kV	1,936
Very high voltage 220 kV	1,674

Network grid lengths of the distribution network of the EnBW group in km	2005
High voltage 110 kV	9,802
Medium voltage 30, 20, 10 kV	43,931
Low voltage 0.4 kV	95,131

Philippsburg nuclear power plant
left: Turbine in the turbine hall of unit 2
right: Michael Maurer, head of the information centre

The new German Energy Industry Act (EnWG) took effect in July 2005. The fees for the use of our networks in Baden-Württemberg were calculated for the first time on the basis of the gas network user charges decree. Applications were filed with the Federal Network Agency to have the price approved. In the most recent publication of the comparison of network user charges based on structural indicators on April 5, 2005, the price level of REG in the low and medium voltage areas was in the lower half and lower quarter respectively while in the high voltage area it was slightly above average.

In response to the network bottlenecks that occurred in late 2004/early 2005, at short notice TNG and RWE Transportnetz GmbH installed a joint bottleneck management system on the borders to Switzerland and France. In cooperation and with the agreement of the transmission network operators the German regulatory authorities and the regulatory authorities of the neighbouring countries affected this pro rata method is to be refined into a coordinated explicit bottleneck auction by 2006.

In the project entitled "Technische Anleitung Lärm", TNG is examining noise emissions of 380-kV overhead lines in the vicinity of Grünkraut near Ravensburg which are felt to be disruptive when it rains or snows heavily. The aim is to develop a concept for an economically viable solution to the noise problem. The focus of the project and research is to reduce the noise level at its source.

In 2005 the conversion of the transportation network from 220 kV to 380 kV was commenced in a first sub-project at the Metzingen substation. This step was necessary on the one hand due to the age of the 220 kV network and the resulting need to renew it and on the other due to the greatly reduced feed volume following closures of power stations and the decrease in coupling. The conversion leads to an increase in capacities which, among other things, ensures the reliable transmission of the rising transits through the network of the TNG. In the next ten years, the conversion will take place in the regions eastern Württemberg, the central Neckar region, Rhine-Neckar-North Baden and northern Black Forest.

With its efficient infrastructure, REG secures the basic conditions for Baden-Württemberg as a forward-looking industrial location. Until 2010 REG will spend some € 1 billion on the electricity grid itself in order to maintain the customary high level of supply reliability. In 2005 there were no unusual malfunctions in the electricity networks. Supply was ensured at all times.

Philippsburg nuclear power plant
Cooling towers

With the integration of the Stuttgart, Metzingen, Ludwigsburg and Altbach control centres in the central power system control centre in Esslingen, the first phase of this project has been virtually completed. Apart from the Herrenberg control centre, all medium-voltage grids of the central Neckar region are now controlled from Esslingen.

Equity investments

In the autumn of 2004, the necessary bodies granted their approval for the enlargement of REG's investment in Stadtwerke Weinheim GmbH. On January 1, 2005, REG increased its share in these public utilities from 24.9% to 39.72%. EnBW has thus intensified its partnership with Weinheim and strengthened its position in the northern part of Baden-Württemberg.

EnBW increased its share in Energieversorgung Niederösterreich AG from 13.2% to just under 30%.

The step-up of the shares was previously approved by both the German and the Austrian anti-trust authorities.

The purchase of the 15% share of RWE Energy AG in Pražská energetika (PRE) Holding a.s. increases EnBW's share to 49%. PRE-Holding (City of Prague 51%, EnBW 49%) is the majority shareholder of the Prague electricity supply company Pražská energetika a.s.

Philippsburg nuclear power plant
Cooling tower basin and water outlet of unit 2

Gas segment

- Sales revenues and unit sales up
- Present at all stages of the value-added chain
- Market position of GVS strengthened
- EnBW Gas largest distribution company for natural gas in Baden-Württemberg

General business development

In fiscal year 2005, the gas segment accounted for approx. 19.5% of the sales of the EnBW group.

Consolidation effects from the purchase of ENSO Erdgas GmbH are the reason for the rise in unit sales of gas by 6.9% to 88.6 billion kWh. After adjusting for consolidation effects, unit sales rose by 1.0% in fiscal year 2005.

Gas sales climbed in fiscal 2005 by 36.4% to € 2,101.7 million. Adjusted to eliminate consolidation effects, sales revenues increased by € 425.3 million or 25.4%. The main reason for this were the higher gas purchase prices passed on to our customers as well as the substantial increase in sales recorded by our trading company in the gas segment in 2005.

€ millions[1]	2005	2004	Variance %
Unit sales (kWh billions)	88.6	82.9	+ 6.9
External sales[2]	2,101.7	1,540.6	+ 36.4
EBITDA	219.6	194.4	+13.0
EBIT	129.7	115.7	+ 12.1

[1] The prior-year figures have been adjusted.
[2] After deducting electricity tax

Procurement

A particular strength in the gas business is that EnBW, together with its subsidiaries and partner companies, covers all stages of the value-added chain and is vertically integrated. On the procurement side, we have a strong partner in the Italian Eni S.p.A., one of the largest oil and gas explorers and gas importers worldwide. In the joint venture (50/50) with Eni, we hold 100% of the Baden-Württemberg district gas company Gasversorgung Süddeutschland GmbH (GVS) which has also procured gas directly from Eni Gas since 2004. The downstream gas distribution company EnBW Gas GmbH wholly owned by EnBW is a direct customer of GVS.

Midstream – Gasversorgung Süddeutschland GmbH

Despite changed conditions and keener competition GVS managed to maintain and strengthen its position in the market through intensive customer support and competitive offers. GVS sees the special termination rights granted on account of the share purchase by EnBW and Eni as an opportunity and its policy of actively approaching the customers has been rewarded by almost all customers agreeing to prolong their contracts or to conclude new ones.

The new Energy Industry Act (EnWG) that took effect on July 1, 2005 has also brought with it considerable changes in GVS's structures and procedures. GVS has therefore initiated an extensive unbundling project with a view to tackling and implementing the requirements imposed.

Downstream – EnBW Gas GmbH

EnBW Gas GmbH is a wholly owned subsidiary of the EnBW group and forms the core of the downstream gas business. With more than 245,000 customers, EnBW Gas GmbH is the largest distribution company for natural gas in Baden-Württemberg.

The economically powerful Greater Stuttgart region is the main focus of sales for EnBW Gas GmbH. The direct supply territory extends into the Black Forest, to the Swabian Alb and Hohenlohe. But EnBW Gas GmbH also supplies its customers in many other regions of Baden-Württemberg indirectly via its efficient subsidiaries.

An important goal of EnBW in the gas segment is to intensify its selling activities. In the case of industrial and redistribution customers the focus here is on improving customer loyalty; in the private and commercial customer sector, the company is tapping into further growth potential by consolidating connections on existing mains lines. EnBW Gas GmbH will also continue to strengthen its position as large and competitive market player in the Baden-Württemberg gas market.

Downstream – ENSO Erdgas GmbH

ENSO Erdgas GmbH is our gas distribution company in eastern Germany. In its network territory it covers the procurement, supply and sale of natural gas to its final customers.

Customer surveys have confirmed that ENSO is a well-known brand. The survey results for corporate image, customer satisfaction and customer loyalty were also good.

Philippsburg nuclear power plant
Connection between reactor building and turbine hall of unit 2

Zwingenberg Castle and
Zwingenberg am Neckar

Energy and environmental services segment

- Sales up slightly
- International marketing of the ISKA®technology
- EnBW largest water supplier in Baden-Württemberg
- Innovative technologies for local electricity and heat generation

€ millions[1]	2005	2004	Variance %
External sales	517.4	494.8	+ 4.6
EBITDA	139.6	176.3	- 20.8
EBIT	71.1	87.1	- 18.4

[1] The prior-year figures have been adjusted.

General business development

Sales revenues in the energy and environmental services segment comprise sales revenues from disposal, water supply, and other energy services. In fiscal 2005, we recorded sales revenues of € 517.4 million. This constitutes an increase of 4.6% on the prior year.

Non-thermal waste disposal

Since June 1, 2005 the waste dumping decree (AbfAblV) prohibits residual waste being tipped untreated onto waste dumps. The two mechanical-biological waste treatment plants of U-plus Umweltservice AG (U-plus) in Buchen (Neckar-Oderwald district) and Heilbronn started operations punctually and all contractual obligations were satisfied. The ISKA® method licensed by U-plus is used here.

Thermal waste disposal

With the completion of the two new waste incineration boilers at the EnBW residual waste CHP station in Stuttgart-Münster in 2007, U-plus will have secured long-term quotas of 185,000 tonnes per year for thermal disposal. The U-plus subsidiary T-plus GmbH will, among other things, use these capacities to satisfy the existing residual waste contracts of the Reutlingen, Tübingen, Zollernalb and Constance areas as well as the Lake Constance district. Until 2007 the disposal will be taken care of by a substitute association which successfully started work on June 1, 2005. The substitute disposal arrangement at high prices had a negative impact on the operating result.

In March 2005 the “Act Governing the Sale, Return and Environmentally Sound Disposal of Electrical and Electronic Equipment” (Electrical and Electronic Equipment Act - ElektroG) took effect. Germany is thus one of the first member states of the EU to transpose both EU directives on the disposal of used electrical and electronic equipment and the use of certain hazardous materials in new equipment.

After a transitional period of twelve months, manufacturers and importers have to take back electrical and electronic scrap from private households at planned municipal collection points free of charge and dispose of them at their own expense, in proportion to their respective share of the market. As a result, manufacturers are facing huge organisational and above all logistical challenges.

Within the U-plus group R-plus Recyling GmbH (R-plus) is the specialist for the recyling of electronic scrap. R-plus uses its own recyling equipment and the necessary know-how to help manufacturers to fulfil the legal requirements. R-plus sells a large percentage of the recyclable materials such as aluminium, copper, glass or plastic granulate as sorted secondary raw materials so that the legally prescribed recycling quotas are met.

The U-plus company EnBW Biomasse GmbH delivers around 160,000 tons of wood chips from used wood per year to the biomass power stations in Ulm and Pforzheim. Long-term contracts ensure that the power stations receive a continuous supply of fuel. The Karlsruhe old wood centre of EnBW Biomasse GmbH that has been approved under the emissions protection act is the only plant in Baden-Württemberg which is able to process old wood in large quantities and of different qualities both for material and thermal recycling purposes. Since a delivery to a biomass power station means that the sale of the fuels is secured, it can be assumed that results in the area of old wood recycling will develop positively. By using biomass as fuel and source of renewable energy, EnBW is helping to reduce CO_2 emissions.

In 2005 the Australian licence partner Global Renewables (GRL) obtained the exclusive rights for the use of the ISKA® process in Ireland and the United Kingdom. For a first project in Lancashire, England, GRL has entered final negotiations as the preferred bidder.

The project involves the construction of a mechanical-biological waste treatment plant – one of the largest projects in the United Kingdom in the field of waste management – with an annual volume of 775,000 tonnes of waste. Being awarded this project is a great success both for the planned entry into the target markets UK and Ireland where invitations to tender for more than two million tonnes of waste are expected in the next three years and also for the international marketing of the ISKA® technology.

Water supply

The water quantity sold in 2005 increased by 1.4% to 43.2 million cubic metres. This is attributable to the slightly higher summer temperatures compared to 2004. Sales revenues from the supply of water to the city of Stuttgart amounted to € 86.5 million.

With a market share of around 11% – in terms of sales volume, including pro-rata public utility holdings – EnBW is the largest water supplier in Baden-Württemberg. Within the EnBW group, EnBW Regional AG (REG) provides services in the field of water supply both for final customers and municipalities. In 2005, REG entered into further cooperation agreements focusing on water/waste-water operations. Wassertechnik Essen GmbH (WTE) is one of the new cooperation partners. WTE is one of the leading companies in the field of operator models for water/waste-water and fee management for waste-water.

REG has expanded its activities in this service sector and is a competent partner for the municipalities in their task of providing public services. For about one year now REG has been operating the whole water supply of the town of Burladingen in collaboration with the Albstadtwerke municipal utilities .

Energy services

EnBW Energy Solutions GmbH (ESG) provides energy-related services on the basis of contracting models. As a partner of the industry, it plans, builds, funds and operates decentralized plants for energy and media supply. ESG focuses on larger steam and combined heat and power projects (CHP) such as the efficient generation of electricity and steam in industrial power stations. ESG also realizes overall concepts taking all media into account in the course of spin-offs into separate local operator companies. The supply of useful energy in the form of heat, cooling and compressed air round off the ESG portfolio.

ESG installed a micro gas turbine in the Robert Bosch Hospital in Stuttgart in April 2005. This demonstration project is just one example of the activities of EnBW for the use of innovative technologies for the local generation of electricity and heat at its customers. The micro gas turbine supports the electricity and heat supply of the hospital with electrical power of 100 kW and thermal output of 165 kW.

In addition, the emissions produced by the micro gas turbine are fed into the existing boiler in order to recover energy in an environmentally friendly and efficient manner. ESG was responsible for the planning and commissioning of the CHP station and now operates it as contractor.

In the first half of the year, ESG expanded the cold water cycle for process and climate cooling at Gambro Dialysatoren GmbH in Hechingen. At the same time, the company also decided to realize the second expansion phase of the steam generation with ESG under a contracting agreement. As planned, the new steam generator went into operation on September 1, 2005.

In early 2005 ESG won RÜTGERS Chemical AG over with a supply concept based on external steam supply and the associated technical, organisational and economic benefits. Since October 1, 2005 the steam has been supplied to RÜTGERS Chemicals via a steam line from ESG's neighbouring gas and steam turbine. The Mannheim industrial company procures around 20,000 MWh of steam a year in this way.

At Roche Diagnostics GmbH, the local operator company of ESG successfully completed the construction and commissioning of the newly erected gas and steam turbine plant as of December 31, 2005. From January 1, 2006 onwards this decentralized CHP station will ensure industrial customers receive a full supply of electricity and steam and also provide stand-alone operation if the upstream network fails.

Foreign investments of EnBW in central and eastern Europe

- **EnBW invests in Hungary, Czech Republic and Poland**
- **Earnings power, efficiency and local supply reliability improved**

Besides investments in Switzerland and Austria, EnBW's foreign investments are mainly located in the new EU countries of central and eastern Europe, Hungary, the Czech Republic and Poland. In Hungary we have investments in the Mátra brown coal power station and in the two regional utility companies ÉMÁSZ and ELMÜ. In the Czech Republic we are co-owners of PRE, the electricity supplier of the capital Prague and also in PT, the district heat supplier based in Prague. In Poland we hold an interest in the Rybnik hard coal power station.

EnBW wants to significantly expand its existing prospects for central and eastern Europa (Vision No 3) and is involved in its foreign investments in this region in many different ways.

Our work is characterised above all by our heavy involvement in network activities and in the final customer business, but also as a way of rounding off the value-added chain by investing specifically in electricity generating companies.

Collaboration on the spot is geared to improving efficiency and reducing grid losses. In the past few years, we have supported our colleagues at our foreign investments, above all with the introduction and optimisation of trading and selling activities and of work processes and structures within the companies. It is the customer that benefits most from these measures. Supply reliability improved while energy prices remained low. In the power station sector we champion conventional generating techniques (coal, gas) and are active in the field of renewable energies. We also initiate and realise environmental measures with our investments at an early stage.

At our foreign investments we have started to focus more on the basic and advanced training of employees. Employees at all levels participate in training programmes and are given the opportunity to attend seminars and training at the parent company. As regards industrial safety the standards in these firms are exemplary.

Moreover, we are increasingly joining forces with our subsidiaries in society: social welfare, cultural and art sponsoring, sport sponsoring and the furtherance of education, science and health.

Hungary

Hungary played a leading role in the political change in Europe in 1989 and, exhibiting farsightedness and decisiveness, was the first country in eastern Europe to privatise its energy industry back in 1995. With the support of western partners, state-owned electricity companies became efficient and competitive energy suppliers. And EnBW is proud to be one of these partners.

Our involvement has paid off: Today, Hungary enjoys a safe, reliable and competitive energy supply. EnBW promoted these developments with capital expenditures and the introduction of new corporate structures geared to market conditions. Knowledge sharing and the employee exchange programme between EnBW and its Hungarian partner companies supported their rapid and positive development: Earnings power, efficiency and the quality of supply improved significantly in many respects. In 2000 the Hungarian Mátra power station already started with the installation of a flue gas dust collection plant which satisfies the strict EU environmental protection requirements – four years before Hungary joined the EU.

Budapesti Elektromos Müvek Rt. (ELMÜ)

ELMÜ generates and distributes electrical power and is one of the six regional providers in Hungary. Its supply territory comprises Budapest and the surrounding communities and covers a total area of 4,050 km^2 with more than two million inhabitants.

ELMÜ is listed on the Budapest stock exchange. The investment was acquired in 1995 during the privatisation of the Hungarian electricity companies. Via their syndicate agreement from 1998, RWE Energy AG (55,25%) and EnBW (27,25%) jointly hold 82.5% of the shares in ELMÜ.

In recent years, ELMÜ has intensified its efforts to reduce grid loss and made capital expenditures aimed at raising supply reliability. Today, ELMÜ is the leader in the liberalised Hungarian market for electricity and energy-related services. EnBW's involvement at ELMÜ focuses on the areas technology and electricity trading, particularly the import and export of electricity in connection with cross-border management, bottleneck management and direct procurement from power stations. In central and eastern Europe this creates synergy potential for all the parties involved, above all in terms of active portfolio optimisation by reducing balancing power.

Észak-magyarországi Áramszolgáltáto Rt. (ÉMÁSZ)

ÉMÁSZ is one of six regional providers in Hungary. The company's business purpose is the production and distribution of electrical power. Its supply territory is north-east Hungary. The investment was acquired in 1995; via their syndicate agreement RWE Energy AG and EnBW have jointly held 81.09% of the shares in ÉMÁSZ (RWE 54.26% and EnBW 26.83%) since 1998. ÉMÁSZ is also listed on the Budapest stock exchange.

Mátrai Eromü Rt. (Mátra)

Mátra operates Hungary's largest brown coal power station. The five units have a total installed capacity of 836 MW and cover around 14% of Hungary's electricity demand. Two open-cast mines supply the power station with coal. The Visonta open-cast mine is in the immediate vicinity of the power station; the higher quality coal from Bükkabrany, which is located about 60 km away, is delivered by rail. The investment was acquired in 1995; via their syndicate agreement RWE Power AG and EnBW have jointly held 72.63% of the shares (RWE Power 50.92% and EnBW 21.71%) since 1998. The remaining shares are owned by the Hungarian network operator Magyar Villamos Müvek Rt. (MVM) and other shareholders.

In the last ten years, around € 250 million has been invested in modernisation work, environmental protection and recultivation projects. EnBW will participate in a project to increase capacity and enhance the efficiency of the power station. It is planned to raise the performance of the power station by some 10% by constructing two back pressure turbines. This will increase the efficiency of the power station and reduce CO_2 emissions. The construction project will cost around € 65 million and is being carried out by RWE Power, EnBW and MVM.

Czech Republic

The Czech power market has been fully open for all customer groups since January 1, 2006. The liberalisation was carried out in stages; in 2002 the market was opened for the first group, industrial customers.

EnBW works in the Czech Republic with the energy supplier PRE and the district heat company PT, both of which are located in Prague. The City of Prague is EnBW's most important partner in its involvement in the neighbouring country. EnBW's collaboration with PRE and PT is mainly based on an exchange of experiences in the field of marketing and sales at PRE and in the fields of operating, servicing and maintenance of district heat networks at PT. PRE and PT already had high technical standards in the 1990s.

Pražská energetika a.s. (PRE)

PRE is the regional supplier of Prague and the surrounding area. The company supplies around 700,000 customers and holds a market share of 12% of the Czech electricity market. EnBW invested in PRE in 1996 via its subsidiary GESO Beteiligungs- und Beratungs-AG. In 2000 the shares were contributed to PRE Holding, a.s. whose other shareholders are the City of Prague (51%) and RWE Energie AG (15%). PRE Holding holds 51% of the shares in PRE. By purchasing the 15% RWE holding, EnBW increased its interest in PRE Holding to 49% at the end of 2005, thus becoming the sole strategic partner of the City of Prague in the joint management of PRE.

As investor and strategic partner of the City of Prague, EnBW is mainly involved in the strategic development and sales and marketing at PRE.

Through the collaboration of EnBW and PRE there has been a marked improvement in the electricity business: The volume of energy provided rose between 2001 and 2004 by 13% to 5,337 GWh; the electricity losses dropped by 19.1% to 390 GWh. In the comparative period, the number of customers rose by 21,000 to just under 700,000. One of the main achievements of EnBW's involvement in PRE was the introduction of an efficient cost management system and a transparent, easy-to-manage sales system for customers. This improved the quality of customer service. The know-how transfer is accompanied by an employee exchange programme. EnBW also helped PRE with the optimisation of administration, operations and network maintenance, the adjustment of the corporate structure to the new conditions of the liberalised market, the groupwide introduction of a risk management system and the cooperation in electricity trading between EnBW Trading GmbH and PRE.

Pražská teplárenská a.s. (PT) and Energotrans a.s. (ET)

In the city of Prague, the district heat company PT supplies some 250,000 households and 4,500 industrial customers with district heat and via its participations in power stations has a thermal output of 2,529 MW. District heat and electricity are largely generated by the wholly owned subsidiary ET.

EnBW invested in PT in 1996 via its subsidiary GESO Beteiligungs- und Beratungs-AG. In 2000 its shares (49%) and also those of the City of Prague (51%) were contributed to PT Holding a.s. In October 2003 GESO's shares were transferred to EnBW. PT Holding has a 47.33% interest in PT. EnBW also holds an direct interest in PT of 1.12%.

EnBW has helped in particular to improve the operation and maintenance of the PT district heat network and initiated cooperations between various subsidiaries of EnBW in the district heat sector and PT/ET. EnBW also helped PRE and ET conclude an electricity purchase agreement that was beneficial for both parties.

Poland

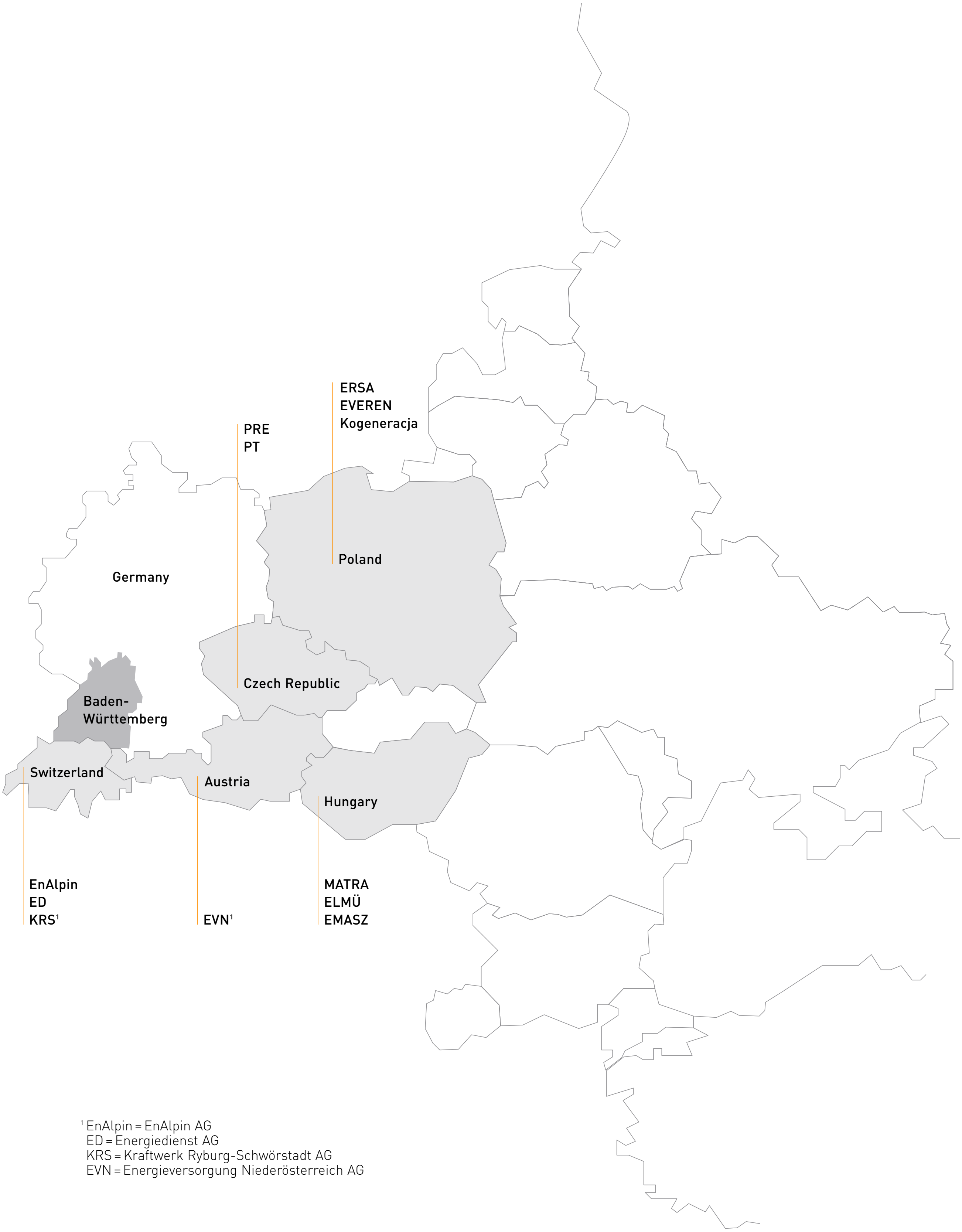
EnBW has been active on the Polish energy market for six years. In 1999 EnBW founded the sales company EnBW Polska Sp. z o.o. The following year EnBW invested via its subsidiary GESO in the Wroclaw district heat company Zespól Elektrocieplowni Wroclawskich Kogeneracja S.A. (Kogeneracja), which is listed on the Warsaw stock exchange. In 2001 EnBW became a shareholder of the power station Elektrownia Rybnik SA (ERSA), assumed responsibility for the wholesale market and played an important role in its development and growth.

In 2003/2004 the trading activities of EnBW and the Rybnik power station were combined in the newly formed trading company EVEREN Sp. z o.o., which manages the energy and emissions trading as well as the final customer business initiated by EnBW. Today, EVEREN is perceived as a very customer-friendly company and is known for the competence of its staff and their creativity in finding solutions to all manner of problems. The EVEREN brand enjoys a high degree of brand awareness throughout Poland. Through its work in Poland, EnBW has gained the reputation that it works on the highest technological level. The collaboration of EnBW, EDF, ERSA and EVEREN in social matters also requires a special mention. The partners have increasingly championed the cause of disabled children in the region around Rybnik and hold sports events for children.

Elektrownia Rybnik S.A. (ERSA)

ERSA is a hard coal power station with an installed output of 1,775 MW (8 units à 220 MW). It is located in the Upper Silesian hard coal region, about 70 km from Katowice. It was built in the years 1972 to 1978. Thanks to its proximity to hard coal resources, the power station is highly economical. In 2001 EnBW and EDF were involved in the privatisation process of the power station and purchased the first shares. The two syndicate partners (EnBW 1/3, EDF 2/3) have increased their shareholding to 77.5%. The power station company Elektrocieplownie Wybrzeze S.A. in Gdansk, in which EDF is the majority shareholder, still holds 18.8% in the Rybnik power station.

ERSA is a prime example of using synergies to increase efficiency. Since the privatisation of the power station in 2001, electricity production and electricity sales were raised by 50% to around 10 TWh per year. In 2004, the unit sales of electricity rose to 12 TWh, which is around 20% of the electricity volume sold on the free market.



[1] EnAlpin = EnAlpin AG
ED = Energiedienst AG
KRS = Kraftwerk Ryburg-Schwörstadt AG
EVN = Energieversorgung Niederösterreich AG

Knowledge management at EnBW

- Finance-based reporting complemented by knowledge balance sheet
- Uniform and objectified indicators of human capital determined
- Fields of action for 2006 identified

We see knowledge management as an important factor for the control of strategic and operative complexity and thus as a basis for the success of our company. We have set ourselves the target of becoming number one in knowledge management in order to ensure the best possible support for and development of the potential of our people (Vision No 10). The goal is to specifically gear existing internal intangible potential to future requirements and thus to pave the way at an early stage for sustainable success. This is also reflected in the head note on knowledge management which was developed by EnBW staff during the mission development process: "We share our knowledge and advance through continuous learning."

Kaiserstuhl

Preparing the knowledge balance sheet

These days, knowledge is the most important resource of innovative companies and is of decisive importance for their value and future success. The knowledge balance sheet values the "intellectual capital" of a company, such as the skills of the employees, efficient and effective organisational and process structures as well as sound and valuable relationships with business associates, and provides possible explanations for the difference between carrying amount and market capitalisation. The knowledge balance sheet is thus a valuable supplement to the finance-based reporting.

Starting from our strategic objectives and with the help of a structured analysis of the potential of the intellectual capital of EnBW within a knowledge balance sheet, we will focus on those knowledge management activities which will best help us to achieve our objectives. This approach is also in line with our intent to become the most focused market player in our industry that bundles its strengths most effectively and does important things the right way (Vision No 4).

We have focused on the electricity business segment and have prepared company-specific knowledge balance sheets in the five most important operating companies along the value-added chain.

Analysis and measurement of our intellectual capital

Based on the internal measurement process the following factors were identified as key success factors for our business processes:

The factors influencing the intellectual capital of EnBW

Human capital

> HC1. Technical competence
Technical competence combines all specialist knowledge, abilities and skills of the employees for the successful implementation of business processes.

> HC2. Management and social competence
We understand management and social competence to be the ability to tackle complex issues and tasks that go beyond one's own sphere of responsibility in a determined and rigorous way and to cooperate constructively with the functions concerned in order to find the best solution for the company. It also includes the ability to lead people and to create a motivating environment.

> HC3. Employee motivation
We understand employee motivation to be both the willingness to perform and to show commitment and also the identification of the employees with their job and their company.

Structural capital

> SC1. Corporate culture
The corporate culture comprises all shared values and standards which characterise dealings with one another, the exchange of know-how and the way of working.

> SC2. Communication and organisation
Communication and organisation combines all structures and processes which ensure and manage the division of work and the need to coordinate work.

> SC3. Innovation
Innovation comprises the structures and processes which support the development of new products and services as well as procedural and process improvements.

Relationship capital

> RC1. Relations with customers
Relations with customers are all business relationships with industrial and private customers.

> RC2. Relations with cooperation partners
Relations with cooperation partners are relationships with suppliers, research and delevolment institutes and other business associates.

> RC3. Relations with stakeholders
Relations with stakeholders are relationships with external stakeholders such as investors, authorities, ministries, municipalities, political parties, the world of politics, trade unions, professional associations, environmental and nature protection associations, the general public and the press.

We measured the quantity and quality of these factors as well as the systematic management of these factors against our strategic objectives. In our consideration of human capital the results were substantiated by further indicators.

Human capital

	2005
General data	
Headcount[1] as of December 31, 2005	17,765
Technical competence	
Salaried employees with university, university of applied sciences or vocational college degree	18%
Salaried employees with technical school training or apprenticeship	74%
Employees without formal training	8%
Average years of service	13.8
Training days per employee internal[2]	2,4
Job rotation[2]	9.9%
Management and social competence	
Employees in managerial positions (upper, middle management)[2]	376
Number of managers appraised in internal management review[2]	314
Motivation	
Employee turnover (all exits without internal transfers)	8.6%

[1] Number of employees without apprentices/trainees and without inactive employees
[2] As a percentage of EnBW companies

Effect analysis

In the effect analysis we also evaluated the factors as to their leverage within our company. From the combination of relative potential for improvement and a high effect on the organisation as a whole we identified the following fields of action on which we intend to focus in 2006:

Management and social competence

The systematic development of management and social competences among management is considered to be positive, while among employees there is still some room for improvement in order to achieve the strategic goals. To kick start these developments in the area of management and social competence, we want to supplement the management conference in 2006 to include high potential programmes at employee and manager level.

Motivation

The evaluation showed that motivation throughout the workforce is high – despite our very ambitious TOP FIT programme. However, some groups of employees find the often ideologically coloured nuclear power debate in politics and in the general public to be irksome. As a basis for improving the systematic management of motivation, we plan to hold an employee survey in 2006.

Communication and organisation

Having restructured EnBW within a very short period of time, we now want to start a project to optimise the interfaces between the companies in the electricity business segment. This is a logical continuation of the restructuring process.

Corporate culture
In the meantime, a common culture has developed throughout the group. In the nuclear area of our power generation company (EnBW Kraftwerke AG), this EnBW culture has taken the special form of a safety culture. The implementation of the corporate mission in the group companies will further reinforce this common culture.

Other knowledge management projects

We developed strategic knowledge management measures on the basis of the knowledge balance sheet and supplement them with activities geared to operative requirements. Here are a few examples.

Knowledge management of the future of the Obrigheim power plant
In connection with the strategic preparations for the future of the Obrigheim nuclear power plant we developed and introduced a separate knowledge management system. The goal is to secure the knowledge from the construction and operation of the plant, in particular the knowledge of employees who are leaving that is needed for the safe and economically efficient future of the plant. At the same time, we want to record and keep new knowledge that is gained during the strategic and operative planning, thus making it available for the future.

Competence management
In 2005 we carried out a study relating to the introduction of competence management. The aim of this project is to gear personnel development more closely to future needs. The competence management system allows us to invest at an early stage in the basic and advanced training of employees and managers and thus to increase the competitive position of EnBW.

Knowledge about competitors
In the course of our market and competition research programme, we regularly survey sources available in the public domain for all market segments that are to gather and evaluate data about customers and the competition of relevance for the operational and strategic decisions of EnBW. We also collect information on important quality aspects of the competition from the press and publications and supplement these with our own topic-specific ad-hoc studies. The information thus gleaned is transferred to EnBW's competition watch system and is thus available for strategic and operative decisions throughout the group.

Knowledge about customers
In this case, the question of the best possible use of the knowledge about customers to improve and intensify customer loyalty is the main focus of deliberation. This is about the nature and quality of the knowledge about customers and how we can use it. We are not only interested in what EnBW knows about its customers but also what knowledge the company can provide to its customers, and of course also what customers know about EnBW.

Partners for innovation

- Innovative power bundled in Germany
- Initiative gives company innovation impetus
- EnBW leads Impulskreis Energie and actively co-shapes the future of energy
- Model energy city of the future developed: "EnBW EnyCity"

Impulskreis Energie

Leading representatives of business, science, politics and trade unions met for the first time in January 2004 at the invitation of Germany's chancellor at that time, Gerhard Schröder[1] in order to pool the innovative power of their companies and institutions as "Partners for Innovation". The common objectives are to turn good ideas into marketable products more quickly and to create a new climate for new beginnings and innovation in Germany. The initiative is also supported and will be continued by the new Federal Government.

[1] Former chancellor of Germany at the time of publication

Prof. Dr. Utz Claassen, CEO of EnBW, is one of the partners of this initiative. He was given responsibility for the central topic energy. Under the leadership of EnBW, experts from industry, science and research have been working since May 2004 in the "Impulskreis Energie" (roughly: energy think-tank) to identify and leverage innovation potential in the energy sector. At present, there are 22 high-potential and feasible projects which cover the whole range from pure technology development to its dissemination. The lighthouse projects such as "The Energy-Efficient School", "Local Solar Warmth" and "Price Signal at the Socket" as well as the energy model "Learning Local Networks" are particularly noteworthy. Moreover, in the course of the work in the initiative the vision of an "EnBW EnyCity", of an "Energy City of the Future" was born. Our work with the Partners for Innovation project is for us a clear example of how we implement our vision to be the player that best does justice to its social and ecological responsibility (Vision No 8).

The initiative has given EnBW important impetus, and continues to do so; it has triggered a real innovation drive in our company. Innovation was recognised as a topic and set up as an important process within our company.

With unabated dedication will we continue our work in the "Impulskreis Energie" in 2006 and in the initiative "Partners for Innovation". By putting existing Impulskreis projects into practice and developing new ideas and recommendations for political action, we want to continue forging new paths in the energy sector in future and to play an active role in shaping the future of energy.

For we see it as our duty to participate actively in the development of the future energy-mix and in the future development of energy policy and business in general and to intervene appropriately, clearly and constructively (Vision No 9).

The continuous and positive reporting about the "Partners for Innovation" initiative in the media is also having a positive effect for EnBW. The media campaign "Du bist Deutschland" (you are Germany) in particular aroused a great deal of public attention.

In future, networking and creating sustainability will be paramount. To be able to grow further and to gain in importance, Prof. Dr. Joachim Milberg (acatech), spokesman of "Partners for Innovation", would like to see the initiative elevated from the status of a project and given the permanence of a registered association.

EnBW will support this development and help to ensure that the "Partners for Innovation" achieve their objectives – for their companies and for the future of Germany as an industrial location.

Energy city of the future: "EnBW EnyCity"

In the "Impulskreis Energie" (part of the government's initiative "Partners for Innovation") led by EnBW, we have brought together highly qualified experts since early 2005. One initiative from the "Impulskreis Energie" is the development of a method that can be used worldwide to plan energy-optimised cities and the design of an energy city of the future, the "EnBW EnyCity".

One of the great challenges of the present is the search for solutions how the energy needs of the future can be covered, without endangering the basis of life on earth. According to the International Energy Agency (IEA), the world population will increase by one third from six billion people today to eight billion people in 2030. The energy consumption will increase by two thirds of today's consumption. This development is accompanied by progressive urbanisation. Today, 40 to 50% of the world's population live in conurbations, by 2030 it is expected to be roughly 60%. As the energy consumption is most concentrated in the cities, any measures aimed at reducing urban energy consumption are particularly effective.

The aim of the "EnBW EnyCity" project is to find the best combination of tried and tested technologies for the supply of energy to conurbations. The spectrum of possible technologies and methods ranges from highly efficient power stations via local technologies (heat pumps, fuel cells, solar thermal energy, etc.) to new building physics technologies and materials for energy-efficient buildings.

The success of the "EnBW EnyCity" concept is manifested in the CO_2 emissions: These would be around 30% lower than in a conventional city; the need for primary energy would be approximately 20% lower. This will conserve considerable energy resources and also mean that investors are less dependent on rising energy prices. This would give the people in the new conurbations of the emerging countries more quality of life.

Future-oriented decisions for capital expenditures on power stations and infrastructure are currently being taken in the emerging countries. In light of ever scarcer resources and the climate change, the question as to the optimum balance of economy and ecology is becoming increasingly pressing. The imminent investments will be made for the next two generations and will have a decisive impact on their environment and living conditions; poor planning will be expensive to rectify. The "EnBW EnyCity" concept offers a reliable basis for correct decisions for the future.

"EnBW EnyCity"

Assuming responsibility
EnBW as corporate citizen

- **Activities in the areas of sport, art, culture, health and welfare**
- **Sustainable involvement in environmental, technical, knowledge and ethics issues**
- **Environmental protection and future energy supply take centre stage**

EnBW is more than an economic player. As supplier we have a duty to take precautions and as energy is increasingly being seen as a kind of "basic need", we also have a duty to take care of others. This basic understanding relates both to dealing responsibly with our employees, customers and business partners and also to our whole social environment: EnBW sees itself as a corporate citizen.

Responsibility for society

Corporate citizenship describes a general social responsibility which we fulfil in the areas of sport, art and culture as well as health and social affairs. Thus we are sponsors of the FIFA WM 2006™, the two Bundesliga football clubs Karlsruher SC and VfB Stuttgart as well as the sport for young talent and mass sports, for example by supporting local clubs.

We also strengthen the sporting spirit in our region through our involvement in the "Tour de Ländle" Germany's largest cycling tour for amateur and recreational cyclists. As initiator and sponsor of art and culture in Baden-Württemberg, EnBW is the partner of one of the most important cultural institutes in Germany, the ZKM Centre for Art and Media Technology in Karlsruhe. "Alteliereinblicke", the series of exhibitions initiated and sponsored by us, focuses on talented young artists from Baden-Württemberg, while the "Showroom" in our representative office in the capital also offers space for avant-garde art of world renown. In the welfare area we support "Echt gut! Ehrenamt in Baden-Württemberg", the campaign to support voluntary work in the region, by awarding the special prize "EnBW-Ehrenamt-Impuls".

Specific responsibility as energy supplier

Another area where we as an energy group see a need for us to take responsibility is the need to develop innovative approaches for the supply of energy in future. This specific responsibility is our corporate social responsibility which is expressed in our commitment to matters relating to the environment and technology, knowledge and ethics. Our philosophy here is sustainability as part of our economic, ecological and social responsibility with the goal of enabling future generations to enjoy the same – or better – conditions. This basic understanding is expressed in our Vision No 8. Accordingly, one of the sentences of our values statement is: "We act with foresight, conscious at all times of our special responsibility for the environment and the society".

We not only attach great importance to research and development (see p. 88 – 89) within the company; innovations are material for society as a whole. As part of the government initiative "Partners for Innovation", for example, we chair the "Impulskreis Energie" (see p. 128 – 129). And with prizes like the innovation prize of German industry for "Start-up companies" we encourage promising developments.

As the regional sponsor of the nationwide initiative "Jugend denkt Zukunft" (youth thinks future) we promote the decision-makers of tomorrow. School children from all types of schools can spend five days going through an exemplary innovative process at our company based on a strategy game, actively get to grips with the topic energy of the future and finally develop their own products and marketing strategies.

We support knowledge and the transfer of knowledge with our involvement in the International University of Bruchsal, our Baden-Württemberg energy research foundation and the EnBW Baden-Württemberg Foundation which, besides awarding the Heinrich-Hertz prize, also supports future-oriented work of young scientists.

We support the Phaeno Science Center in Wolfsburg in order to make interesting phenomena of natural science accessible to visitors of all ages. Our rainforest foundation "EnBW-Regenwald-Stiftung" is involved in research projects on the one hand as well as on the other the protection of the rainforests on location, their biodiversity and the rectification of damage already caused.

We want to enter into discourse about economic and social policy and make our own suggestions. By holding conferences, we look at topics in depth and create regional, national and international forums. At the first municipal energy conference, for example, some 800 local politicians from Baden-Württemberg met in Stuttgart to find out more about central issues relating to the energy industry. "Renewable energies – courage to change" was the topic of the second conference of the electricity industry which we organised together with the VDEW. And the "Summer Conference on Energy" which we put on together with the Massachusetts Institute of Technology and Cambridge University offered leading figures from business and science a further opportunity for discussion.

With our series of publications "Ethik-Energie-Ästhetik" we have not only won design prizes, we also entered into social debates, such as the topic innovation in our most recent publication "Das neue Denken – Das Neue denken".

Environmental protection in the group

As energy supplier we have a special responsibility for environmental protection and as such we have allocated the subject directly to the Chief Technical Officer of the holding company. The employees in this area advise the EnBW Board of Management and coordinate cross-company environmental concerns in the group.

This includes in particular the development of binding general prescriptions for environmental protection in the form of an environmental management system at group level.

This standardization facilitates knowledge transfer and thus leads to synergies. At EnBW Regional AG it was decided to introduce an environmental management system according to ISO 14001 which should be ready for certification in autumn 2006. Erdgas Südwest GmbH and the two power stations of EnBW Kraftwerke AG have refined their management systems pursuant to ISO 14001 and successfully passed the recertification and reaudit respectively.

Upheaval in the mixture of energy sources

As a result of the nuclear energy consensus, the Obrigheim nuclear power plant ceased operations in May 2005. To replace the capacities of this and other nuclear power plants earmarked for closure and in addition to extend our generation volume in Baden-Württemberg, the Board of Management approved eight-digit planning resources in June. The funds are to be used to prepare the construction of two hard coal and natural gas power stations.

In the same month, the reconstruction of the Rheinfelden hydroelectric power station was given the go ahead. And in December 2005, the Supervisory Board of Rheinkraftwerk Iffezheim GmbH approved the funds for the detailed planning of another turbine. In this way, we can further reinforce our leading position in the CO_2 free generation of electricity and the extremely low specific CO_2 emissions throughout Germany. Retrofit measures at existing power stations are another step in this direction.

During inspections at the Rheinhafen steam power station in Karlsruhe we equipped the steam turbine with refined and improved turbine blades. The energy content of the steam can thus be used much more efficiently. Additional output can be obtained with the same amount of fuel; this is referred to as the green megawatt. The associated reduction of the specific CO_2 emissions is at the same time another component towards discharging our promise to remain the energy producer with the lowest CO_2 emissions.

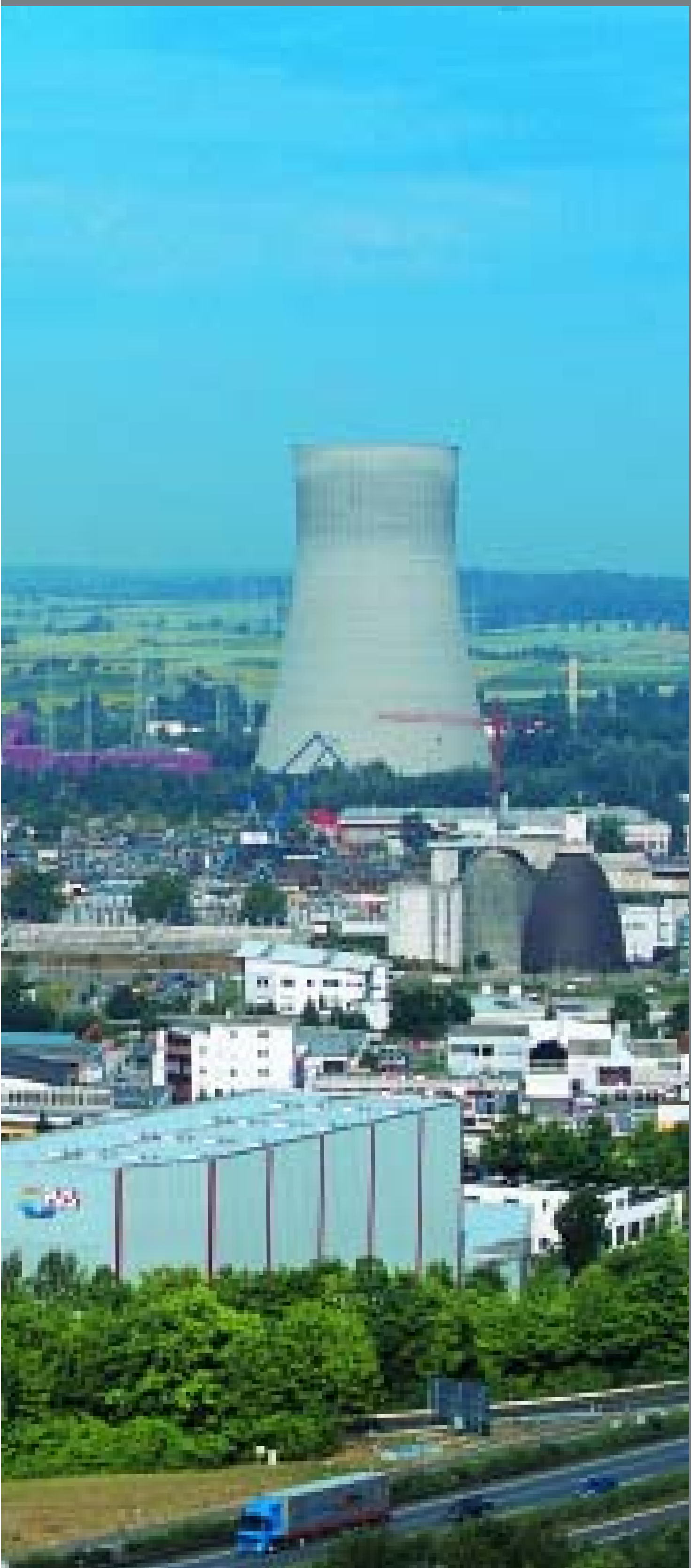
These investments in hydroelectric power and the efficiency enhancement of existing power stations are supplemented by the constant expansion of the fuel cell programme and combined heat and power as well as finding ways of using geothermal heat, including the new geothermal development programme of the state of Baden-Württemberg which we have supported to the tune of € 3 million.

Stuttgart-Münster CHP station

Of EnBW's power stations, the Stuttgart-Münster combined heat and power station is rather special. This power station does not focus on the generation of electricity, but on thermal waste disposal and the generation of district heating. The station began generating electricity in 1908 and supplied its first customers in Stuttgart-Bad Cannstatt with district heating via a steam network in 1935. Even back then, electricity and district heating were generated simultaneously using the co-generation principle, in order to use fuel more efficiently. Today, the CHP station comprises a hard coal power station with three coal boilers, one waste incineration plant with three waste incineration boilers, and one gas turbine plant.

At € 110 million, total investments in two new waste incineration boilers on the site of the Stuttgart-Münster CHP station are currently the largest new construction project of EnBW Kraftwerke AG. The boilers should be ready to go into operation in early 2007. The treatment capacity of these waste disposal plants will then rise from around 250,000 at present to 420,000 metric tons a year. EnBW is thus making an important contribution to the disposal reliability in Baden-Württemberg. EnBW operates a further CHP station in Stuttgart-Gaisburg which, together with the Münster power station, forms the jointly managed Stuttgart location.

Heilbronn CHP station



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Heilbronn CHP station

The Heilbronn combined heat and power station is located in an industrial outskirts of the city of Heilbronn on the Neckar. The power station has a total electrical output of 1,020 megawatts and a thermal output of 300 megawatts for district heating.
The newest station for the generation of electricity is unit 7, which was completed in 1985. It is the largest hard coal unit of EnBW Kraftwerke AG that produces not only electricity but also district heating. Units 5 and 6 were commissioned in the 1960s and are equipped with state-of-the-art flue gas cleaning facilities today – as is unit 7.

Since mid-1998, hard coal has been incinerated together with sewage sludge in unit 7 – a speciality of the Heilbronn location. Thermal waste disposal in the power station is a good form of disposal, especially as this spares the environment and avoids CO_2 emissions.

Income statement of the EnBW group from January 1 to December 31, 2005

€ millions[1]	Note	2005	2004
Sales		12,056.8	10,456.9
Electricity and natural gas tax		-1,287.5	-1,332.6
Sales without electricity and natural gas tax	(1)	**10,769.3**	**9,124.3**
Changes in inventories		4.7	-11.6
Own work capitalised		33.7	40.9
Other operating income	(2)	848.1	904.3
Cost of materials	(3)	-7,189.3	-5,813.3
Personnel expenses	(4)	-1,222.2	-1,137.0
Amortisation and depreciation	(5)	-735.8	-802.0
of which goodwill from capital consolidation		(-14.0)	(-48.4)
Other operating expenses	(6)	-1,190.0	-1,063.1
Result from operating activities		**1,318.5**	**1,242.5**
Financial result[2]	(7)	-237.7	-483.4
Earnings before tax		**1,080.8**	**759.1**
Income taxes	(8)	-482.9	-349.4
Earnings after tax		**597.9**	409.7
Minority interests		-75.4	-52.0
Result of continuing operations		**522.5**	**357.7**
Result of discontinued operations	(15)	-0.9	-39.9
Group net profit for the year		**521.6**	**317.8**

Shares outstanding (million), weighted average		**240.961**	227.281
Earnings per share from continuing operations (€)	(16)	**2.17**	1.57
Earnings per share from group net profit (€)	(16)	**2.16**	1.40

Footnotes to the income statement

[1] Prior-year figures adjusted
[2] Of which result from associates accounted for at equity: € 87.5 million (prior year: € 104.0 million), thereof finance costs € 293.4 million (prior year: € 344.5 million)

Footnotes to the balance sheet

[1] Prior-year figures adjusted
[2] Of which associates accounted for at equity: € 1,336.4 million (prior year: € 1,139.6 million), thereof for investment properties € 138.2 million (prior year: € 149.4 million)
[3] Of which current and non-current tax refund claims in total: € 269.0 million (prior year: € 324.3 million)
[4] Figures of the comparative period have not been adjusted for measurement according to IFRS 5.
[5] Of which current and non-current tax provisions in total: € 409.1 million (prior year: € 360.2 million)
[6] Of which non-current interest-bearing liabilities: € 4,320.0 million (prior year: € 4,936.5 million)
[7] Of which current trade payables: € 1,633.4 million (prior year: € 1,155.0 million)

Balance sheet of the EnBW group as of December 31, 2005

€millions[1]	Note	12/31/2005	12/31/2004 Classification pursuant to IAS 1 and IFRS 5	12/31/2004 Classification pursuant to IAS 1 without IFRS 5
Assets				
Non-current assets	(9)			
Fixed assets				
Intangible assets		1,605.1	1,578.6	1,578.6
Property, plant and equipment		10,160.2	10,299.3	10,418.1
Financial assets[2]		7,279.3	6,426.1	6,426.1
		19,044.6	**18,304.0**	**18,422.8**
Other non-current assets				
Other assets[3]		483.5	329.2	356.2
Deferred taxes	(13)	43.2	58.9	62.1
		526.7	**388.1**	**418.3**
		19,571.3	**18,692.1**	**18,841.1**
Current assets	(10)			
Inventories		578.2	570.3	570.3
Financial assets		257.8	444.7	444.7
Trade receivables		1,821.3	1,621.8	1,621.8
Other assets[3]		1,395.9	505.4	509.7
Cash and cash equivalents		1,426.4	1,934.1	1,939.9
		5,479.6	5,076.3	5,086.4
Non-current assets held for sale and assets of discontinued operations[4]	(15)	**68.2**	**159.1**	-
		5,547.8	**5,235.4**	**5,086.4**
		25,119.1	**23,927.5**	**23,927.5**
Equity and liabilities				
Equity	(11)			
Group shares				
Subscribed capital		640.0	640.0	640.0
Capital reserve		22.2	22.2	22.2
Revenue reserves		1,758.2	973.2	973.2
Accumulated other comprehensive income		154.2	81.9	81.9
		2,574.6	**1,717.3**	**1.717.3**
Minority interests		737.3	681.2	681.2
		3,311.9	**2,398.5**	**2,398.5**
Non-current liabilities				
Provisions[5]	(12)	8,534.0	8,546.8	8,549.2
Deferred taxes	(13)	1,687.7	1,544.8	1,566.9
Liabilities and subsidies[6]	(14)	6,406.0	7,019.5	7,021.0
		16,627.7	**17,111.1**	**17,137.1**
Current liabilities				
Provisions[5]	(12)	1,286.9	1,085.9	1,154.7
Liabilities and subsidies[7]	(14)	3,834.6	3,230.0	3,237.2
		5,121.5	**4,315.9**	**4,391.9**
Liabilities of the non-current assets held for sale and of discontinued operations[4]	(15)	58.0	102.0	-
		5,179.5	**4,417.9**	**4,391.9**
		25,119.1	**23,927.5**	**23,927.5**

Cash flow statement of the EnBW group[1]

€ millions[2]	2005	2004
1. Operating activities		
EBITDA	2,054.3	2,044.5
EBITDA of discontinued operations	7.8	205.2
Changes in non-current provisions	-192.5	-385.6
Gain/loss on disposal of non-current assets	-45.5	-88.1
Other non-cash expenses/income	-110.6	-34.1
Change in working capital and current provisions	-135.1	5.9
Income tax paid	-248.5	-202.1
Cash flow from operating activities	**1,329.9**	**1,545.7**
of which discontinued operations	(-15.5)	(101.8)
2. Investing activities		
Capital expenditures	-547.0	-511.4
Cash received from disposals of intangible assets and property, plant and equipment	206.2	184.9
Cash received from construction cost and investment subsidies	81.5	111.6
Cash paid for the acquisition of fully fully and proportionately consolidated companies and associates	-430.8	-0.2
Cash received from sale of fully and proportionately consolidated companies and associates	55.0	797.9
Cash paid for investments in other financial assets	-485.8	-151.7
Cash received from the sale of other financial assets	177.0	438.0
Cash received/paid for investments in connection with short-term finance planning	130.2	-162.6
Interest and dividends received	374.1	338.1
Cash flow from investing activities	**-439.6**	**1,044.6**
of which discontinued operations	(-0.0)	(796.4)

[1] For further explanations see pages 188 – 189
[2] Prior-year figures adjusted

€ millions[1]	2005	2004
3. Financing activities		
Interest paid	-280.6	-397.6
Dividends paid	-218.9	-34.8
Cash received from the sale of treasury shares	375.1	288.1
Cash received from capital increases by minority interests	0.0	50.0
Borrowing	74.0	1,100.3
Repayment of financial liabilities	-1,334.9	-2,631.1
Cash flow from financing activities	**-1,385.3**	**-1,625.1**
of which discontinued operations	(-0.2)	(-319.5)
Net change in cash and cash equivalents	**-495.0**	**965.2**
Exchange rate change in cash and cash equivalents	0.5	0.2
Change in cash and cash equivalents	**-494.5**	**965.4**
Cash and cash equivalents at the beginning of the period	1,968.5	1,003.1[2]
Cash and cash equivalents at the end of the period	**1,474.0**	**1,968.5**

[1] Prior-year figures adjusted
[2] Cash and cash equivalents not adjusted to IFRS 5

Statement of changes in equity of the EnBW group

€ millions[1]	Subscribed capital	Capital reserve	Revenue reserves
As of December 31, 2003	**640.0**	**22.2**	**333.1**
Adjustment relating to retroactive consolidation			34.2
Adjustment of commodity derivate			
Sale of treasury shares			288.1
Dividends paid			
Other comprehensive income/Other			
Earnings after tax			357.7[2]
Result of discontinued operations			-39.9
As of December 31, 2004	**640.0**	**22.2**	**973.2**
Offsetting of negative differences pursuant to IFRS 3			59.1
Sale of treasury shares			375.1
Dividends paid			-170.8
Other comprehensive income/Other			
Earnings after tax			522.5
Result of discontinued operations			-0.9
As of December 31, 2005	**640.0**	**22.2**	**1,758.2**

[1] Prior-year figures adjusted
[2] Earnings after tax were adjusted by € 9.7 million (adjustment of retroactive consolidation € 5.5 million, adjustment of accounting for emission allowances € 3.0 million, completion of initial consolidation of ENSO Erdgas GmbH € 1.2 million).
[3] Minority interests in earnings after tax were adjusted by € 1.1 million (completion of initial consolidation of ENSO Erdgas GmbH).

	Accumulated other comprehensive income						
	Revaluation intangible assets	Difference from currency translation	Cash flow hedge	Marketable securities	Group shares	Minority interests	Total
	-76.5	**-10.9**	**-9.1**	**23.2**	**922.0**	**622.2**	**1,544.2**
					34.2		34.2
			5.6		5.6		5.6
					288.1		288.1
						-34.8	-34.8
	24.8	16.4	9.1	99.3	149.6	43.1	192.7
					357.7	52.0[3]	409.7
					-39.9	-1.3	-41.2
	-51.7	**5.5**	**5.6**	**122.5**	**1,717.3**	**681.2**	**2,398.5**
					59.1		59.1
					375.1		375.1
					-170.8	-48.1	-218.9
	51.7	1.9	-109.0	127.7	72.3	28.8	101.1
					522.5	75.4	597.9
					-0.9		-0.9
	0.0	**7.4**	**-103.4**	**250.2**	**2,574.6**	**737.3**	**3,311.9**

Notes to the financial statements of the EnBW group

General principles and basis of consolidation

General principles

In accordance with Sec 315a (1) HGB, the consolidated financial statements of EnBW Energie Baden-Württemberg AG (EnBW) are prepared according to the International Financial Reporting Standards/International Accounting Standards (IFRS/IAS) the application of which is mandatory in the European Union at the balance sheet date. IFRSs/IASs the application of which is not yet mandatory are not applied. In addition, the interpretations of the International Financial Reporting Interpretations Committee/Standing Interpretations Committee (IFRIC/SIC) are observed. The consolidated financial statements of EnBW AG comply in all respects with the IFRS/IAS and the IFRIC/SIC.

The consolidated financial statements are presented in millions of euro. Besides the income statement and balance sheet, a cash flow statement and statement of changes in equity have been 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 method of total costs.

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

Changes in accounting policy

The International Accounting Standards Board (IASB) in London issued a number of amendments to existing IFRSs as part of the Improvement Project as well as some new IFRSs, the application of which is mandatory as of January 1, 2005. The following IFRSs have been adopted in the EnBW group for the first time in fiscal year 2005 in compliance with the transitional provisions applicable in each case:

- IAS 1 (2003): Presentation of financial statements
- IAS 2 (2003): Inventories
- IAS 8 (2003): Accounting policies, changes in accounting estimates and errors
- IAS 10 (2003): Events after the balance sheet date
- IAS 16 (2003): Property, plant and equipment
- IAS 17 (2003): Leases
- IAS 21 (2003): The effects of changes in foreign exchange rates
- IAS 24 (2003): Related party disclosures
- IAS 27 (2003): Consolidated and separate financial statements
- IAS 28 (2003): Investments in associates
- IAS 31 (2003): Interests in joint ventures
- IAS 32 (2003): Financial instruments: disclosure and presentation
- IAS 33 (2003): Earnings per share
- IAS 39 (2005): Financial instruments: recognition and measurement
- IAS 40 (2003): Investment property

>IFRS 3: Business combinations, in conj. with IAS 36: Impairment of assets
>IFRS 5: Non-current assets held for sale and discontinued operations

First-time adoption of the IFRS listed essentially had the following effects on the EnBW consolidated financial statements as of December 31, 2005:

>In accordance with IAS 1 (2003), the balance sheet should be classified by maturity. The balance sheet of the EnBW group therefore discloses assets and liabilities as current or non-current. Items are classified as current if the assets and liabilities are due within one year or are realised or settled in the normal course of the company's operating cycle.

>On June 25, 2005, the IASB withdrew the Interpretation of IFRIC 3 "Emission rights", which had been issued in December 2004.

As a result of the withdrawal of IFRIC 3, EnBW chose a different accounting policy on the basis of the applicable IFRSs. Unlike the 2004 financial statements, emission allowances acquired for a consideration are recognised as intangible assets at cost, while emission allowances acquired without consideration in the current fiscal year are recognised at their nominal value. With respect to the obligation to return the emission allowances, a provision is recognised for any shortfall at the estimated settlement value.

>In accordance with the rulings of IAS 8, the change in accounting policy is made retroactively. The effects on the balance sheet and income statement of the fiscal year 2004 are presented below:

€ millions	12/31/2004
Balance sheet	
Assets	
Non-current assets	
Intangible assets	-265.1
Equity and liabilities	
Equity	
Group shares	3.0
Minority interests	–
	3.0
Deferred taxes	1.8
Deferred income	-269.9
Total equity and liabilities	-265.1

€ millions	2004
Income statement	
Amortisation and depreciation	4.8
Income taxes	-1.8
Earnings after tax	3.0

> In accordance with the rulings of IFRS 3 (Business combinations) systematic amortisation on goodwill from business combinations that arose before March 31, 2004 is discontinued effective January 1, 2005. The systematic amortisation on goodwill of fiscal 2004 is as follows:

€ millions	2004
Amortisation and depreciation	
Goodwill from capital consolidation	24.5
Goodwill from equity consolidation	13.5

From the beginning of fiscal 2005, the goodwill has been subjected to an impairment test in accordance with the revised version of IAS 36.

In accordance with the transition provisions, goodwill that arose after March 31, 2004 was already accounted for according to IFRS 3 in the financial statements as of December 31, 2004.

Negative differences from the capital and equity consolidation that arose before March 31, 2004 were offset against revenue reserves. The revenue reserves as of January 1, 2005 were increased by € 59.1 million as a result of offsetting.

> IFRS 5, which replaces IAS 35 “Discontinuing operations”, governs the measurement and disclosure requirements for non-current assets held for sale and discontinued operations effective January 1, 2005. According to this provision, assets and liabilities held for sale and the result of discontinued operations are disclosed separately below the earnings of continuing operations and after deducting income taxes. The cash flow effects from discontinued operations are shown in the cash flow statement both for the operating area and also for the investing and financing activities. In addition, the measurement of the assets held for sale has to be changed. According to IFRS 5, measurement is at the lower of carrying amount and fair market value less costs to sell.

The assets held for sale mainly consist of land and buildings. The discontinued operations mainly consist of the Thermoselect activities and the winding up of operations already sold.

The comparative figures were adjusted to the new classification system pursuant to IFRS. In the balance sheet, the adjusted figures have been stated voluntarily in addition to the comparative figures without adjustment to IFRS 5. Pursuant to IFRS 5, the comparative figures in the balance sheet have not been adjusted to the measurement method that applies today.

The net assets and financial position are commented on in the management report on the basis of the balance sheet as of December 31, 2004 classified according to IFRS 5.

> In the fiscal year 2005, commodity derivatives concluded in connection with the expected needs of the company were treated in accordance with IAS 39 for the first time provided they can be settled or closed out in cash or by another financial instrument. They had previously been measured according to the imparity principle pursuant to IAS 37 as the exchange of goods and services in the ordinary course of business and disclosed in the notes to the financial statements as a financial obligation from purchase commitments. Owing to the treatment as a derivative as defined by IAS 39, this disclosure is no longer needed. In the 2005 financial statements, commodity derivatives were generally recognised as a cash flow hedge against price and currency risks on the sales and procurement market provided the relevant conditions were satisfied. The effects in the balance sheet of the commodity derivatives recognised in accordance with IAS 39 are presented below. The balance sheet was adjusted retrospectively to the new accounting policy.

€ millions	12/31/2004
Balance sheet	
Other assets	37.0
Assets	**37.0**
Equity (accumulated other comprehensive income)	5.6
Deferred taxes	3.4
Liabilities	28.0
Equity and liabilities	**37.0**

In the fiscal year 2005, Prazská energetika Holding a.s. and Prazská teplárenská Holding a.s., together with their subsidiaries, were included in consolidation proportionately for the first time. Owing to a lack of information, the holding companies had previously only been included in the consolidated financial statements using the equity method. In accordance with IAS 8, the consolidation method was changed retrospectively.

This led to the following effects on the prior-year balance sheet and income statement:

€ millions	12/31/2004
Balance sheet	
Non-current assets	76.7
Current assets	23.8
Assets	**100.5**
Equity	39.7
Non-current liabilities	40.4
Current liabilities	20.4
Equity and liabilities	**100.5**
	2004
Income statement	
Sales	109.7
Earnings before tax	9.7
Income taxes	4.2
Earnings after tax	**5.5**

Due to the change described, the earnings ratios of the EnBW group for the fiscal year 2004 stated in these consolidated financial statements for 2005 have changed compared to the 2004 annual report. The reconciliation of the EBITDA is presented below:

€ millions	
EBITDA according to 2004 annual report	**2,223.3**
EBITDA of discontinued operations according to 2004 annual report	-242.1
Adjustment of the EBITDA of discontinued operations according to 2004 annual report to eliminate portion attributable to the non-current assets held for sale	36.9
Completion of purchase accounting of ENSO Erdgas GmbH	-1.2
Adjustment proportionate consolidation	27.6
EBITDA 2004 according to 2005 annual report	**2,044.5**

To improve the presentation of results of operations, we made changes to the disclosures in the income statement in the fiscal year. Other taxes are disclosed as other operating expenses instead of under taxes. The expenses for early retirement and phased retirement obligations as well as the expenses for granting an electricity price reduction during the pension phase are recorded as personnel expenses instead of as other operating expenses. The prior-year figures have been adjusted accordingly.

To reflect the value-based corporate governance and transparency of our business activities, we have made changes to the cash flow statement compared to that presented in the 2004 annual report. The changes are explained in the notes to the consolidated financial statements. The definition of free cash flow was also modified. Free cash flow is calculated as follows:

	Cash flow from operating activities
+	Capital expenditures
-	Cash received from disposals of intangible assets and property, plant and equipment
+	Cash received from construction cost and investment subsidies
=	**Free cash flow**

Effects of new accounting standards that are not applicable yet

The following standards or interpretations have been published, but their adoption is not yet mandatory in 2005:

- IFRIC 4: Determining whether an arrangement contains a lease
- IAS 19: Amendment of IAS 19, in particular option to record actuarial gains and losses directly in equity
- IFRS 7: Financial instruments: disclosures
- IFRIC 5: Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
- IFRS 6: Exploration for and evaluation of mineral resources

The group does not expect any significant effect on net assets, financial position and results of operations from first-time adoption of these standards or interpretations in the future.

Consolidated companies

Under the full-consolidation method, all companies (subsidiaries) are included on whose financial and business policy a controlling influence is exercised as defined by the control concept.

In the course of proportionate consolidation, joint ventures are included in the consolidated financial statements based on their holding.

Consolidation at equity is used when a controlling influence is exercised on the business policy of the associate, but the criteria to qualify as a subsidiary or a joint venture are not in place.

Shares in subsidiaries, joint ventures and associates which from the group perspective are of secondary importance are accounted for according to IAS 39. This relates in particular to subsidiaries without primary operations or with a lower business volume. They represent only an immaterial share of the total group assets and of the group profit/loss.

The list of shareholdings of EnBW AG and the EnBW group is filed with the Commercial Register of the Karlsruhe District Court under No HRB 7956. In the additional disclosures to the financial statements there is a list of major subsidiaries stating registered office, capital share, equity and result of the last fiscal year.

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

Initial consolidation (purchase accounting) or deconsolidation is generally performed at the time the shares are purchased or sold respectively.

The companies have been consolidated as follows:

Type of consolidation

Number	12/31/2005	12/31/2004[1]
Full consolidation	102	122
Proportionate consolidation (joint ventures)	8	9
Consolidation at equity	20	59

[1] Prior-year figures adjusted

Changes in the consolidated companies

Of the companies fully consolidated in the consolidated financial statements, 3 (prior year: 8) German companies and 0 (prior year: 2) foreign companies were consolidated for the first time in the reporting year. 17 (prior year: 41) companies were deconsolidated; another 6 (prior year: 17) companies were merged. Of the deconsolidated companies, 15 (prior year: 22) were German companies and 2 (prior year: 19) foreign companies. Of the deconsolidated companies, 12 companies were removed from the consolidated group due to immateriality. The mergers related mostly to German companies.

Of the joint ventures, our share of which was included in the consolidated financial statements, 1 company (prior year: 0) was deconsolidated in the reporting year. In accordance with IAS 8, the consolidation method was changed retroactively for Prazská energetika Holding a.s. and for Prazská teplárenská Holding a.s. as well as their subsidiaries.

Of the associates included in the consolidated financial statements at equity, 3 (prior year: 4) foreign companies were consolidated for the first time in the reporting year. 40 (prior year: 2) German and 2 (prior year: 3) foreign companies were deconsolidated. The reason for the deconsolidation of 41 companies is non-compliance with the extended reporting requirements pursuant to IFRS/IAS.

The changes in the consolidated group concerning fully consolidated companies and joint ventures do not have any significant impact on the balance sheet and income statement of the EnBW group.

A 15% shareholding in Prazská energetika Holding a.s. was acquired in the fiscal year 2005.

We increased our current share in EVN Energieversorgung Niederösterreich AG from 13.2% to 29.74%. Having been acquired as an associate, EVN AG is included in EnBW's consolidated financial statements at equity.

Determination of the hidden reserves inherent in the assets and liabilities of ENSO Erdgas GmbH (formerly: Gasversorgung Sachsen Ost GmbH) was completed in the first six months of the year. The preliminary goodwill remained unchanged. The carrying amounts of individual assets and liabilities as well as the company's profit contribution did, however, change. The prior-year figures have been adjusted accordingly. On aggregate, the changes since December 31, 2004 are as follows:

€ millions

Balance sheet	
Intangible assets	-11.6
Property, plant and equipment	-52.6
Assets	**-64.2**
Equity	2.3
Non-current liabilities	-64.7
Current liabilities	-1.8
Equity and liabilities	**-64.2**

Joint ventures

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

Joint ventures
€ millions[1]

Balance sheet	12/31/2005	12/31/2004
Non-current assets	290	234
Current assets	95	44
Non-current liabilities	131	144
Current liabilities	87	36

€ millions[1]

Income statement	2005	2004
Sales	226	168
Cost of materials	-163	-110
Result from operating activities	34	27
Financial result	0	-9
Earnings before tax	34	18
Income taxes	-8	-7
Earnings after tax	26	11

[1] Prior-year figures adjusted

Consolidation principles

The financial statements of the domestic and foreign subsidiaries and joint ventures included in the consolidation were prepared in accordance with the accounting policies of EnBW. In some cases, divergent carrying amounts in the financial statements of associates have been retained for materiality reasons.

Capital consolidation is performed by offsetting the purchase cost against the proportionate revalued equity of the subsidiaries at the date of acquisition. Assets and liabilities are carried at fair value. Any residual amounts are recognised as goodwill.

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

Joint ventures are consolidated according to the same principles.

The same accounting principles also apply to companies measured according to the equity method. Goodwill is recognised in the carrying amount of the equity investment. Impairment losses on goodwill are disclosed in the result from equity investments.

Currency translation

The reporting currency of EnBW AG is the euro (€). The financial statements of the group companies are translated to euro. Currency translation is performed in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) using the functional currency method. Under the functional currency method, the assets and liabilities of companies that do not report in euro are translated at the mean rate prevailing on the balance sheet date, while expenses and income are translated at the average annual rate. The companies concerned are foreign entities. Translation differences are recorded directly in equity within accumulated other comprehensive income.

The companies of the EnBW group mainly operate in the euro zone.

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

€	Closing rate		Average rate	
	2005	2004	2005	2004
1 Swiss franc	0.64	0.65	0.65	0.65
1 pound sterling	1.46	1.42	1.46	1.47
1 US dollar	0.85	0.73	0.80	0.80
100 Hungarian forint	0.40	0.41	0.40	0.40

Significant accounting policies

Non-current assets

Intangible assets acquired for a consideration are generally carried at cost and amortised using the straight-line method over their economic useful life. The amortisation period of intangible assets – without goodwill – ranges from 3 to 20 years. Long-term electricity procurement rights are valued using the revaluation method (IAS 38.75) at fair value. Revaluation is performed at regular intervals.

Internally generated intangible assets are tested for impairment once a year or whenever facts or changes in circumstances indicate that the carrying amount could be impaired.

In accordance with the provisions of IFRS 3 (Business combinations), **goodwill** was no longer systematically amortised in the fiscal year 2005. In fiscal 2004, goodwill that arose prior to March 31, 2004 was still amortised over its useful life. It generally ranged from 10 to 20 years.

Goodwill is tested for impairment once a year or whenever facts or changes in circumstances indicate that the carrying amount could be impaired.

As part of the impairment test, the recoverable amount of the cash-generating unit is determined as fair value less costs to sell or 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 cash-generating unit. The value in use is derived from the cash flow planning, based on the mid-term planning approved by the Board of Management for a period of four years and valid as of the date of the impairment test.

The discount rates are determined on the basis of market data and range from 8.0% to 13.5% before tax for the cash-generating units.

Negative goodwill from capital consolidation was offset against revenue reserves as of January 1, 2005. Negative differences arising after January 1, 2005 are recorded in income following a review of their calculation.

Property, plant and equipment is measured at cost less systematic depreciation for depletion. As a rule, the straight-line method of depreciation is used. Debt servicing costs are not capitalised as a component of historical cost. Depreciation is recorded pro rata temporis in the year of addition.

Maintenance and repair costs are recorded as expenses. Renewal or maintenance expenses which lead to a future inflow of resources of an asset are recognised.

Investment grants or subsidies are not deducted from the cost of the asset concerned. Pursuant to IAS 20, they are disclosed as subsidies.

The nuclear power generating plants also contain the present value net of depreciation of the cost of the closure and dismantling of the contaminated plants estimated at the time of commissioning.

Systematic depreciation on our major items of property, plant and equipment is computed according to the following uniform group 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

Property, plant and equipment used under a **finance lease** is measured at the inception of the lease at market value, or the lower present value of the lease instalments. Depreciation is charged systematically over the economic useful life.

The carrying amount of the shares in **associates** accounted for at equity comprises the proportionate equity plus goodwill.

Shares in **non-consolidated affiliated companies**, in a**ssociates not accounted for at equity** and in **other equity investments** as well as some of the **long-term investments** are classified as **"available for sale"**. They are measured at fair value, if it can be determined reliably. Unrealised gains and losses are recorded directly in equity. In the event of a permanent impairment in value, they are written down. The unrealised gains or losses previously recorded directly in equity are recognised in profit and loss upon sale.

Investment properties are measured at amortised cost. The market value of the investment properties is stated in these notes to the financial statements. The market value is determined using internationally recognised methods (e.g. the discounted cash flow method or mark to market).

Long-term investments that qualify as "held to maturity" are measured at amortised cost.

The fair value of the publicly traded securities, derivatives and other financial investments is based on the market values published as of the balance sheet date.

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

Current assets

Inventories are stated at cost of purchase or costs of conversion. As a rule, they are measured at average prices. Pursuant to IAS 2, costs of conversion contain the directly allocable direct costs and an appropriate portion of the necessary material and production overheads including depreciation. Costs of conversion are determined on the basis of normal employment. Debt servicing costs are not capitalised as a component of costs of conversion. Appropriate allowance is made for risks from impaired usability. Where necessary, the lower net realisable value compared to the carrying amount is recognised. Reversals of impairment losses on inventories are deducted from the cost of materials.

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

The securities recorded as **current financial assets** are measured at fair value with effect on income. They are measured at fair value. Changes in market value are recognised in profit and loss immediately.

Trade and other receivables are accounted for at cost less necessary valuation allowances based on the actual bad debt risk. Low or interest-free receivables are stated at present value.

Emission allowances acquired without consideration in the current fiscal year are recognised at their nominal value, while emission allowances acquired for a consideration to cover the anticipated consumption are recognised at cost. Emission allowances acquired for trading purposes, however, are recognised at fair value with effect on income.

Equity and liabilities

Provisions for pensions and similar obligations are determined using the projected unit credit method (IAS 19). This method considers current and future pension benefits known at the balance sheet date as well as future anticipated salary and pension increases. Actuarial gains and losses outside the 10% corridor are distributed over the remaining working lives of the employees. The service cost is disclosed in the personnel expense, the interest portion of an increase in the provision in the financial result.

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

The **non-current provisions** are stated at the future amount needed to settle the obligation discounted to the balance sheet date. This does not apply to provisions for pensions and similar obligations which are governed by the special rulings set forth in IAS 19.

Deferred taxes are recorded in accordance with the temporary concept (IAS 12) on all timing differences between the tax accounts and the IFRS/IAS balance sheet of the individual companies. Deferred taxes from consolidation entries are recognised separately. Deferred tax assets on unused tax losses are accounted for provided their realisation can be assumed with sufficient certainty. 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 realisation. A tax rate of 38% is applied for domestic group companies. Tax benefits and tax liabilities are netted, provided the prerequisites are in place.

Liabilities are reported at net settlement value. Liabilities from finance leases are measured at the present value of the lease instalments when the leased asset is recognised.

The **construction cost subsidies** recorded as liabilities are released to other operating income in accordance with the use of the subsidised property, plant and equipment. As a rule, the period of release for construction cost subsidies is between 40 and 45 years. Investment subsidies and grants are released over the depreciation period of the underlying assets. The release is netted openly with the depreciation.

Contingent liabilities are possible or existing commitments which relate to past events and which are not likely to result in an outflow of resources. They are not recorded on the face of the balance sheet, but are disclosed separately in the notes to the financial statements.

Key judgements and estimates

The **exercise of judgements** when applying the recognition and measurement methods did not lead to any significant effects on the carrying amounts of the assets and liabilities reported in the financial statements.

Uncertain future events need to be estimated as of the balance sheet date in order to determine the carrying amounts of certain assets and liabilities. These estimates are based on assumptions and forecasts and are thus subject to risks and uncertainty. The material future-oriented assumptions and other sources of uncertainties as of the balance sheet date concerning estimates which have given rise to a considerable risk that material adjustments of carrying amounts of assets and liabilities may be required in the next fiscal year are explained below.

Goodwill: Goodwill is subject to an annual impairment test. The impairment test involves estimates above all concerning the future cash inflows. Changes in the overall economic, industry or company situation in the future may reduce cash inflows and 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.

Pension provisions: When calculating pension provisions, the choice of underlying assumptions (e.g. imputed interest rate, trend assumptions), of demographic probabilities using the 2005 G mortality tables and accepted approximation methods when determining the pension from the statutory pension insurance fund may lead to differences compared to the actual commitments incurred over time.

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 commitment. The uncertainty inherent in the estimates is primarily due to changes in the scope of insurance, departures from the assumed cost development and changes in payment dates. Changes in the discount rate could also lead to an adjustment of the provision relating to nuclear power.

Provision 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.

Discontinued operations: Provisions have been set up on the basis of external appraisals for risks from the settlement of operations already sold. The amount provided for equals the best estimate of the expected settlement amount. New developments could lead to a change in the amount of the obligation and to an adjustment of the provisions.

Explanations to the income statement and the balance sheet

(1) Sales

Sales are recorded when the risk has been transferred to the customer. The electricity and natural gas tax paid by the companies is openly deducted from sales.

Income and expenses from electricity trading are disclosed net. The net disclosure means that sales from electricity trading are reported net of cost of materials.

For the fiscal year 2005, electricity trading revenues came to € 1,346.5 million (prior year: € 592.4 million).

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

(2) Other operating income

Other operating income is presented in the table below:

€ millions[1]	2005	2004
Rent and lease income	34.1	31.5
Disposals of assets	67.6	106.7
Exchange rate gains	1.1	2.2
Reversal of provisions	221.0	356.7
Release of construction cost subsidies and other deferred income	90.2	85.0
Income from derivative financial instruments	118.9	16.5
Other	315.2	305.7
Total	**848.1**	**904.3**

[1] Prior-year figures adjusted

The exchange rate gains are counterbalanced by exchange rate losses which are shown in other operating expenses. In the reporting year, write-ups came to € 12.7 million (prior year: € 5.1 million). Income from the reversal of a negative difference amounted to € 2.2 million.

(3) Cost of materials

€ millions[1]	2005	2004
Cost of raw materials, consumables and supplies and of purchased merchandise	5,525.5	4,164.3
Cost of purchased services	1,663.8	1,649.0
Total	**7,189.3**	**5,813.3**

[1] Prior-year figures adjusted

Cost of raw materials, consumables and supplies and of purchased merchandise comprises in particular gas and electricity procurement costs, the required increases – other than the mark-up – in provisions for the decommissioning of nuclear power plants, costs for the disposal of irradiated fuel rods and radioactive waste as well as the consumption of nuclear fuel rods and nuclear fuels and the fuels of conventional power stations.

Cost of purchased services mainly contains services purchased for the operation and maintenance of the plants as well as the cost of waste disposal and contract production. In addition, other expenses directly attributable to services rendered are shown under this heading.

(4) Personnel expenses

€ millions[1]	2005	2004
Wages and salaries	916.4	894.4
Social security and other pension costs	305.8	242.6
of which for post-retirement benefits	(131.1)	(69.9)
Total	**1,222.2**	**1,137.0**

Average headcount of continuing operations during the year[1]	2005	2004
Electricity	12,378	12,718
Gas	672	502
Energy and environmental services	4,419	4,675
Other activities/holding	449	262
Employees of continuing operations	**17,918**	**18,157**
Apprentices and trainees in the group	1,137	1,176

[1] Prior-year figures adjusted

Expenses for post-retirement benefits from the increase in the provision for pensions amount to € 62.2 million (prior year: € 54.3 million). The other expenses for post-retirement benefits mainly contain other social benefits that can be provided for and contributions to the pension guarantee association.

For companies included on a proportionate basis, 637 employees (prior year: 593) have been included in the total figure according to the EnBW share. The average headcount of discontinued operations during the year 2005 was eight (prior year: 1,724).

(5) Amortisation and depreciation

€ millions[1]	2005	2004
Amortisation of intangible assets	96.1	140.0
of which goodwill from capital consolidation	(14.0)	(48.4)
Depreciation of property, plant and equipment and investment properties	649.3	674.4
Release of investment cost subsidies	-9.6	-12.4
Total	**735.8**	**802.0**

[1] Prior-year figures adjusted

In the reporting year, the impairment loss on goodwill from capital consolidation came to € 14.0 million (prior year: € 23.9 million). The impairment losses on goodwill mainly relate to the electricity segment. The impairment losses on other intangible assets, property, plant and equipment, and investment properties amounted to € 41.8 million (prior year: € 50.8 million).

(6) Other operating expenses

Other operating expenses are presented in the table below:

€ millions[1]	2005	2004
Rent and lease expenses	60.9	67.7
Bad debt allowances	34.5	82.0
Disposals of assets	22.1	18.6
Licence fees	238.7	251.5
Exchange rate losses	2.2	2.7
Other personnel expenses	45.6	47.0
Advertising expenses	107.5	68.2
Administrative and selling expenses	113.1	105.7
Audit, legal and consulting fees	59.6	69.6
Expenses from derivative financial instruments	154.5	41.3
Insurance	46.6	47.8
Dues	40.8	43.8
Other taxes	3.9	9.2
Sundry other company benefits	260.0	208.0
Total	**1,190.0**	**1,063.1**

[1] Prior-year figures adjusted

(7) Financial result

€ millions[1]	2005	2004
Income from equity investments	154.3	102.8
of which affiliated non-consolidated companies	(2.7)	(1.6)
of which associates included at equity	(94.3)	(94.4)
Write-downs of equity investments	-18.8	-41.6
of which associates included at equity	(-6.8)	(-14.5)
Write-ups of equity investments	2.4	42.5
of which associates included at equity	(0.0)	(24.1)
Other	-0.3	-49.0
Investment result	**137.6**	**54.7**
Interest and similar income	280.2	251.3
Interest and similar expenses	-370.8	-374.8
of which affiliated non-consolidated companies	(-0.3)	(-1.6)
of which finance cost	(-293.4)	(-344.5)
Interest portion of increases in provisions	-439.3	-438.8
of which personnel-related provisions	(-213.1)	(-214.6)
of which provisions relating to nuclear power	(-221.2)	(-213.2)
of which other non-current provisions	(-5.0)	(-11.0)
Other financial income	191.0	232.4
Other financial expenses	-36.4	-208.2
Interest result	**-375.3**	**-538.1**
Financial result	**-237.7**	**-483.4**

[1] Prior-year figures adjusted

The share of the investment result allocable to associates included in the consolidated financial statements using the equity method is € 87.5 million (prior year: € 104.0 million). In the reporting year, the impairment loss on goodwill of associates came to € 6.8 million (prior year: € 1.0 million). The line item "other" under the investment result contains, among other items, allocations to provisions for onerous contracts from writer obligations for the potential acquisition of equity investments of € 1.5 million (prior year: € 48.0 million).

Interest and similar income contains interest income from interest-bearing securities and loans as well as dividends and other profit shares as well as income from discounting non-current provisions of € 3.6 million.

Interest and similar expenses contain in particular expenses for bank interest and bonds, interest on back taxes as well as the interest portion for the cost of finance leases.

The interest portions from the increase in provisions relate to the annual mark-up of the non-current provisions.

Other financial income/expenses contain write-ups/write-downs, increases/reversals of the provisions for onerous contracts from writer obligations and realised exchange rate gains/losses from sales of long-term and short-term investments. In the reporting year write-downs totalled € 1.9 million (prior year: € 85.0 million), while write-ups came to € 25.5 million (prior year: € 10.4 million). The reversal of provisions for onerous contracts from writer obligations for the potential acquisition of securities amounted to € 20.0 million in fiscal 2005 (prior year: increase of € 85.0 million).

(8) Income taxes

€ millions[1]	**2005**	2004
Current income taxes	339.6	248.1
Deferred taxes	143.3	101.3
Income taxes (-income/+expense)	**482.9**	**349.4**

[1] Prior-year figures adjusted

The current income taxes contain netted expenses of € 54.7 million (prior year: € 81.2 million) that relate to prior periods. The burdens from prior periods mainly result from the measurement for tax purposes of the provisions relating to nuclear power, the measurement of provisions for the decommissioning and dismantling of nuclear power plants and the reversal for tax purposes of the impairment losses recorded on equity investments in prior years.

Deferred taxes are computed using an unchanged tax rate of 38%. This consists of corporate income tax, the solidarity surcharge and the average trade tax.

In fiscal 2005, the deferred tax expense was reduced by € 7.6 million by recognising previously unused tax losses (prior year: € 75.5 million) and increased by a write-down of a deferred tax claim by € 0.0 million (prior year: € 51.3 million). The tax reduction claim on future distributions was not recognised.

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

€ millions[1]	2005	%	2004	%
Earnings before tax	**1,080.8**		**759.1**	
Theoretical tax rate		38.0		38.0
Theoretical income tax expense	**410.7**		**288.5**	
Tax effects				
Differences foreign tax rates and tax rate differences	-10.4	-0.9	-0.8	-0.1
Zero-rated income	-88.3	-8.2	-135.6	-17.9
Non-deductible expenses	59.5	5.5	101.5	13.4
Addbacks and reductions for trade tax purposes	7.6	0.7	13.4	1.8
Amortisation of goodwill from capital consolidation and consolidation at equity	7.9	0.7	23.5	3.1
At equity measurement of associates	-15.0	-1.4	-1.8	-0.2
Change in unvalued unused losses	-0.2	0.0	-2.1	-0.3
Zero-rated sales of equity investments	-3.6	-0.3	-7.6	-1.0
Taxes relating to other periods	116.8	10.8	69.3	9.1
Other	-2.1	-0.2	1.1	0.1
Current income tax expense	**482.9**		**349.4**	
Current tax rate		**44.7**		**46.0**

[1] Prior-year figures adjusted

(9) Non-current assets

The split-up of the intangible assets, property, plant and equipment and financial assets is presented separately in the statement of changes in non-current assets.

Goodwill from the capital consolidation and from the individual financial statements of the subsidiaries and joint ventures included in the consolidation is disclosed in the line **goodwill**.

Of the carrying amount of **intangible assets**, an amount of € 553.6 million (prior year: € 518.4 million) relates to an electricity procurement right that qualifies as a finance lease. The contract expires in the year 2015.

In 2005, a total of € 22.3 million (prior year: € 7.5 million) was spent on **research and development**. The recognition criteria required under IFRS/IAS were not satisfied.

Items of **property, plant and equipment** are encumbered by property liens totalling € 52.3 million (prior year: € 35.7 million).

Of the carrying amount of property, plant and equipment, € 175.3 million (prior year: € 180.9 million) relates to finance leases. These pertain in particular to the powerhouse of the Rheinhafen steam power station in Karlsruhe and a gas grid in Saxony. It is highly likely that EnBW will exercise its option to purchase the powerhouse when the contract expires in 2015.

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

€ millions	12/31/2005	12/31/2004
Franchises, industrial rights and similar rights and assets	553.6	518.4
Land, land rights and buildings including buildings on third-party land	29.8	31.6
Technical equipment and machines	145.5	149.3
Total	**728.9**	**699.3**

Group capital expenditures on intangible assets and property, plant and equipment of € 547.0 million are derived as follows from the statement of changes in non-current assets:

€ millions	12/31/2005
Additions to property, plant, equipment, and intangible assets according to the statement of changes in non-current assets	689.5
Additions from measurement at fair value	-83.5
Additions to the provision recognised for the decommissioning and dismantling of nuclear power generating plants	-59.0
Capital expenditures	**547.0**

The **shares in affiliated companies** disclosed in the financial assets are companies that are not included in the consolidated financial statements.

The additions from the equity roll-forward at the **associates** measured at equity came to € 94.3 million (prior year: € 102.0 million) while disposals came to € 47.1 million (prior year: € 93.3 million). The goodwill from equity consolidation disclosed in the carrying amount came to € 103.9 million as of December 31, 2005.

Since up-to-date information was available for the first time for some associates accounted for using the equity method, the pro rata results were recorded in the same period instead of one year later. The pro rata results of the whole year 2004 were recognised as write-ups of the investment carrying amounts in the first quarter of 2005 with an effect on income. The non-recurring income resulting from this measure amounted to € 36.6 million.

The **long-term investments** are mainly fixed-interest bonds as well as listed shares. To a large extent, the long-term investments 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. The impairment losses on securities with unrealised price losses, which we consider to be permanent, amounted to € 0.0 million (prior year: € 24.6 million). Unrealised price gains totalled € 293.4 million (prior year: € 202.0 million), while unrealised price losses came to € 17.7 million (prior year: € 40.6 million).

As of the balance sheet date, the market value of the real estate that is classified as **investment properties** was € 144.0 million (prior year: € 151.3 million). The market value was determined either using the discounted cash flow method or from current market prices. The valuation was performed by internal and external valuers. About half of the investment properties were valued by external valuers. Rent income totalled € 13.6 million (prior year: € 11.9 million). The directly allocable operating expenses amounted to € 1.0 million (prior year: € 0.7 million). The impairment losses on investment properties amounted to € 19.9 million (prior year: € 5.6 million). There are no obligations to purchase investment properties.

Other non-current assets mainly consist of non-current receivables of € 326.5 million (prior year: € 0.5 million), tax refund claims of € 12.9 million (prior year: € 190.9 million), deferred lease instalments on an electricity procurement right of € 48.1 million (prior year: € 53.1 million), payments on account of € 28.0 million (prior year: € 33.0 million) and derivative financial instruments of € 25.9 million (prior year: € 2.0 million).

Statement of changes in non-current assets

€ millions[1]	Acquisition and production cost						
	01/01/2005	Change in consolidation group	Addition	Currency adjustment	Disposal	Reclassi-fication	**12/31/2005**
Intangible assets							
Franchises, industrial rights and similar and assets[2]	1,781.7	-0.7	98.8	-2.7	12.6	-1.0	1,863.5
Internally generated intangible assets	23.6	0.0	1.7	0.0	0.0	17.9	43.2
Goodwill	499.7	-19.1	0.0	-0.7	-41.1	0.0	521.0
from individual financial statements	(0.3)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.2)
from capital consolidation	(499.4)	(-19.1)	(0.0)	(-0.7)	(-41.2)	(0.0)	(520.8)
Payments on account	26.4	0.0	9.7	0.0	6.6	-17.0	12.5
	2,331.4	**-19.8**	**110.2**	**-3.4**	**-21.9**	**-0.1**	**2,440.2**
Property, plant and equipment							
Land, land rights and buildings including buildings on third-party land	3,247.4	-1.0	26.6	1.1	57.9	24.7	3,240.9
Technical equipment and machines	125.5	-1.7	24.7	0.6	7.4	33.8	175.5
Generating plants/gas transfer stations	10,969.4	-4.5	123.0	-2.3	66.2	-3.3	11,016.1
Distribution plants	13,299.0	-30.9	155.6	3.9	105.8	50.1	13,371.9
Other equipment, furniture and fixtures	1,188.4	-7.2	52.3	0.0	62.4	4.3	1,175.4
Payments on account and assets under construction	262.8	-0.5	197.1	0.2	11.5	-102.9	345.2
	29,092.5	**-45.8**	**579.3**	**3.5**	**311.2**	**6.7**	**29,325.0**
Financial assets							
Shares in affiliated companies	11.2	42.6	0.9	0.0	0.1	0.0	54.6
Loans to affiliated companies	3.3	0.0	0.4	0.0	0.0	-3.4	0.3
Equity investments in associates[3]	1,175.4	-21.1	436.5	-5.9	29.1	-181.7	1,374.1
Other investments[4]	395.6	3.3	76.6	0.0	14.6	389.2	850.1
Loans to companies in which an equity investment is held	8.4	0.0	13.7	0.0	3.4	-1.2	17.5
Investment properties	237.9	0.0	0.2	0.0	2.6	-6.5	229.0
Long-term investments[5, 6]	4,681.2	0.0	4,587.1	0.0	4,209.5	-95.1	4,963.7
Other loans	273.1	-0.1	32.5	-0.1	30.4	-131.2	143.8
	6,786.1	**24.7**	**5,147.9**	**-6.0**	**4,289.7**	**-29.9**	**7,633.1**
	38,210.0	**-40.9**	**5,837.4**	**-5.9**	**4,579.0**	**-23.3**[7]	**39,398.3**

1 Prior-year figures adjusted
2 Of the additions € 83.5 million stems from the revaluation.
3 Of the additions € 94.3 million stems from the the rollforward of equity accounting, of the disposals € 47.1 million.
4 Of the additions € 39.0 million stems from measurement at market value.
5 Of the additions € 182.5 million stems from measurement at market value pursuant to IAS 39, of the disposals € 58.3 million.
6 Of the disposals € 89.5 million stems from transfers to plan assets.
7 Reclassified from non-current to current financial assets

						Depreciation/write-ups		Carrying amounts	
01/01/2005	Change in consolidation group	Addition	Currency adjustment	Disposal	Reclassi-fication	Write-ups	**12/31/2005**	**12/31/2005**	12/31/2004
750.4	-2.0	78.5	0.0	11.7	-1.1	0.0	814.1	1,049.4	1,031.3
2.4	0.0	3.6	0.0	0.0	1.0	0.0	7.0	36.2	21.2
0.0	0.0	14.0	0.0	0.0	0.0	0.0	14.0	507.0	499.7
(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.3)
(0.0)	(0.0)	(14.0)	(0.0)	(0.0)	(0.0)	(0.0)	(14.0)	(506.8)	(499.4)
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.5	26.4
752.8	**-2.0**	**96.1**	**0.0**	**11.7**	**-0.1**	**0.0**	**835.1**	**1,605.1**	**1,578.6**
1,185.9	-1.3	64.4	0.0	22.6	2.6	0.0	1,229.0	2,011.9	2,061.5
86.6	-1.3	8.3	0.3	7.0	0.0	0.0	86.9	88.6	38.9
9,020.7	-3.5	212.3	-1.3	48.1	7.6	11.3	9,176.4	1,839.7	1,948.7
7,622.9	-22.6	273.1	1.4	90.1	8.3	0.0	7,793.0	5,578.9	5,676.1
870.1	-5.9	69.0	0.0	59.2	-1.8	0.0	872.2	303.2	318.3
7.0	0.0	0.0	0.1	0.0	0.2	0.0	7.3	337.9	255.8
18,793.2	**-34.6**	**627.1**	**0.5**	**227.0**	**16.9**	**11.3**	**19,164.8**	**10,160.2**	**10,299.3**
4.7	5.9	0.0	0.0	0.0	0.0	0.0	10.6	44.0	6.5
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	3.3
35.8	0.0	6.8	0.0	0.0	-4.9	0.0	37.7	1,336.4	1,139.6
132.0	0.0	12.0	0.0	2.4	-22.4	2.4	116.8	733.3	263.6
0.2	0.0	0.0	0.0	0.1	0.0	0.0	0.1	17.4	8.2
88.5	0.0	22.2	0.0	1.7	-16.8	1.4	90.8	138.2	149.4
32.1	0.0	0.0	0.0	0.0	0.0	1.0	31.1	4,932.6	4,649.1
66.7	0.0	0.5	0.0	-0.2	0.0	0.7	66.7	77.1	206.4
360.0	**5.9**	**41.5**	**0.0**	**4.0**	**-44.1**	**5.5**	**353.8**	**7,279.3**	**6,426.1**
19,906.0	**-30.7**	**764.7**	**0.5**	**242.7**	**-27.3**[7]	**16.8**	**20,353.7**	**19,044.6**	**18,304.0**

(10) Current assets

Inventories

€ millions[1]	12/31/2005	12/31/2004
Raw materials, consumables and supplies	221.5	188.0
Nuclear fuel rods (incl. payments on account)	307.1	343.4
Work in process	18.4	14.2
Finished goods and merchandise	19.7	18.2
Payments on account	11.5	6.5
Total	**578.2**	**570.3**

[1] Prior-year figures adjusted

There are no restrictions on titles to assets or other encumbrances. There are no significant long-term construction contracts which would require accounting for as long-term construction contracts.

In the reporting year, impairment losses of € 6.2 million (prior year: € 9.6 million) were recorded on inventories.

Financial assets

Current financial assets mainly include shares, profit participation certificates as well as fixed-interest securities. Due to the measurement at market value, write-ups in the fiscal year come to € 23.8 million (prior year: € 8.9 million) and write-downs to € 1.4 million (prior year: € 0.8 million).

€ millions[1]	12/31/2005	12/31/2004
Short-term bonds and mortgage bonds	47.6	34.4
Other short-term securities	162.8	269.4
	210.4	**303.8**
Other current financial assets	47.4	140.9
Total	**257.8**	**444.7**

[1] Prior-year figures adjusted

Trade receivables

Trade receivables from affiliated companies amounted to € 11.1 million (prior year: € 1.0 million). Trade receivables from companies in which equity investments are held amounted to € 71.5 million (prior year: € 14.6 million).

Other assets

€ millions[1]	12/31/2005	12/31/2004
Derivative financial instruments	698.3	73.5
Payments on account for electricity procurement agreements	63.8	24.4
Sundry other assets	633.8	407.5
Total	**1,395.9**	**505.4**

[1] Prior-year figures adjusted

The sundry other assets mainly contain payments on account, tax refund claims and interest cut-offs.

Cash and cash equivalents

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

(11) Equity

The development of equity and comprehensive income is presented separately in the statement of changes in equity.

Subscribed capital

The capital stock of EnBW AG amounts to € 640,015,872.00 and is divided into 250,006,200 registered no-par value shares. The no-par value shares each represent an imputed share of € 2.56/share of the subscribed capital.

Electricité de France International SA (EDFI) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW) each hold 45.01% of the capital stock of EnBW AG as of December 31, 2005.

The Board of Management of EnBW AG is entitled, with the approval of the Supervisory Board, to increase the capital stock by June 4, 2007:

- by € 64 million by issuing new shares in exchange for a cash contribution (authorised capital I)
- by € 64 million by issuing new shares in exchange for a cash contribution or contribution in kind (authorised capital II)

Capital reserve

The capital reserve relates to EnBW AG. The capital reserve contains the external cash flows to be included in equity in accordance with Sec. 272 (2) German Commercial Code (HGB).

Revenue reserves

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

As of December 31, 2005, EnBW AG holds 5,749,677 treasury shares that are valued at € 35.79. In accordance with German commercial law, the treasury stock of EnBW AG was written up by € 37.9 million in the fiscal year. 300,000 treasury shares are also held indirectly via the subsidiary Energiedienst AG. As of the balance sheet date, EnBW AG thus directly or indirectly holds 6,049,677 treasury shares; this is equivalent to 2.4% of the capital stock.

Through the offer to purchase more than 12,887,449 treasury shares from March 23, 2005 to April 6, 2005, EnBW was able to place 11,982,449 treasury shares with its shareholders for a price of € 31.30 per share. The placement yield for EnBW from this transaction came to € 375.1 million.

The company has no rights, in particular dividend entitlements, from the directly or indirectly held treasury shares. In accordance with the rulings of IFRS/IAS, the treasury shares are not recognised as securities but offset against the revenue reserves. As of December 31, 2005, the amount offset against revenue reserves came to € 214.3 million.

Retained earnings of EnBW AG

Taking account of the profit carryforward of € 3.0 million and after transfer to the legal reserve of € 16.7 million, € 45.8 million to the reserve for treasury shares and € 30.0 million to other revenue reserves, retained earnings come to € 245.2 million. On April 28, 2006, the Board of Management will propose to the AGM that a dividend of € 0.88 per share be distributed from the retained earnings of EnBW AG. As of December 31, 2005, a total of 243,956,523 shares were entitled to dividends. If the AGM approves this proposal, the amount distributed by EnBW AG for fiscal 2005 will come to € 214.7 million.

The carrying amounts of EnBW AG pursuant to German commercial law were transferred to the classification of group equity pursuant to IFRS/IAS. The retained earnings of EnBW AG are disclosed under revenue reserves.

Accumulated other comprehensive income

Accumulated other comprehensive income comprises changes in the market value of marketable securities, changes from the revaluation of intangible assets, changes in the market value of cash flow hedges as well as currency translation differences from the translation of financial statements of foreign entities.

In the reporting year, income of € 39.3 million (prior year: expenses of € 37.3 million) was recognised in the income statement from the reversal of the reserve set up in the prior year to mark the financial instruments to market.

Minority interests

Minority interests relate to shares in group companies held by third parties. The minority interests relate in particular to ENSO Strom AG, ENSO Erdgas GmbH, the Energiedienst group, the EnAlpin group and EnBW Eni Verwaltungsgesellschaft mbH.

(12) Provisions

The provisions disclosed separately according to maturity are summarised for the explanations on provisions in the notes to the financial statements.

€ millions	12/31/2005	12/31/2004
Non-current provisions	8,534.0	8,546.8
Current provisions	1,286.9	1,085.9
Total	**9,820.9**	**9,632.7**
of which provisions for pensions and similar obligations	(3,768.3)	(3,776.2)
of which tax provisions	(409.1)	(360.2)
of which provisions in the nuclear power area less payments on account	(4,429.4)	(4,125.8)
of which other provisions	(1,214.1)	(1,370.5)

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 survivors. Most of them are defined benefit plans. The commitments are measured above all on the basis of the length of service and remuneration of the employees.

The provision amount corresponds to the present value of the expected future obligations less unrecognised actuarial gains and losses. The provisions are calculated using actuarial methods. Plan assets were created in accordance with IAS 19.7 and will be used exclusively to cover pension obligations. They were deducted from the pension obligations.

The main parameters of the calculation of the defined contribution plans for the domestic companies are presented below:

	12/31/2005	12/31/2004
Discount rate	4.25%	5.0%
Future expected wage and salary increases	2.85%	2.6%
Future expected pension increase	2.2%	2.2%
Staff turnover	2.0%	2.0%
Expected return on plan assets	6.0%	2.0%

The calculation is 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]	12/31/2005	12/31/2004
Personnel expenses		
Current service cost	59.4	55.5
Past service cost	0.3	0.1
Expected return on plan assets	-0.3	-0.6
Change/settlement of benefit obligations	0.0	-30.9
Actuarial gains and losses	2.8	-0.7
	62.2	**23.4**
Interest result		
Change of benefit obligations	0.0	-25.3
Interest cost	197.2	193.7
	197.2	**168.4**
Total	**259.4**	**191.8**

[1] Prior-year figures adjusted

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

€ millions[1]	12/31/2005	12/31/2004
Projected benefit obligation	4,529.9	4,006.0
of which internally financed benefits	(4,305.0)	(3,884.7)
of which externally financed benefits	(224.9)	(121.3)
Fair market value of plan assets	-101.2	-12.2
Excess coverage from benefits	8.7	0.0
Unrecognised actuarial gains/losses	-668.9	-216.9
Unrecognised past service cost	-0.2	-0.7
Provisions for pensions and similar obligations	3,768.3	3,776.2

[1] Prior-year figures adjusted

Statement of changes in plan assets

€ millions	12/31/2005	12/31/2004
Fair market value of plan assets at beginning of fiscal year	12.2	11.2
Expected return on plan assets	0.3	0.6
Transfer of assets	89.5	2.2
Benefits paid	-1.1	-1.0
Actuarial gains and losses	0.1	-0.4
Other changes	0.2	-0.4
Fair market value of plan assets at end of fiscal year	101.2	12.2

Composition of plan assets

in %	12/31/2005	12/31/2004
Shares	88	–
Fixed-interest securities	12	100
	100	100

Statement of changes in provisions
€ millions[1]

	As of 01/01/2005	Increases	Reversals
Provisions for pensions and similar obligations	3,776.2	62.2	0.0
Tax provisions	360.2	256.8	-51.2
Provisions relating to nuclear power	4,125.8	199.9	-86.3
Other provisions	1,370.5	388.3	-158.3
Total	**9,632.7**	**907.2**	**-295.8**
of which with a term of up to one year	(1,085.9)		
of which changes in the consolidated group			

[1] Prior-year figures adjusted

The provisions with a term of up to one year consist of provisions for pensions and similar obligations of € 184.7 million (prior year: € 187.9 million), tax provisions of € 348.1 million (prior year: € 271.5 million), provisions relating to nuclear power of € 125.1 million (prior year: € 0.0 million) and other provisions of € 629.0 million (prior year: € 626.5 million). The average residual term of the provisions for pensions and similar obligations as well as of the provisions relating to nuclear power is more than ten years.

The **tax provisions** contain provisions for income taxes like corporate income tax including solidarity surcharge as well as trade tax on income.

The **provisions relating to nuclear power** have been recorded for the disposal of irradiated fuel rods and radioactive waste as well as for the decommissioning and restoration of contaminated plants. They are based on public law obligations and requirements in the operating licences.

The provisions for the disposal of irradiated fuel rods and radioactive waste mainly contain the costs of reprocessing including the cost of the disposal of reprocessing waste as well as the cost of ultimate storage. The provisions are set up in an amount equivalent to the present value of the future expected obligations.

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 plants and depreciated systematically. The provisions are marked up annually.

Mark-ups	Changes posted directly to equity	Changes in consolidated companies,currency adjustments, reclassifications	Utilisations	**As of 12/31/2005**
197.2	-79.6	-1.6	-186.1	3.768.3
0.0	0.0	-2.0	-154.7	409.1
221.2	58.3	1.7	-91.2	4.429.4
20.9	-13.3	-4.6	-389.4	1.214.1
439.3	**-34.6**	**-6.5**	**-821.4**	**9.820.9**
				(1,286.9)
		(-5.9)		

The estimated costs are determined on the basis of external appraisals or based on the contractual rulings. The ultimate storage costs are calculated according to the “Scheiben-modell” generally applied in the industry. Decommissioning costs are calculated on the basis of the scenario that assumes that the plants will be removed immediately.

The provision for costs of central interim storage is calculated using the “Scheibenmodell”.

The discount rate for the calculation of the provisions in the nuclear power sector is unchanged at 5.5%. The part of the provision for the decommissioning and dismantling of the plants recognised under the generating plants amounts to € 128.6 million (prior year: € 76.2 million).

The payments on account offset against the provisions in the nuclear power sector amount to € 425.0 million (prior year: € 423.5 million).

Other provisions mainly relate to obligations for the conventional electricity and fuel procurement of € 125.1 million (prior year: € 177.6 million), personnel provisions of € 368.2 million (prior year: € 412.3 million) as well as provisions for onerous contracts from pending transactions of € 303.7 million (prior year: € 355.9 million). Other provisions are discounted using an interest rate appropriate for the term. The average rate is 4.25% (prior year: 5.0%).

(13) Deferred taxes

The measurement differences of continuing operations from the tax accounts on which deferred taxes have been recognised break down as follows:

€ millions[1]	12/31/2005		12/31/2004	
	Deferred tax assets[2]	Deferred tax liabilities[2]	Deferred tax assets[2]	Deferred tax liabilities[2]
Non-current assets	13.0	2,753.3	52.0	2,879.5
Current assets and non-current assets held for sale	238.4	522.6	149.4	113.8
Non-current liabilities	1,368.9	744.2	1,329.1	649.1
Current liabilities and non-current liabilities held for sale	507.1	40.1	132.8	71.1
Unused tax losses	288.3		564.3	
Subtotal	**2,415.7**	**4,060.2**	**2,227.6**	**3,713.5**
Offsetting	-2,372.5	-2,372.5	-2,168.7	-2,168.7
Total	**43.2**	**1,687.7**	**58.9**	**1,544.8**

[1] Prior-year figures adjusted
[2] Deferred tax assets and liabilities prior to offsetting

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 € 232.3 million (prior year: € 69.0 million). The existing unused tax losses can be carried forward for an indefinite period. According to the law to reduce tax benefits, from 2004 onwards only 60% of the current tax income can be offset against unused tax losses. The deferred taxes on the unused tax losses are comprised as follows:

€ millions	12/31/2005	12/31/2004
Corporate income tax (or comparable foreign tax)	208.3	340.1
Trade tax	80.0	224.2
Total	**288.3**	**564.3**

Deferred tax assets of € 2,372.5 million (prior year: € 2,168.7 million) were offset against deferred tax liabilities in 2005.

Deferred tax liabilities totalling € 2.6 million (prior year: € 3.0 million) were charged directly to equity against accumulated other comprehensive income.

(14) Liabilities and subsidies

The liabilities and subsidies disclosed separately according to maturity are combined for the explanations of the items in the notes to the financial statements.

€ millions[1]	12/31/2005	12/31/2004
Non-current liabilities	4,717.3	5,298.9
Current liabilities	3,741.8	3,138.3
Liabilities	**8,459.1**	**8,437.2**
Non-current subsidies	1,688.7	1,720.6
Current subsidies	92.8	91.7
Subsidies	**1,781.5**	**1,812.3**
Non-current liabilities and subsidies	6,406.0	7,019.5
Current liabilities and subsidies	3,834.6	3,230.0
Subsidies and liabilities	**10,240.6**	**10,249.5**

[1] Prior-year figures adjusted

Liabilities

€ millions[1]	12/31/2005	of which due in			12/31/2004
		< 1 year	1 – 5 years	> 5 years	
Bonds	2,860.6	65.0	1,218.9	1,576.7	3,053.7
Commercial papers	0.0	0.0	0.0	0.0	237.4
Liabilities to banks	965.6	253.4	634.1	78.1	1,369.4
Other financial liabilities	872.6	60.4	273.8	538.4	1,277.3
Financial liabilities	**4,698.8**	**378.8**	**2,126.8**	**2,193.2**	**5,937.8**
Payments received on account of orders	121.6	65.0	0.3	56.3	102.7
Trade payables	1,635.2	1,633.4	1.8	0.0	1,157.7
Liabilities to affiliated companies	7.8	7.8	0.0	0.0	3.3
Liabilities to companies in which equity investments are held	119.8	115.6	4.2	0.0	82.8
of which due to associates included at equity	(1.6)	(1.6)	(0.0)	(0.0)	(46.5)
Other deferred income	184.6	2.9	181.7	0.0	89.4
Other liabilities	1,691.3	1,538.3	7,0	146.0	1,063.5
of which taxes	(240.3)	(240.2)	(0.0)	(0.1)	(292.1)
of which relating to social security	(57.2)	(55.8)	(0.7)	(0.7)	(60.0)
Total	**8,459.1**	**3,741.8**	**2,321.8**	**2,395.5**	**8,437.2**

[1] Prior-year figures adjusted

Financial liabilities fell by € 1,239.0 million in the fiscal year 2005. Liabilities to banks were reduced in the course of the year by scheduled repayments and bond liabilities by repayment of both bonds due of € 150 million on February 2, 2005 and CHF 100 million on April 11, 2005. In addition, the outstanding commercial paper liabilities were repaid in full.

The decrease in other financial liabilities is due to scheduled repayments under finance leases and the repayment of a subordinated shareholder loan of Zweckverband Oberschwäbische Elektrizitätswerke (OEW) of € 350 million.

The maturity structure of our financial liabilities is as follows:

€ millions	Due in 2006	Due in 2007	Due in 2008	Due in 2009
Bonds	65.0	748.4	256.7	0.0
Liabilities to banks	253.4	355.1	52.7	207.6
Other financial liabilities	60.4	62.0	66.1	70.5
Financial liabilities	**378.8**	**1,165.5**	**375.5**	**278.1**

€ millions	Due in 2010	Due after 2010	Total
Bonds	213.8	1,576.7	2,860.6
Liabilities to banks	18.7	78.1	965.6
Other financial liabilities	75.2	538.4	872.6
Financial liabilities	**307.7**	**2,193.2**	**4,698.8**

The structure of the bonds is as follows:

Issuer	Issue volume	Nominal value	Coupon	Maturity
EnBW Finance B.V.	€ 65 million	€ 65.0 million	3.290%	May 5, 2006
EnBW Finance B.V.	€ 750 million	€ 748.4 million	5.125%	Feb. 28, 2007
EnBW Finance B.V.	CHF 400 million	€ 256.7 million	2.250%	Feb. 25, 2008
EnBW Finance B.V.	€ 150 million	€ 149.6 million	5.000%	Sept. 6, 2010
EnBW Finance B.V.	€ 1,000 million	€ 995.4 million	5.875%	Feb. 28, 2012
EnBW Finance B.V.	€ 500 million	€ 494.5 million	4.875%	Jan. 16, 2025
Various		€ 151.0 million		
Total bonds		**€ 2,860.6 million**		

The fair market value of the bonds as of December 31, 2005 was € 3,076.6 million, while the fair market value of the liabilities to banks came to € 1,000.9 million.

The majority of the liabilities to banks are bilateral loans.

As of December 31, 2005, EnBW AG had a fully unused contractually agreed syndicated line of credit of € 2.5 billion. In addition, the group had further free lines of credit of € 0.4 billion at its disposal.

The average interest on financial liabilities developed as follows as of December 31, 2005:

Average interest in %	12/31/2005	12/31/2004
Liabilities to banks	4.6	4.7
Bonds	4.7	4.6
Commercial papers	–	2.2
Other financial liabilities	4.8	4.7
Total financial liabilities	**4.7**	**4.5**

The year-on-year increase in average interest as of December 31, 2005 is above all attributable to the maturity of short-term financial liabilities in 2005 and the strategic alignment of the company towards long-term fixed interest agreements.

Of the liabilities to banks, € 52.3 million (prior year: € 35.2 million) is secured by property liens.

In fiscal 2005, the other financial liabilities include liabilities from finance leases. The minimum payments from such leases have the following maturities:

€ millions	Nominal value	Present value
Due within 1 year	122.0	116.5
Due in 1 to 5 years	475.7	378.2
Due in more than 5 years	662.7	377.3

Liabilities to affiliated companies relate to non-consolidated affiliated companies. Trade payables include accruals for outstanding invoices amounting to € 783.1 million (prior year: € 397.9 million). Other liabilities mainly consist of the negative market value of derivative financial instruments of € 838.8 million (prior year: € 66.3 million), liabilities from taxes of € 240.3 million (prior year: € 292.1 million) and interest obligations from bonds of € 115.8 million (prior year: € 93.3 million).

Subsidies

Subsidies include investment grants, construction cost and investment cost subsidies.

€ millions[1]	12/31/2005	12/31/2004
Investment grants	22.0	25.2
Investment subsidies	39.5	45.9
Construction cost subsidies	1,720.0	1,741.2
Total	**1,781.5**	**1,812.3**

[1] Prior-year figures adjusted

The investment grants have been awarded in accordance with Sec. 4a Investment Grant Act (InvZuIG).

The construction cost subsidies which have not yet been recognised in profit and 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.

Of the total amount of subsidies, € 1,688.7 million (prior year: € 1,720.6 million) will be recognised in profit and loss in more than one year.

(15) Non-current assets held for sale and assets of discontinued operations

Non-current assets held for sale concern land and buildings. The discontinued operations mainly consist of the Thermoselect activities and the winding up of operations already sold. The assets and liabilities disclosed net in the consolidated balance sheet break down as follows:

€ millions	12/31/2005	12/31/2004
Non-current assets held for sale	33.6	116.2
Assets of discontinued operations	34.6	42.9
	68.2	**159.1**
Liabilities of non-current assets held for sale	0.0	19.3
Liabilities of discontinued operations	58.0	82.7
	58.0	**102.0**

The result of discontinued operations that is reported separately in the income statement breaks down as follows:

€ millions	2005	2004
Notes to the income statement of discontinued operations		
Revenue	47.9	986.9
Expenses	-41.1	-980.7
Financial result	1.5	-33.0
Earnings before tax	8.3	-26.8
Income taxes	-9.2	-14.4
Earnings after tax	-0.9	-41.2
Minority interests	0.0	1.3
Result of discontinued operations	-0.9	-39.9

(16) Earnings per share

		2005	2004
Result of continuing operations	€ millions	522.5	357.7
Group net profit	€ millions[1]	521.6	317.8
Number of shares outstanding (weighted average)	thousand shares	240,961	227,281
Earnings per share from continuing operations	€	2.17	1.57
Earnings per share from continuing operations before amortisation of goodwill from capital consolidation	€	2.23	1.79
Earnings per share from group net profit	€	2.16	1.40
Dividends per share for fiscal year 2004 of EnBW AG	€	–	0.70
Proposed dividends per share for fiscal year 2005 of EnBW AG	€	0.88	–

[1] Prior-year figures adjusted

Earnings per share is determined by dividing the result 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.

Other disclosures

Accounting for financial instruments

Financial instruments include primary and derivative financial instruments.

On the assets side the primary financial instruments mainly consist of financial assets, receivables and cash and cash equivalents. On the liabilities side, they consist of liabilities. The primary financial instruments are shown in the balance sheet; the amount of the primary financial instruments indicates the maximum credit risk. Valuation allowances are recorded for any discernable credit risks.

In the course of its operating activities, investments and financing transactions, the EnBW group is exposed to financial price risks in the currency, interest and commodity area. It is company policy to exclude or limit these risks by systematic risk management. For this purpose, EnBW uses derivatives in accordance with the comprehensive risk management guidelines.

In the context of our energy trading activities, energy trading contracts are entered into for the purposes of price risk management, optimisation of power stations, burden equalisation and optimisation of margins. Trading for own account is only permitted within narrow, clearly defined boundaries.

The derivative financial instruments used to hedge against financial risks are subject to the assessment criteria such as value at risk ratios and position limit and loss limit defined in the risk management guidelines. The segregation of duties between trading and back-office processing and control are a further key element of our risk management. 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.

All derivative financial instruments which are held for trading are accounted for as assets or liabilities. Derivative financial instruments are measured at market value. The market values are derived from market rates or using generally accepted measurement methods.

Changes in the fair value of derivatives which are neither intended for own use nor qualify as cash flow hedges are recorded in the income statement.

Accounting for hedges in accordance with IAS 39 is applied in the finance area mainly for currency hedges for investments with a foreign functional currency and for interest rate hedges for non-current liabilities. In the commodity area, fluctuations of future cash flows from planned procurement and sales transactions are hedged.

Cash flow hedges

Cash flow hedges have been entered into in particular in the commodity area to cover price risks from future sales and procurement transactions as well as to limit the risk of interest rate fluctuation of variable-interest liabilities.

Changes in fair value of the hedges used – above all forward contracts and futures – are thus effectively recorded directly in accumulated other comprehensive income under equity (measurement of financial instruments at market value) until termination of the hedge.

As of December 31, 2005, the unrealised losses from derivatives came to € 123.3 million (prior year: € 9.0 million). The ineffective portion of cash flow hedges resulted in expenses of € 3.1 million as of December 31, 2005 and reclassifications from accumulated other comprehensive income in income of € 4.2 million.

As of December 31, 2005, existing underlying transactions are covered by cash flow hedges and interest hedges with terms of up to 3 years and 19 years respectively (2004: up to 3 years and 2 years respectively). In the commodity area, the terms of planned underlying transactions are no more than 3 years (2004: up to 3 years).

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 item and the hedge for an exposure are measured at fair value with effect on income.

Hedges of net investments in foreign entities

Primarily foreign currency bonds are used to hedge against foreign exchange risks from investments with a foreign functional currency. As of December 31, 2005, € 2.0 million (2004: € 0.0 million) stemming 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 pursuant to the provisions of IAS 39.

Purchases and sales are generally accounted for as of the settlement date.

Purchases and sales of fuels are made in euro, US dollars or pounds sterling.

The nominal volume of the derivatives presented below is stated net. It represents the sum of all purchase and sale amounts underlying the transactions. The amount of the nominal volume allows conclusions to be drawn about the extent to which derivatives have been used. However, it does not reflect the risk of the group as the derivative transactions are counterbalanced by underlyings with risks that run counter to that of the derivative. Collateral is provided or obtained for derivatives that are traded on stock exchanges.

Counterparty risks are measured taking into account the term of the current replacement and selling risk. In addition, these risks are analysed with reference to the current rating by the rating agency Moody's. Trading partners that do not have such an external rating are subjected to an internal rating procedure.

€ millions[1]	Hedged derivatives			
	Nominal volume		Market value	
	12/31/2005	12/31/2004	12/31/2005	12/31/2004
Forward exchange transactions				
< 1 year	86.9	16.0	3.7	0.0
1-5 years	138.3	17.6	12.7	-0.1
Electricity options and futures				
< 1 year	934.9	1,012.0	13.1	0.3
1-5 years	338.5	277.4	-56.2	-9.3
Forward electricity transactions				
< 1 year		411.3		-5.0
1-5 years		408.4		-4.8
Forward gas transactions and swaps				
< 1 year				
1-5 years				
Forward coal transactions and swaps				
< 1 year	256.3	165.7	-15.6	17.6
1-5 years	198.4	242.7	-9.0	12.1
Derivatives for emission allowances				
< 1 year		10.1		0.1
1-5 years				
Interests swaps				
Fixed interest paying				
< 1 year	79.8		0.1	
> 1 year	227.9		0.6	
Fixed interest bearing				
< 1 year	14.9		1.2	
> 1 year	285.1		23.3	
Other forward transactions and derivatives				
< 1 year		21.5	0.0	-1.4
1-5 years		23.4	0.0	-0.5
Total	**2,561.0**	2,606.1	**-26.1**	9.0

[1] Prior-year figures adjusted

The counterparty risk is based on replacement and selling risks resulting from the market value of the item in question with the individual trading partner as of the balance sheet date. Netting options agreed in master agreements concluded with the trading partner are also taken into account when determining the counterparty risk. If there is a netting agreement, positive and negative market values are netted for each trading partner. Otherwise, only positive market values are taken into consideration.

As part of the credit risk management, bilateral margin agreements have been concluded with individual trading partners. Margin payments based on such agreements are considered in the assessment of the counterparty risk.

Non-hedged derivatives				Total derivatives			
Nominal volume		Market value		Nominal volume		Market value	
12/31/2005	12/31/2004	12/31/2005	12/31/2004	12/31/2005	12/31/2004	12/31/2005	12/31/2004
600.4	63.1	3.2	-1.3	687.3	79.1	6.9	-1.3
159.8	17.6	3.3	-0.2	298.1	35.2	16.0	-0.3
521.7	352.8	13.9	-12.2	1,456.6	1,364.8	27.0	-11.9
376.3	24.6	-54.2	-0.5	714.8	302.0	-110.4	-9.8
4,124.3	1,148.0	-97.6	8.2	4,124.3	1,559.3	-97.6	3.2
934.8	108.7	20.9	4.6	934.8	517.1	20.9	-0.2
	55.2		0.3		55.2		0.3
	59.0		0.3		59.0		0.3
295.1	0.0	2.8	0.0	551.4	165.7	-12.8	17.6
62.7	0.0	-0.1	0.0	261.1	242.7	-9.1	12.1
117.4	0.0	0.9	0.0	117.4	10.1	0.9	0.1
31.8	0.0	0.6	0.0	31.8	0.0	0.6	0.0
	5.6		0.0	79.8	5.6	0.1	0.0
	7.1		-1.0	227.9	7.1	0.6	-1.0
	14.9		0.0	14.9	14.9	1.2	0.0
	285.2		2.0	285.1	285.2	23.3	2.0
184.1	0.0	12.4	0.0	184.1	21.5	12.4	-1.4
56.0	0.0	4.3	0.0	56.0	23.4	4.3	-0.5
7,464.4	**2,141.8**	**-89.6**	**0.2**	**10,025.4**	**4,747.9**	**-115.7**	**9.2**

Contingent liabilities and financial commitments

After the amended Atomic Power Act (AtG) and the amended Directive on the Coverage Provisions in the Nuclear Power Industry (AtDeckV) came into force on April 27, 2002, the German nuclear power plant operators are required to provide evidence of coverage provision up to a maximum amount of € 2.5 billion per case of damage. Of this provision, € 255.6 million is covered by uniform third party liability insurance. Nuklear Haftpflicht GbR is now restricted to a solidarity agreement to cover claims in connection with evacuation measures ordered by the authorities of between € 0.5 million and € 15 million. In proportion to their shares in nuclear power plants, group companies have undertaken to equip their operating companies with sufficient resources so that they can meet their obligations from the membership in Nuklear Haftpflicht GbR at all times.

To fulfil the subsequent coverage provision of € 2,244.4 million per case of damage, EnBW Energie Baden-Württemberg AG and the other ultimate parent companies of the German nuclear power plant operators agreed by contract dated July 11/July 27/August 21/August 28, 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 23.941% share of the liability as of December 31, 2005 and 24.948% as of January 1, 2006 plus 5% for loss settlement costs. Sufficient liquidity has been provided for in the liquidity plan.

Financial commitments from rent, lease and leasing agreements are as follows:

€ millions	12/31/2005	12/31/2004
Due within 1 year	62.6	58.2
Due in 1 to 5 years	195.9	165.3
Due in more than 5 years	47.8	65.7
Total	**306.3**	**289.2**

Financial commitments from rent agreements and leases mainly relate to warehouse and administrative buildings as well as electricity generating plants.

In the area of the fuel cycle there are long-term agreements for the purchase, conversion, enrichment, production and disposal of uranium. Long-term contracts customary for the industry have been entered into for the procurement of electricity, coal and gas.

The obligations from the provision of guarantees and securities total € 138.0 million (prior year: € 85.9 million). Other financial commitments amount to € 107.2 million (prior year: € 79.3 million). The potential financial commitments from guarantees for third-party services total € 102.8 million (prior year: € 88.7 million).

As of the balance sheet date there is a purchase obligation totalling € 1,489.2 million (prior year: € 1,217.6 million).

In the group there are capital commitments of € 86.1 million (prior year: € 63.3 million).

The acquisition of equity investments may give rise to financial commitments of up to € 969.5 million (prior year: € 1,299.8 million).

Pending litigation against group companies for which no provisions were set up on account of the unlikeliness of the counterparty winning the case could lead to unchanged potential financial commitments of up to € 45.0 million from EnBW's perspective. In addition, various court cases, investigations by authorities or proceedings and other claims are pending against group companies which are not, however, expected to be successful and are therefore not reported under contingent liabilities and financial commitments.

Audit fees

The group audit fees recorded as an expense break down as follows:

€ thousands

	2005
Statutory audit	1,788.7
Other attestation services	450.4
Tax advisory services	711.5
Other services	500.2
Total	**3,450.8**

Exemption pursuant to Sec. 264 (3) HGB and Sec. 264b HGB

The following German subsidiaries made use of the exemption provisions of Sec. 264 (3) HGB or Sec. 264b HGB in 2005 with respect to the publication of financial statements:

Exemption pursuant to Sec. 264 (3) HGB

Bautrans Umweltservice GmbH, Karlsruhe
EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH, Stuttgart
EnBW Enhol Beteiligungsgesellschaft mbH, Karlsruhe
EnBW Gas GmbH, Stuttgart
EnBW Kernkraft GmbH, Obrigheim
EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH, Stuttgart
EnBW Kraftwerke AG, Stuttgart
EnBW REG Beteiligungsgesellschaft mbH, Stuttgart
EnBW Regional AG, Stuttgart
EnBW Systeme Infrastruktur Support GmbH, Karlsruhe
EnBW Telekommunikation GmbH, Stuttgart
EnBW Trading GmbH, Karlsruhe
EnBW Transportnetze AG, Stuttgart
EnBW Vertriebs- und Servicegesellschaft mbH, Stuttgart
GEBA GmbH, Ettlingen
Kernkraftwerk Obrigheim GmbH, Obrigheim
Max Schrägle GmbH, Dunningen
MSE Mobile Schlammentwässerungs GmbH, Karlsbad-Ittersbach
Neckarwerke Stuttgart GmbH, Stuttgart
NWS Energiehandel GmbH, Stuttgart
NWS REG Beteiligungsgesellschaft mbH, Stuttgart
Objektschutzdienst Schäfer GmbH, Karlsruhe
Reisswolf Akten- und Datenvernichtungs GmbH, Waiblingen
S-plus Umweltservice GmbH, Waiblingen
TDL Ges. für anlagentechnische Dienste und kaufmännische Leistungen mbH, Karlsruhe
TEWERATIO GmbH, Stuttgart
Thermoselect Südwest GmbH Thermische Abfallbehandlungsanlagen, Karlsruhe
T-plus GmbH, Karlsruhe
TWS Kernkraft GmbH, Gemmrigheim
U-plus Umweltservice AG, Karlsruhe
Yello Strom GmbH, Cologne
Yello Strom Verwaltungs-GmbH, Karlsruhe

Exemption pursuant to Sec. 264b HGB

Alb Windkraft GmbH & Co. KG, Geislingen/Steige
EnBW Grundstücks- und Gebäudemanagement GmbH & Co. KG Karlsruhe, Karlsruhe
EnBW Grundstücks- und Gebäudemanagement GmbH & Co. KG Stuttgart, Stuttgart
EnSüdWest Energiebeteiligungen AG & Co. KG, Karlsruhe
EVGA Grundstücks- und Gebäudemanagement GmbH & Co. KG, Stuttgart
Facilma Grundbesitzmanagement und -service GmbH & Co. Besitz KG, Karlsruhe
Jürgen Stiefel GmbH & Co. KG Kunststoff-Recycling, Dettingen
KMS Kraftwerke Grundbesitzmanagement und -service GmbH & Co. Besitz KG, Karlsruhe
Koch Entsorgung GmbH & Co. KG, Metzingen
MB-plus Umweltservice GmbH & Co. KG, Bad Saulgau
NWS Grundstücksmanagement GmbH & Co. KG, Stuttgart
Salamander Marken GmbH & Co. KG, Kornwestheim
Zehner GmbH & Co. KG Entsorgungsunternehmen, Heilbronn

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 Corporation Act (AktG) on December 8, 2005 and made it permanently available to the shareholders in the internet at www.enbw.com.

The declaration of compliance of the listed subsidiary ZEAG Energie AG dated February 7, 2006 is available on the internet at www.zeag.de.

Share deals and shareholdings of persons with managerial responsibilities

The company did not receive any notices in the fiscal year 2005 on transactions with EnBW shares or related financial instruments of persons in managerial positions and persons closely related to them in accordance with Sec. 15a Securities Trading Act (Wertpapierhandelsgesetz). The total EnBW shares held by all members of the Board of Management and the Supervisory Board amount to less than 1% of the Company's shares outstanding.

Remuneration of the Board of Management

The remuneration of the members of the Board of Management of EnBW is determined by the Supervisory Board's committee for management board matters. The current remuneration system provides for a fixed and a variable component according to the categories of the Code – fixed annual basic remuneration payable in equal monthly instalments and a variable annual bonus determined by the committee for management board matters at the end of the fiscal year. The bonus thus constitutes a variable, annually recurring component of the remuneration of the Board of Management which is linked to company performance and the personal success of each board member. There are currently no components of a long-term incentive and risk nature such as stock option plans. The structure of the Board of Management remuneration system is currently under review and may be revised.

Individually and on aggregate, all remuneration components are reasonable. The criteria for assessing the appropriateness of remuneration include the responsibilities and performance of the member of the Board of Management, the economic situation, the company's success and its future prospects.

The members of the Board of Management received the following fixed remuneration in fiscal 2005:

Amounts in € **Total**	**Fixed remuneration**[1]
Prof. Dr. Utz Claassen, Chairman	727,118
Dr. Bernhard Beck LL.M.	333,881
Prof. Dr.-Ing. Thomas Hartkopf	336,619
Dr. Christian Holzherr	348,563
Pierre Lederer	332,877
Dr. h.c. Detlef Schmidt	364,535
Total	**2,443,593**

[1] Including lump-sum settlement of the additional intragroup committee work and compensation in kind, without pension claims.

The variable remuneration of the members of the Board of Management is disclosed only at the amount of the provision and not by person for the fiscal year 2005, as the committee on management board matters had not decided on the variable remuneration of the Board of Management at the time the financial statements were prepared. The provision amounts to € 8,858,943. The provision was not broken down by person as the amount is still only preliminary. The total of fixed remuneration granted and the amount of the provision for variable remuneration amounts to € 11,302,536.

The fixed remuneration of the members of the Board of Management includes compensation in kind totalling € 89,245.

No loans or advances were granted to members of the Board of Management in the fiscal year 2005. There are pension obligations in accordance with IFRS/IAS of € 7,377,476 for the current members of the Board of Management.

The remuneration of former members of the Board of Management and their surviving dependants amounted to € 3,649,987. In accordance with IFRS/IAS, € 43,638,806 has been accrued for pension commitments to former members of the Board of Management and their surviving dependants.

Remuneration of the Supervisory Board

Pursuant to the resolution of the annual general meeting on April 29, 2004, the Supervisory Board members receive fixed remuneration of € 5,000 payable at the end of a fiscal year in addition to reimbursement of their expenses. In addition, for every dividend of € 0.01 per share distributed to the shareholders in excess of a dividend amount of € 0.50 per share for the past fiscal year, they receive variable remuneration of € 300. The variable remuneration of the Supervisory Board members currently does not include any components geared towards the long-term success of the company. The Chairman of the Supervisory Board receives twice the above amounts and the Deputy Chairman receives one and a half times the above amounts. The chairman of a committee also receives one and a half times the amounts and each committee member one and a quarter times the amounts providing the committee met at least once in the fiscal year. If a member of the Supervisory Board holds several offices at the same time, he/she only receives remuneration for the highest office. Remuneration paid to Supervisory Board members who only belong to the Supervisory Board or a committee or acted as chairman for part of the fiscal year is proportionately lower.

Total remuneration may, however, not exceed € 30,000 for the Chairman of the Supervisory Board, € 22,500 for his deputy and the chairman of a committee, € 18,750 for a committee member and € 15,000 for the other Supervisory Board members.

In addition, the Supervisory Board members receive a per-meeting fee of € 300 for attending Supervisory Board meetings and committee meetings. Attendance at preliminary meetings is remunerated with € 150 per meeting; this remuneration is, however, only paid for one preliminary meeting per Supervisory Board meeting. To the extent that the Supervisory Board remuneration is subject to VAT, the members of the Supervisory Board are reimbursed for the VAT levied on their remuneration.

Provided that the annual general meeting approves the proposed dividend, total remuneration of the Supervisory Board members in fiscal 2005 (including attendance fees and remuneration for offices held in subsidiaries) will be as follows:

€	Fixed remuneration	Variable remuneration[5]	Board remuneration of subsidiaries	Total
Peter Schneider[1], Member and Chairman since July 18, 2005	6,075	10,432	2,970	19,477
Dr. Wolfgang Schürle[1], Member and Chairman until July 17, 2005	9,325	12,368	0	21,693
Rolf Koch, Deputy chairman since June 30, 2005	14,084	15,616	7,109	36,809
Peter Neubrand, Member and deputy chairman until June 27, 2005	6,958	8,339	4,417	19,714
Gisela Beller	10,750	12,500	7,669	30,919
Jean-Pierre Benqué[2], Member until January 30, 2005	411	937	0	1,348
Joachim Bitterlich	8,717	12,733	0	21.450
Marc Boudier[2]	13,150	12,500	0	25,650
Dr. Daniel Camus[2]	9,900	15,000	0	24,900
Franz Fischer[3], Member until April 06, 2005	2,844	3,748	1,651	8,243
Willi Fischer[1]	9,550	12,500	0	22,050
Christian Fontanel[2], Member until January 30, 2005	411	937	0	1,348
Josef Götz	8,300	10,000	1,944	20,244
Dietrich Herd, Member since August 22, 2005	3,030	4,857	12,380	20,267
Dr. Claus Dieter Hoffmann	9,850	12,500	0	22,350
Marianne Kugler-Wendt[3], Member since June 30, 2005	4,368	7,222	6,400	17,990
Bruno Lescœur[2], Member since January 31, 2005	6,389	10,411	0	16,800
Gerard Roth[2], Member since January 31, 2005	6,989	10,411	0	17,400
Gerhard Stratthaus[4]	5,900	10,000	0	15,900
Volker Stüber[3]	7,550	10,000	0	17,550
Siegfried Tann[1]	9,550	12,500	0	22,050
Christoph Walther	10,450	12,500	11,440	34,390
Franz Watzka	9,534	12,844	2,000	24,378
Klaus-Michael Weber	11,050	12,500	0	23,550
Alfred Wohlfart[3]	10,300	12,500	12,140	34,940
Total	**195,435**	**255,855**	**70,120**	**521,410**

[1] Pursuant to Secs. 82 – 88 Civil Service Act (LBG) in conjunction with Sec. 5 Ancillary Activities Ordinance (LNTVO), remuneration is transferred to the district.
[2] The remuneration is transferred to EDF.
[3] In accordance with the regulations of the German Federation of Trade Unions (DGB) on the transfer of supervisory board remuneration, the remuneration is transferred to the Hans-Böckler-Stiftung foundation.
[4] Applying Sec. 5 Ancillary Activities Ordinance (LNTVO) by analogy, remuneration is transferred to the German State of Baden-Württemberg.
[5] The variable remuneration for the fiscal year 2005 is subject to the resolution of the annual general meeting about the dividend amount and is paid out in fiscal year 2006.

The fixed remuneration of the members of the Supervisory Board includes per-meeting fees totalling € 73,800.

No other remuneration or benefits for services rendered personally, in particular consulting or mediation services, were paid to members of the Supervisory Board. They did not receive any loans or advances in the reporting year.

Cash flow statement

To reflect the value-oriented corporate governance and transparency of our business activities, we have made changes to the cash flow statement compared to that presented in the 2004 annual report. The main changes are:

- Construction cost and investment subsidies received are disclosed in the cash flow from investing activities instead of the operating cash flow.
- Interest and dividends received are disclosed in the cash flow from investing activities instead of the operating cash flow.
- Interest paid is disclosed in the cash flow from financing activities instead of the operating cash flow.
- Cash and cash equivalents also include short-term bonds and mortgage bonds.

The figures for fiscal 2004 have been adjusted to the new definition of 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 2005 of € -495.0 million (prior year: € 965.2 million).

Effects of changes in the consolidation group have been eliminated from the respective items of the three areas of activity.

The cash flows of discontinued operations are contained in the cash flows from operating, investing and financing activities pursuant to IFRS 5.33c and disclosed separately.

In the fiscal year 2005, the cash flow from operating activities was € 1,329.9 million (prior year: € 1,545.7 million).

In the fiscal year 2005, € 48.1 million was distributed to minority interests of group companies (prior year: € 34.8 million).

Cash and cash equivalents break down as follows:

Cash and cash equivalents in € millions[1]	**12/31/2005**	12/31/2004
Short-term bonds and mortgage bonds	47.6	34.4
Cash and cash equivalents	1,426.4	1,934.1
Total	**1,474.0**	**1,968.5**

[1] Prior-year figures adjusted

Of the cash and cash equivalents, € 15.4 million is attributable to companies consolidated on a proportionate basis.

The group's total net financial debt splits up as follows:

Net financial debt in € millions[1]	**12/31/2005**	12/31/2004
Cash[2]	1,204.5	1,695.5
Short-term investments	210.4	303.8
Cash and cash equivalents	**1,414.9**	**1,999.3**
Bonds	2,860.6	3,053.7
Commercial papers	0.0	237.4
Liabilities to banks	965.6	1,369.4
Other financial liabilities	872.6	1,277.3
Financial liabilities	**4,698.8**	**5,937.8**
Net financial debt	**3,283.9**	**3,938.5**

[1] Prior-year figures adjusted
[2] Without cash of the special purpose fund

Segment reporting

By business segment € millions[1]	Electricity		Gas	
	2005	2004	2005	2004
External sales	8,150.2	7,088.9	2,101.7	1,540.6
Internal sales	79.5	95.0	81.5	67.9
Total sales	8,229.7	7,183.9	2,183.2	1,608.5
EBITDA	1,780.3	1,765.1	219.6	194.4
EBIT	1,202.9	1,131.0	129.7	115.7
Result from investments accounted for at equity	73.8	80.1	0,0	0.2
Amortisation and depreciation	-541.1	-562.5	-77.4	-75.9
Impairment losses	-36.1	-44.1	-12.6	-2.8
Other significant non-cash expenses	-152.6	-229.1	-31.5	-32.3
Capital expenditures	356.3	264.6	54.5	46.8
Segment assets	11,919.8	10,901.9	2,583.0	2,589.5
Segment liabilities	8,927.7	8,410.8	663.8	617.8
Carrying amount of shares in companies accounted for at equity	1,249.6	1,023.8	0.0	7.1
Goodwill	419.1	416.2	49.6	45.9
Number of employees as of December 31	12,262	12,500	675	639

[1] Prior-year figures adjusted

The objective of the segment reporting is to provide information about the main business operations of the group. At the same time, it is designed to give an insight into the risk and opportunity structure of a diversified group. The segmentation of the business areas and regions in the EnBW group follows the internal reporting. The structure and content of the internal reporting also provides a fair view of the risk and opportunity structure of the various business segments.

The segment figures have been determined in accordance with the recognition and measurement methods used in the consolidated financial statements.

The segment reporting comprises the segments electricity, gas as well as energy and environmental services.

The electricity segment comprises the value added stages generation, procurement, transportation/distribution and sales. The gas segment consists of the procurement, transportation, distribution and sale of gas. The energy and environmental services segment includes the areas thermal and non-thermal disposal, water and other services.

The holding/consolidation segment contains consolidation effects, EnBW AG as well as other activities not allocable to the other segments.

In the fiscal year 2005, allocable costs of the holding as well as income from intercompany services were for the first time allocated to the individual segments using allocation keys in order to increase the transparency of the segment reporting. The prior-year figures have been adjusted accordingly.

Energy and environmental services		Holding/ Consolidation		Total	
2005	2004	2005	2004	2005	2004
517.4	494.8	0.0	0.0	10,769.3	9,124.3
324.8	366.7	-485.8	-529.6	0.0	0.0
842.2	861.5	-485.8	-529.6	10,769.3	9,124.3
139.6	176.3	-85.2	-91.3	2,054.3	2,044.5
71.1	87.1	-85.2	-91.3	1,318.5	1,242.5
13.7	14.4	0.0	9.3	87.5	104.0
-61.5	-88.9	0.0	0.0	-680.0	-727.3
-7.1	-27.8	0.0	0.0	-55.8	-74.7
-22.0	-47.8	-15.5	-29.2	-221.6	-338.4
136.2	106.3	0.0	0.0	547.0	417.7
1,236.3	1,255.1	214.7	148.0	15,953.8	14,894.5
464.4	583.2	4,889.9	3,988.4	14,945.8	13,600.2
86.8	108.7	0.0	0.0	1,336.4	1,139.6
38.3	37.6	0.0	0.0	507.0	499.7
4,340	4,654	487	382	17,764	18,175

Internal sales show the level of sales between group companies. Intrasegment sales were made at market prices. The segmentation of capital expenditures, assets and gross debts was performed within the EnBW group itself. Reconciliation of the segment assets and segment liabilities to gross assets and gross liabilities is as follows:

€ millions[1]	12/31/2005	12/31/2004
Gross assets pursuant to the balance sheet	**25,119.1**	**23,927.5**
Non-current financial assets (without investment properties)	-7,141.1	-6,276.7
Non-current receivables from affiliated companies	-14.2	0.0
Deferred taxes	-43.2	-58.9
Current financial assets	-257.8	-444.7
Current receivables from affiliated companies	-11.1	-1.0
Income tax refund claims	-236.9	-274.7
Cash and cash equivalents	-1,426.4	-1,934.1
Assets of discontinued operations	-34.6	-42.9
Segment assets	**15,953.8**	**14,894.5**
Gross liabilities pursuant to the balance sheet	**21,807.2**	**21,529.0**
Non-current financial liabilities	-4,320.0	-4,935.9
Non-current liabilities to affiliated companies	0.0	-3.3
Deferred taxes	-1,687.7	-1,544.8
Current financial liabilities	-378.8	-1,001.9
Current liabilities to affiliated companies	-7.8	0.0
Tax provisions	-409.1	-360.2
Liabilities of discontinued operations	-58.0	-82.7
Segment liabilities	**14,945.8**	**13,600.2**

[1] Prior-year figures adjusted

In accordance with the risk and opportunities structure, the segment reporting by region comprises the regions Germany, European Monetary Union without Germany, rest of Europe and rest of world.

By region

€ millions[1]	2005	2004
External sales		
Germany	10,149.9	8,593.4
European Monetary Union without Germany	302.4	246.4
Rest of Europe	316.0	283.9
Rest of world	1.0	0.6
	10,769.3	**9,124.3**
Segment assets		
Germany	14,338.6	13,288.3
European Monetary Union without Germany	2.2	19.1
Rest of Europe	1,613.0	1,587.1
	15,953.8	**14,894.5**
Capital expenditures		
Germany	491.9	377.0
European Monetary Union without Germany	0.1	0.2
Rest of Europe	55.0	40.5
	547.0	**417.7**

[1] Prior-year figures adjusted

Related parties

Related parties include Electricité de France (EDF) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW). The financial statements of EnBW 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 Energie Baden Württemberg AG:

€ millions[1]	2005	2004
Income statement		
Sales	312.5	175.7
Cost of materials	334.6	267.4

[1] Prior-year figures adjusted

€ millions[1]	12/31/2005	12/31/2004
Balance sheet		
Other loans	3.1	10.4
Receivables	63.6	29.3
Payments on account	32.2	34.9
Liabilities	71.1	19.5

[1] Prior-year figures adjusted

The sales and costs of materials mainly result from electricity supply and electricity procurement agreements. All business relations with EDF are at arm's length.

Relationships also exist with municipal associates (in particular municipal utilities) which were valued at equity. The exchange of services and supplies with these organisations took place on customary market terms.

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

Disclosures concerning franchises

Franchise agreements in the areas electricity, gas, district heating and water are in place between the individual companies in the EnBW group and the municipalities. The term of the majority of the franchise agreements is 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 subsequent network operator in return for reasonable compensation unless the franchise agreement is extended.

Subsequent events

In January 2006, EnBW sold its 33.11% share in the Wroclaw district heat distributor Miejskie Przedsiebiorstwo Energetyki Cieplnej Wroclaw S.A. (MPEC). The purchaser is a strategic investor which also purchased the majority shareholding in MPEC from the city of Wroclaw.

The Court of First Instance of the European communities in Luxembourg rejected the suit of three public utilities against the EU Commission and ruled that the German ruling on tax exemption for the provisions regarding the costs of disposal and the closure of nuclear power plants does not constitute government assistance. The court shared the interpretation of the EU Commission and the nuclear power plant operators that both the tax exemption ruling and also the details of the disputable tax ruling by the administration do not represent preferential treatment of the nuclear power plants which would fall under the definition of government assistance. This means that the court has also recognised the commercial law principle of prudence according to which all taxable companies have to consider the financial cover of the foreseeable burdens which occurred at the closing date of the financial statements. When the annual report went to print, the public utilities that lost the case still had time to file an appeal limited to legal questions with the European Court of Justice.

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 events, 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.

Declaration of the Board of Management

The Board of Management of EnBW Energie Baden-Württemberg AG is responsible for the preparation, completeness and correctness of the consolidated financial statements and the group management report as well as other information provided in the annual report. The principles of the International Financial Reporting Standards/International Accounting Standards (IFRS/IAS) have been observed when preparing the consolidated financial statements in accordance with Sec. 315a (1) HGB. The figures for the prior year have been calculated according to the same principles.

An effective internal control and management system, the use of uniform instructions and continuous staff training ensure the reliability of the data contained in the consolidated financial statements and the group management report. Adherence to legal provisions and uniform group accounting instructions as well as the internal control and management system are subject to constant monitoring.

The risk management system satisfies the legal requirements. It is designed to allow the Board of Management to recognise risks in good time and to implement countermeasures if necessary.

Karlsruhe, February 10, 2006

Prof. Dr. Claassen	Dr. Beck LL.M.	Prof. Dr.-Ing. Hartkopf
Dr. Holzherr	Lederer	Dr. h.c. Schmidt

Audit opinion

We have audited the consolidated financial statements prepared by EnBW Energie Baden-Württemberg AG, Karlsruhe, comprising the balance sheet, the income statement, the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements, together with the group management report which has been combined with the management report of the company, for the fiscal year from January 1 to December 31, 2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) German Commercial Code (HGB) are the responsibility of the group's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and Germany generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) as well as the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Stuttgart, February 10, 2006
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert
Wirtschaftsprüfer
[German Public Auditor]

Benzenhöfer
Wirtschaftsprüferin
[German Public Auditor]

Additional information to the financial statements of the EnBW group

Parent company

EnBW Energie Baden-Württemberg AG
Durlacher Allee 93
76131 Karlsruhe
Germany
www.enbw.com

Offices held by members of the Board of Management*

Prof. Dr. Utz Claassen

(1) EnBW Beteiligungen AG, formerly: Salamander AG (Chairman)
Stadtwerke Düsseldorf AG
Stadtwerke Karlsruhe GmbH (until June 30, 2005)
Vivascience AG (until October 10, 2005)

(2) Otto Bock Holding GmbH & Co. KG, advisory board

Dr. Bernhard Beck LL.M.

(1) DREWAG-Stadtwerke Dresden GmbH
EnBW Beteiligungen AG, formerly: Salamander AG
EnBW Kernkraft GmbH (until July 21, 2005)
EnBW Kraftwerke AG
EnBW Systeme Infrastruktur Support GmbH (Chairman)
EnBW Vertriebs- und Servicegesellschaft mbH
Energiedienst AG
ENSO Strom AG, formerly: ESAG Energieversorgung Sachsen Ost AG
GESO Beteiligungs- und Beratungs-AG
Grosskraftwerk Mannheim AG (until May 11, 2005)
Obere Donau Kraftwerke AG (until April 20, 2005)
SOMENTEC Software AG (Chairman)

(2) EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (Chairman)
Energiedienst Holding AG
EnSO Energie Sachsen Ost GmbH
Gasversorgung Süddeutschland GmbH
SaarPOWER GmbH (Chairman, until July 12, 2005)
Skandinavisk Kraftmegling AS i.L.
Stadtwerke Völklingen GmbH (until July 12, 2005)
TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH (Chairman)
Teweratio GmbH (Chairman)

Prof. Dr.-Ing. Thomas Hartkopf

(1) Elektrizitätswerk Rheinau AG (until April 30, 2005)
EnBW Kernkraft GmbH (Chairman)
EnBW Kraftwerke AG (Chairman)
EnBW Transportnetze AG
Energiedienst AG (since March 18, 2005)
Grosskraftwerk Mannheim AG
Kraftwerk Reckingen AG (Chairman, until March 23, 2005)
Rheinkraftwerk Säckingen AG (Chairman, until March 23, 2005)
Schluchseewerk AG (Chairman)
U-plus Umweltservice AG (Chairman)

(2) Amata Power Ltd. (until March 31, 2005)
Centrale Electrique Rhénane de Gambsheim SA (until June 1, 2005)
EnAlpin AG (President)
EnBW Trading GmbH
Energiedienst Holding AG (since March 18, 2005)
Kernkraftwerk Obrigheim GmbH
Kraftwerk Ryburg-Schwörstadt AG (until April 30, 2005)
Rheinkraftwerk Iffezheim GmbH (Chairman, until June 1, 2005)
Vorarlberger Illwerke AG

Dr. Christian Holzherr

(1) Elektrizitätswerk Mittelbaden Verwaltungsaktiengesellschaft (until July 27, 2005)
EnBW Systeme Infrastruktur Support GmbH (until May 31, 2005)
EnBW Vertriebs- und Servicegesellschaft mbH (since April 1, 2005)
ZEAG Energie AG (Chairman, until December 31, 2005)

(2) Elektrizitätswerk Mittelbaden AG & Co. KG (until July 27, 2005)
EnBW Trading GmbH (since March 4, 2005)
Heilbronner Versorgungs GmbH (until December 31, 2005)
Zweckverband Bodensee-Wasserversorgung (until March 18, 2005)

Pierre Lederer

(1) Deutsche Steinkohle AG
EnBW Kernkraft GmbH (until April 25, 2005)
EnBW Kraftwerke AG
EnBW Regional AG (Chairman)
EnBW Transportnetze AG (Chairman)
EnBW Vertriebs- und Servicegesellschaft mbH
Energiedienst AG (since March 18, 2005)
ENSO Strom AG, formerly: ESAG Energieversorgung Sachsen Ost AG (until April 12, 2005)
GESO Beteiligungs- und Beratungs-AG (until April 12, 2005)
Rheinkraftwerk Säckingen AG (until March 23, 2005)

(2) EnBW Gas GmbH (Chairman)
EnBW Trading GmbH (Chairman)
Energiedienst Holding AG (since March 18, 2005)
EnSO Energie Sachsen Ost GmbH (until April 11, 2005)
Gasversorgung Sachsen Ost GmbH (until April 12, 2005)
Gasversorgung Süddeutschland GmbH (Chairman)
Skandinavisk Kraftmegling AS i.L.

Dr. h.c. Detlef Schmidt

(1) EnBW Regional AG
EnBW Vertriebs- und Servicegesellschaft mbH (Chairman)
ENSO Strom AG, formerly: ESAG Energieversorgung Sachsen Ost AG (Chairman)
GESO Beteiligungs- und Beratungs-AG (Chairman)
Stadtwerke Düsseldorf AG

(2) EnBW Trading GmbH
EnSO Energie Sachsen Ost GmbH (Chairman)
Gasversorgung Sachsen Ost GmbH

* (1) Membership in statutory supervisory boards
(2) Membership in comparable domestic and foreign control bodies of business organisations

Disclosures pursuant to Sec. 285 Sentence 1 No 10 HGB, as of February 10, 2006.

Other offices held by the Supervisory Board members*

Peter Schneider
(Chairman)

(1) LEG Landesentwicklungsgesellschaft Baden-Württemberg mbH
Öchsle-Bahn AG (Chairman)

(2) Donau-Iller-Nahverkehrsverbundgesellschaft mbH (until November 16, 2005)
Kliniken Landkreis Biberach GmbH (Chairman)
Kreissparkasse Biberach, Anstalt des öffentlichen Rechts (Chairman)
Zweckverband Oberschwäbische Elektrizitätswerke (Chairman)

Rolf Koch
(Deputy Chairman)
(1) EnBW Regional AG
(2) Betriebskrankenkasse Energieverbund, Körperschaft des öffentlichen Rechts
EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (until October 31, 2005)
TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH
Teweratio GmbH

Gisela Beller
(1) EnBW Systeme Infrastruktur Support GmbH
(2) TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH
Teweratio GmbH

Joachim Bitterlich
(2) Veolia Propreté SA
Veolia Transport SA

Marc Boudier
(2) Aare Tessin SA d'Electricité
Dalkia International SA (until February 21, 2005)
EDF Belgium SA (Chairman)
EDF International SA (since June 27, 2005)
EDF Peninsula Ibérica SLU (Chairman, since April 20, 2005)
Edison spa (since October 28, 2005)
ESTAG Energie Steiermark Holding AG
Transalpina di Energia SRL (since July 29, 2005)

Dr. Daniel Camus
(1) Morphosys AG
(2) Dalkia Holding SA
EDF Energy plc (Chairman, since March 14, 2005)
EDF International SA (Chairman)
Edison spa (since November 4, 2005)
Transalpina di Energia SRL (since July 29, 2005)

Willi Fischer
(1) Hohenzollerische Landesbahn AG
(2) Sparkasse Zollernalb, Anstalt des öffentlichen Rechts (Chairman)
Verkehrsverbund Neckar-Donau (Naldo) GmbH (Chairman)
Wirtschaftsförderungsgesellschaft für den Zollernalbkreis GmbH (Chairman)
Zollernalb Klinikum gGmbH (Chairman)
Zweckverband Oberschwäbische Elektrizitätswerke

Josef Götz
(1) EnBW Regional AG (since September 28, 2005)
(2) Zweckverband Bodensee-Wasserversorgung

Dietrich Herd
(1) EnBW Kernkraft GmbH
EnBW Kraftwerke AG
(2) Betriebskrankenkasse Energieverbund, Körperschaft des öffentlichen Rechts (since June 1, 2005)
TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH
Teweratio GmbH

Dr. Claus Dieter Hoffmann
(1) Bauerfeind AG
Jowat AG
(2) ING Group NV

Marianne Kugler-Wendt
(1) EnBW Kraftwerke AG
SLK-Kliniken Heilbronn GmbH
(2) Heilbronner Versorgungs GmbH
Kreissparkasse Heilbronn, Anstalt des öffentlichen Rechts (Deputy member)
Stadtwerke Heilbronn GmbH

Bruno Lescœur
(2) Dalkia International SA (since February 21, 2005)
EDF International SA (since March 22, 2005)
EDF Trading SA (since January 31, 2005)
Light Serviços de Electricidade SA (since November 30, 2005)

Gérard Roth
None

Gerhard Stratthaus
(1) Baden-Württembergische Bank AG (Chairman, until July 31, 2005)
Badische Staatsbrauerei Rothaus AG (Chairman)
(2) Landesbank Baden-Württemberg, Anstalt des öffentlichen Rechts (since May 11, 2005)
Landeskreditbank Baden-Württemberg – Förderbank, Anstalt des öffentlichen Rechts
Landesstiftung Baden-Württemberg gGmbH
Zentrum für Europäische Wirtschaftsförderung GmbH (Chairman)

Volker Stüber
None

Siegfried Tann
(2) ABK-Abfallwirtschaftsgesellschaft mbH des Bodenseekreises und des Kreises Konstanz (Chairman, since January 1, 2006)
Bodensee-Oberschwaben Verkehrsverbundgesellschaft mbH (Chairman)
Klinik Tettnang GmbH (Chairman, until June 30, 2005)
Landesbausparkasse Baden-Württemberg, Anstalt des öffentlichen Rechts
Sparkasse Bodensee, Anstalt des öffentlichen Rechts (Chairman, since January 1, 2006)
Zweckverband Oberschwäbische Elektrizitätswerke

Christoph Walther
(1) ENSO Strom AG, formerly ESAG Energieversorgung Sachsen Ost AG
EnSO Energie Sachsen Ost GmbH

Franz Watzka
(1) EnBW Kernkraft GmbH

Klaus-Michael Weber
None

Alfred Wohlfart
(1) EnBW Kraftwerke AG
EnBW Regional AG

Jean-Pierre Benqué
None

Franz Fischer
(1) EnBW Regional AG (until April 6, 2005)

Christian Fontanel
(2) Dalkia International SA (until February 2, 2005)
Electricité de Strasbourg SA (until February 18, 2005)

Peter Neubrand
(1) EnBW Regional AG (until June 27, 2005)
(2) Betriebskrankenkasse Energieverbund, Körperschaft des öffentlichen Rechts (Chairman, until June 27, 2005)

Dr. Wolfgang Schürle
(1) Donau-Iller-Nahverkehrsverbund-gesellschaft mbH (until July 17, 2005)
Krankenhaus-GmbH Alb-Donau-Kreis (Chairman, until July 17, 2005)
Kreisbau-GmbH Ulm (Chairman, until July 17, 2005)
(2) Fernwärme Ulm GmbH (until July 17, 2005)
Landesbausparkasse Baden-Württemberg, Anstalt des öffentlichen Rechts (until July 17, 2005)
Sparkasse Ulm, Anstalt des öffentlichen Rechts (until July 17, 2005)
Zweckverband Oberschwäbische Elektrizitätswerke (Chairman, until July 17, 2005)
Zweckverband Thermische Abfallverwertung Donautal (until July 17, 2005)

* (1) Membership in other statutory supervisory boards
(2) Membership in comparable domestic and foreign control bodies of business organisations

Disclosures pursuant to Sec. 285 Sentence 1 No 10 HGB, as of February 10, 2006.

Advisory Board

Dr. Wolfgang Schürle
Former chairman of the Supervisory Board of EnBW, former district administrator of the Ulm district
Member since July 18, 2005
Chairman since December 16, 2005

Dr.-Ing. e.h. Heinz Dürr
Chairman of the supervisory board of Dürr AG, Berlin
Deputy chairman

Jean-Pierre Benqué
Directeur Général Adjoint Commerce at Electricité de France SA, Paris
Member since February 1, 2005

Marc Boudier
Directeur Europe at Electricité de France SA, Paris

Dr. rer. nat. Joachim Dreyer
Former chairman of the management board of debitel AG, Stuttgart

Joachim Erwin
Lord Mayor of Düsseldorf

Dr. Andreas Fabritius
Lawyer at Freshfields Bruckhaus Deringer, Frankfurt

Walter Frey
Chairman of the management board of Emil Frey AG, Zurich

Dr. Monika Gommolla
Chairwoman of the supervisory board of Maritim Hotelgesellschaft mbH, Bad Salzuflen

Dipl.-Ing. Karl Haase
General manager of Edelstahlwerke Südwestfalen GmbH, Siegen

Dr. Franz Wilhelm Hopp
Former member of the management board of ERGO Versicherungsgruppe AG, Düsseldorf

Dr. Klaus Kinkel
Former Vice Chancellor, St. Augustin

Dr. Rolf Linkohr
Special advisor to the EU Commissioner for Energy, Stuttgart

Roland Mack
Managing partner of Europa-Park, Rust

Dr. Klaus Mangold
Executive advisor to the chairman of DaimlerChrysler Bank AG, Stuttgart

Gerhard Mayer-Vorfelder
Former Finance Minister of the State of Baden-Württemberg, President of the German Football Association, Stuttgart
Chairman until December 15, 2005

Dr.-Ing. e.h. Hartmut Mehdorn
Chairman of the management board of Deutsche Bahn AG, Berlin

Dr.-Ing. e.h. Peter Mihatsch
Former member of the management board of Mannesmann AG, Sindelfingen

Thomas Oppermann
Member of the German parliament, Göttingen

Prof. Dr. Dres. h.c. Arnold Picot
Director of the Institute for Information, Organisation and Management, University of Munich
Member until December 31, 2005

Dr. Wolf Hartmut Prellwitz
Honorary chairman of the supervisory board of IWKA AG, Karlsruhe

Urs B. Rinderknecht
General director of UBS AG, Zurich

Dr. Sieghardt Rometsch
Chairman of the supervisory board of HSBC Trinkaus & Burkhardt KGaA, Düsseldorf

Hans-Joerg Rudloff
Chairman of the Executive Committee of Barclays Capital, London

Hans Dietmar Sauer
Former chairman of the management board of Landesbank Baden-Württemberg, Karlsruhe

Rezzo Schlauch
Former parliamentary state secretary, lawyer, Stuttgart
Member since October 1, 2005

Dr. Wolfgang Schuster
Lord Mayor of Stuttgart

Prof. Dr. Dr. h.c. Bernhard Servatius
Lawyer at Treubesitz GmbH, Hamburg

Karl Starzacher
Counsel at White & Case, Feddersen, Düsseldorf

Erwin Staudt
President of VfB Stuttgart 1893 e.V., Stuttgart

Dr. Willi Steul
Deputy director of the radio station SWR, regional broadcasting director for Baden-Württemberg, Stuttgart
Member since July 1, 2005

Prof. Dr. Dr. h.c. mult. Rita Süssmuth
Former President of the German parliament, Berlin

Willem G. van Agtmael
Managing partner of E. Breuninger GmbH & Co., Stuttgart

Dr. Theo Waigel
Former government minister, lawyer at GSK-Gassner Stockmann und Kollegen, Munich

Prof. Dr.-Ing. Hartmut Weule
Professor at the University of Karlsruhe, Institute for machine tools and operating technology, Karlsruhe

Matthias Wissmann
Former government minister, member of the German parliament, chairman of the committee for European Union affairs, Berlin

Horst R. Wolf
Chairman of Verband für industrielle Energie- und Kraftwirtschaft e.V., Nussloch
Member until June 30, 2005

As of February 10, 2006

Major shareholdings of EnBW Energie Baden-Württemberg AG

Holding

		Footnote	Registered office	Capital share[1] %	Equity[1] (€ thousands)	Result[1] (€ thousands)	Sales[1] (€ thousands)
	EnBW Energie Baden-Württemberg AG		Karlsruhe		1,200,447	334,721	0
	Neckarwerke Stuttgart GmbH		Stuttgart	100.00	615,742	32,335	0

Electricity segment

Fully consolidated companies

		Footnote	Registered office	Capital share[1] %	Equity[1] (€ thousands)	Result[1] (€ thousands)	Sales[1] (€ thousands)
1	EnAlpin AG	2	Visp/Switzerland	100.00	159,550	8,059	68,383
2	EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH		Stuttgart	100.00	297,640	- [3]	65,306
3	EnBW Kraftwerke AG		Stuttgart	100.00	1,062,772	- [3]	2,075,797
4	EnBW Regional AG		Stuttgart	100.00	1,443,025	- [3]	1,799,240
5	EnBW Trading GmbH		Karlsruhe	100.00	2,560	- [3]	5,306,720
6	EnBW Transportnetze AG		Stuttgart	100.00	144,259	- [3]	1,413,351
7	EnBW Vertriebs- und Servicegesellschaft mbH		Stuttgart	100.00	15,164	- [3]	4,069,370
8	EVGA Grundstücks- und Gebäudemanagement GmbH & Co. KG		Stuttgart	100.00	90,109	5,537	36,506
9	Facilma Grundbesitzmanagement und -service GmbH & Co. Besitz KG		Karlsruhe	100.00	132,306	-463	13,741
10	GESO Beteiligungs- und Beratungs-AG		Dresden	100.00	102,258	- [3]	1,219
11	Kernkraftwerk Obrigheim GmbH		Obrigheim	100.00	52,225	1,096	39,602
12	KMS Kraftwerke Grundbesitzmanagement und -service GmbH & Co. Besitz KG		Karlsruhe	100.00	269,588	-4,436	11,273
13	NWS Grundstücksmanagement GmbH & Co. KG		Stuttgart	100.00	289,998	39,601	57,333
14	TWS Kernkraft GmbH		Gemmrigheim	100.00	149,297	- [3]	290,256
15	Watt Deutschland GmbH		Frankfurt am Main	100.00	3,496	277	126,770
16	Yello Strom GmbH		Köln	100.00	500	- [3]	653,325
17	EnBW Kernkraft GmbH		Obrigheim	99.80	10,994	950	440,162
18	EnBW Ostwürttemberg DonauRies AG		Ellwangen	99.61	105,442	- [3]	312,627
19	ZEAG Energie AG		Heilbronn	98.20	91,368	11,340	89,282
20	Energiedienst Holding AG	2	Laufenburg/Switzerland	75.97	497,500	57,900	449,100
21	ENSO Strom AG (formerly: ESAG Energieversorgung Sachsen Ost AG)		Dresden	68.91	279,970	51,573	622,128
22	Kraftwerk Bexbach Verwaltungsgesellschaft mbH		Bexbach an der Saar	66.66	23,010	1,151	2,723

Proportionately consolidated companies

		Footnote	Registered office	Capital share[1] %	Equity[1] (€ thousands)	Result[1] (€ thousands)	Sales[1] (€ thousands)
23	Fernwärme Ulm GmbH	4	Ulm	50.00	21,178	1,905	41,464
24	Industriekraftwerk Baienfurt OHG		Baienfurt	50.00	10,343	6,690	34,054
25	Prazská energetika Holding a.s.		Prague/Czech Republic	49.00	161,113	11,777	0
26	Prazská teplárenská Holding a.s.		Prague/Czech Republic	49.00	91,938	11,351	0

	Companies included at equity	Footnote	Registered office	Capital share[1] %	Equity[1] (€ thousands)	Result[1] (€ thousands)	Sales[1] (€ thousands)
27	Stadtwerke Düsseldorf AG	5	Düsseldorf	29,90	355.869	46.697	1.069.510
28	EVN Energieversorgung Niederösterreich Aktiengesellschaft	4	Maria Enzersdorf/Austria	29,74	2.285.407	144.358	1.609.530
29	Budapesti Elektromos Müvek Rt. (ELMÜ)	5	Budapest/Hungary	27,25	278.542	58.757	769.596
30	Eszak-Magyarországi Áramszolgáltató Rt. (EMASZ)	5	Miskolc/Hungary	26,83	133.900	10.535	303.180
31	Elektrownia Rybnik S.A.	5	Rybnik/Poland	26,08	329.326	20.979	349.118
32	Mátrai Erömü Rt. (MATRA)	5	Visonta/Hungary	21,71	171.701	30.111	199.777

	Other equity investments						
33	e.wa.riss GmbH & Co. KG	5	Biberach	50.00	9,794	5,428	41,791
34	Schluchseewerk Aktiengesellschaft	5	Freiburg	50.00	59,339	2,809	69,765
35	Stadtwerke Esslingen am Neckar GmbH & Co. KG	5	Esslingen am Neckar	49.98	54,353	2,179	59,337
36	Energie- und Wasserwerke Bautzen GmbH	5	Bautzen	49.00	15,399	6,079	35,506
37	Stadtwerke Weinheim GmbH	5	Weinheim	39.72	16,867	2,582	38,696
38	Kraftwerk Ryburg-Schwörstadt AG	4	Rheinfelden/Switzerland	38.00	24,830	1,182	6,568
39	DREWAG-Stadtwerke Dresden GmbH	5	Dresden	35.00	301,782	69,044	543,067
40	Elektrizitätswerk Mittelbaden AG & Co. KG	5	Lahr	34.74	49,429	21,575	162,380
41	Miejskie Przedsiebiorstwo Energetyki Cieplnej Wroclaw S.A.	5, 6	Wroclaw/Poland	33.11	110,904	2,326	66,716
42	Grosskraftwerk Mannheim AG	5	Mannheim	32.00	114,142	6,647	342,422
43	Stadtwerke Elbtal GmbH	5	Coswig	30.00	7,417	7,358	38,299
44	Stadtwerke Nürtingen GmbH	5	Nürtingen	29.41	27,726	1,946	34,759
45	Albwerk GmbH & Co. KG	5	Geislingen an der Steige	25.10	10,179	8,827	62,500
46	Energie- und Wasserversorgung Bruchsal GmbH	5	Bruchsal	25.10	21,993	4,750	41,251
47	ENRW Energieversorgung Rottweil GmbH & Co. KG	5	Rottweil	25.10	19,408	403	55,572
48	Stadtwerke Schwäbisch Gmünd GmbH	5	Schwäbisch Gmünd	25.10	22,701	3,510	56,313
49	Stadtwerke Sindelfingen GmbH	5	Sindelfingen	25.10	25,185	4,709	58,140
50	Technische Werke Schussental GmbH & Co. KG	5	Ravensburg	25.10	22,924	5,705	50,222
51	FairEnergie GmbH	5	Reutlingen	24.90	87,466	22,196	220,871
52	Stadtwerke Karlsruhe GmbH	5	Karlsruhe	20.00	165,710	18,695	404,583
53	Zespól Elektrocieplowni Wroclawskich Kogeneracja S.A.	5	Wroclaw/Poland	15.59	126,244	6,786	94,482
54	MVV Energie AG	4	Mannheim	15.05	853,603	33,986	1,957,592

Major shareholdings of EnBW Energie Baden-Württemberg AG

Gas segment

	Fully consolidated companies	Footnote	Registered office	Capital share[1] %	Equity[1] (€ thousands)	Result[1] (€ thousands)	Sales[1] (€ thousands)
55	EnBW Gas GmbH		Stuttgart	100.00	133,862	- [3]	620,430
56	ENSO Erdgas GmbH (formerly Gasversorgung Sachsen Ost GmbH)		Dresden	100.00	44,490	- [3]	314,120
57	Gasversorgung Süddeutschland GmbH	7	Stuttgart	100.00	76,694	- [3]	1,942,562
	Proportionately consolidated companies						
58	Erdgas Südwest GmbH	8	Karlsruhe	51.00	40,625	10,231	116,979
	Equity investments						
59	Heilbronner Versorgungs GmbH	5	Heilbronn	25.10	36,375	4,655	76,222
60	GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG	5	Dresden	23.50	1,278	7,577	23,036

Energy and environmental services segment

	Fully consolidated companies	Footnote	Registered office	Capital share[1] %	Equity[1] (€ thousands)	Result[1] (€ thousands)	Sales[1] (€ thousands)
61	EnBW Energy Solutions GmbH		Stuttgart	100.00	27,222	3,473	53,173
62	EnBW Grundstücks- und Gebäudemanagement GmbH & Co. KG Karlsruhe		Karlsruhe	100.00	144,490	2,382	16,759
63	EnBW Grundstücks- und Gebäudemanagement GmbH & Co. KG Stuttgart		Stuttgart	100.00	49,160	432	6,978
64	EnBW Systeme Infrastruktur Support GmbH		Karlsruhe	100.00	16,500	- [3]	265,581
65	EnBW Beteiligungen AG (formerly Salamander AG)		Kornwestheim	100.00	-130,275	42,822	0
66	STAIR Stuttgart Airpark GmbH		Stuttgart	100.00	7,582	-91	0
67	U-plus Umweltservice AG	2	Karlsruhe	100.00	57,116	- [3]	275,564

	Companies included at equity	Footnote	Registered office	Capital share[1] %	Equity[1] (€ thousands)	Result[1] (€ thousands)	Sales[1] (€ thousands)
68	Gegenbauer Holding GmbH & Co. KG	5	Berlin	49.00	19,703	16,216	10,639
69	DIW Deutsche Industriewartung AG	4	Stuttgart	45.20	103,098	5,952	0

	Equity investments	Footnote	Registered office	Capital share[1] %	Equity[1] (€ thousands)	Result[1] (€ thousands)	Sales[1] (€ thousands)
70	Zweckverband Bodensee-Wasserversorgung	5	Stuttgart	33.33	195,723	-1,904	50,037
71	Zweckverband Landeswasserversorgung	5	Stuttgart	33.33	148,812	-96	38,350

Other activities

	Fully consolidated companies	Footnote	Registered office	Capital share[1] %	Equity[1] (€ thousands)	Result[1] (€ thousands)	Sales[1] (€ thousands)
72	Thermoselect Südwest GmbH Thermische Abfallbehandlungsanlagen		Karlsruhe	100.00	1,534	- [3]	0

[1] Capital shares calculated pursuant to Sec. 313 (2) HGB (as of December 31, 2005). The other figures stem from financial statements prepared pursuant to local principles and do not show the contributions of each company to the consolidated financial statements. For financial statements in foreign currency, equity is translated at the mean rate on the balance sheet date, while earnings and sales are translated at annual average rates.
[2] Disclosures for sub-group
[3] Profit and loss transfer agreement
[4] Diverging fiscal year
[5] Prior-year figures
[6] Voting rights by statute 18.74%
[7] Held via EnBW Eni Verwaltungsgesellschaft mbH, Karlsruhe (EnBW shareholding: 50%) which is fully consolidated by virtue of the "casting vote" regulation
[8] Proportionate consolidation by statute

Obrigheim nuclear power plant

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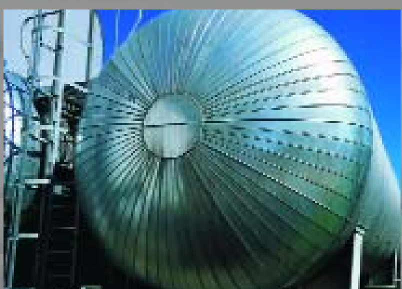
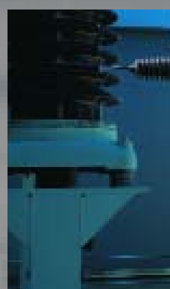
Obrigheim nuclear power plant

The Obrigheim nuclear power plant, which was built between 1965 and 1968, is situated on the left bank of the Neckar near the Obrigheim municipality (Neckar-Odenwald district). The power plant fed electrical power into the electricity network for the first time in October 1968. The pressurized water reactor was the largest in Europe at that time. As part of the agreement between energy providers and the Federal Government, a residual electricity output was defined for Obrigheim, which had been produced by the end of 2005.

The nuclear power plant went offline in May 2005. The plant is now in the post-operation phase and planning is underway for the closure and site restoration. Over what were almost 37 operating years, the Obrigheim nuclear power plant generated more than 90 billion kilowatt hours of electricity with an availability of more than 83 percent, supplying some 850,000 households with electricity each year. Compared to a modern coal-fired power station, it saved the environment more than 90 million tons of carbon dioxide over its entire operating term.





Five-year summary

EnBW group[1]		2005 IFRS/IAS	2004 IFRS/IAS	2003 IFRS/IAS	2002 IFRS/IAS	2001 HGB
Earnings						
External sales	€ millions	10,769	9,124	9,952	8,489	7,861
EBITDA	€ millions	2,054	2,045	1,014	1,141	919
EBIT	€ millions	1,319	1,243	-190	394	204
EBT	€ millions	1,081	759	-1,094	-134	296
Earnings after income tax	€ millions	598	410	-1,183	-31	272
Earnings per share	€	2.16	1.40	-5.40	-0.19	0.74
Balance sheet						
Non-current assets	€ millions	19,045	18,304	20,732	19,397	11,833
Total net assets	€ millions	25,119	23,928	25,220	24,107	18,744
Equity/minority interests	€ millions	3,312	2,399	1,544	2,392	2,483
EnBW share						
Operating cash flow per share	€	5.5	6.8	4.01	2.2	1.9
Distribution	€ millions	215 [2]	162	-	146	161
Dividends per share	€	0.88 [2]	0.70	-	0.66	0.66
Ratios						
Equity ratio	%	13.2	10.0	6.1	9.9	13.2
EBIT margin	%	12.2	13.6	-1.9	4.6	2.6
EBITDA margin	%	19.1	22.4	10.2	13.4	11.7
Finance and capital expenditures						
Cash flow from operating activities	€ millions	1,330	1,546	887	517	461
Amortisation and depreciation	€ millions	736	802	1,204	747	725
Capital expenditures (property, plant and equipment, and intangible assets)	€ millions	547	418	566	604	701
Cash and cash equivalents	€ millions	1,415	1,999	1,089	932	1,372
Financial liabilities	€ millions	4,699	5,938	8,049	7,183	3,190
Net financial debt	€ millions	-3,284	-3,939	-6,960	-6,251	-1,818

EnBW group[1]		2005 IFRS/IAS	2004 IFRS/IAS	2003 IFRS/IAS	2002 IFRS/IAS	2001 HGB
Energy sales of the EnBW group in its core business						
Electricity	billions of kWh	107	101[3]	95[3]	109	97
Gas	billions of kWh	89	83[3]	78[3]	21	18
Provision of electricity of the EnBW group in its core business by primary source of energy						
Coal, oil, gas	%	24	23	24	24	23
Nuclear power	%	36	39	42	37	40
Water and other renewable energies	%	16	16	15	12	10
Primary energy of unknown source	%	24	22	19	26	27
Annual average of employees[4]	Number	17,926	19,881	33,224	36,918	35,682

[1] The figures from fiscal year 2004 have been adjusted (see comment on the change in reporting in the notes).
[2] As proposed to the annual general meeting
[3] Net disclosure of the electricity trading business, electricity and gas unit sales figures adjusted to the segment structure as of December 31, 2005
[4] Number of employees without apprentices/trainees and without inactive employees

Mathematical rounding in the sums may give rise to apparent differences throughout the annual report.

Glossary

Accruals
Certain liabilities whose date of settlement and/or amount is not completely certain, but which can be determined with a high degree of certainty are referred to as accruals.

Borrowing costs
Interest and other costs incurred by a company when borrowing debt capital.

Cash flow
Inflows and outflows of cash and cash equivalents.

Clean development mechanism
The clean development mechanism, defined in Article 12 of the Kyoto Protocol, assists industrialised countries and developing countries in implementing joint climate protection projects in developing countries which do not have their own climate protection commitments from the Kyoto Protocol. The project (e.g. building a wind power plant) is financed by the industrialised country. During the commitment period, the industrialised country can then either emit as additional emissions the emissions avoided in the developing country as a result of the project, or obtain emission credits.

CO_2
Chemical nomenclature for carbon dioxide.

Combined heat and power [CHP]
When generating electrical energy in thermal power stations, fuel utilisation can be made more efficient by uncoupling heating or process heat. A power station that simultaneously generates electrical energy and usable heat is also called a heating power station.

Commercial paper programme
Financing platform via which unsecured bonds with maturities of one day to 364 days can be issued in a standardised form on the euro capital market.

Corporate governance
Principles and rules geared to the interests of the shareholders on organisation, behaviour and transparency which, while preserving the decision-making ability and efficiency of the management, aim to achieve a balance of management and control at the top level of the company.

Cost of capital rate
The cost of capital rate constitutes the rate of return required by the providers of equity and debt capital weighted against the target capital structure. This weighting accounts for the different expectations in relation to return due to the different risks of equity and debt capital.

Credit rating
Creditworthiness of a company.

D&O insurance
Directors and officers liability, third-party liability insurance for company boards.

Derivative financial instruments
Financial instruments, such as financial 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
Gas supply companies with regional distribution and final customer business that procure from the midstream stage.

EBIT
Earnings before interest and taxes. The EBIT ratio is the net income for the year before the financial result/ interest and income taxes. Eliminating these balance sheet items allows for a more objective comparison of the operating results of different companies. The EBIT ratio is not simply earnings before interest and taxes, but also the result of operations before the financial result. Earnings before taxes can thus still be affected considerably if, for instance, there is additional income from financing activities.

EBIT margin
The EBIT margin (EBIT return on sales) is an operating ratio calculated by dividing the EBIT by sales. It is used to compare the EBIT earnings power of different companies.

EBITDA
Earnings before interest, taxes, depreciation and amortisation. This ratio, which was developed in the USA, and which is now used worldwide in business valuations, is also relevant for the analysis of financial statements. The result from ordinary activities (operating result) – which is not identical to net income/loss for the year reported on the balance sheet – is adjusted here for certain factors. In simple terms, the EBITDA is determined as follows:
Result from ordinary activities
+ Net interest
+ Taxes
+ Depreciation and amortisation

The EBITDA ratio can be used to determine to what extent a company generates net income from its result from ordinary activities (operating result). This ratio primarily serves to improve comparability of listed companies.

EBITDA margin

The EBITDA margin (EBITDA return on sales) is an operating ratio calculated by dividing the EBITDA by sales. It serves to compare the EBITDA earnings power of different companies and provides information on the relation between depreciation and amortisation and the operating profit.

EBT

Earnings before taxes. The EBT ratio is used to compare the earnings power of companies at an international level. Income taxes are not included in the calculation. Financing costs, by contrast, are included in this ratio, as are income from the disposal of assets, i.e. factors that are subject to national tax law. This means that the ratio is indirectly affected by taxation, which limits comparability on an international scale. The ratio of the EBT to sales is the pre-tax margin.

EEG

Erneuerbare-Energien-Gesetz (German Renewable Energy Law). The amended law came into force in summer 2004. The aim of the law is to significantly increase the share of renewable energies in the supply of electricity and to double their share in energy consumption in Germany by the year 2010. Specifically, it promotes the generation of electricity from hydroelectric power (for the first time more than 5 MW), wind power, solar energy, geothermal energy, landfill gas, sewage gas, pit gas and biomass.

Emissions trading

Emissions trading is an abbreviated term for trade with emission allowances and constitutes an environmental policy instrument with the aim of climate protection. In the Kyoto Protocol, the industrialised countries agreed on worldwide reduction of greenhouse gas emissions (CO_2 in particular) by 5.2% compared to 1990; Europe has a declared target of reducing greenhouse gas emissions by around 8% (approx. 0.35 billion metric tons). This target reduction is distributed differently among the individual member states of the European Community. Germany bears the main burden of about 75% of the European target and has to reduce its greenhouse gas emissions by 21%. As it is a question of distributing the reduction of gases impacting the climate in the most efficient way – defined in quantitative terms – the allowance for the total emissions allocated to one country is split – similar to the splitting of business capital in shares – into what is referred to as emissions certificates that permit emission of certain quantities of gases impacting the climate. They are issued to the companies based on the previous emissions pursuant to the “National Allocation Plan”. Companies requiring more allowances must purchase these from companies that require fewer allowances because they have already largely met their reduction commitments. Every market participant is free to purchase an emission allowance or, alternatively, use environmentally friendly technologies. The decision will be based on the market prices at which the certificates are traded.

EMTN programme

Euro Medium Term Note programme. A standardised documentation platform for the issue of medium to long-term bonds on the euro capital market.

EnWG

Energiewirtschaftsgesetz (German Energy Industry Law). The EnWG enacted in April 1998 revoked the existing territory monopolies of the energy providers in Germany. This created the basic prerequisites for the liberalisation of the electricity market. It prescribes that network access is governed by a system of negotiated network access. The network user costs may not exceed the costs which a network operator would collect from its own electricity supply company or affiliated companies. On account of the Acceleration Directive passed by the EU, the German Energy Industry Act needed to be adjusted to the European requirements (e.g. appointment of a regulatory authority, unbundling). The amended EnWG and the four most important decrees attached to the EnWG, which regulate the electricity and gas network charges as well as access to the electricity and gas networks, came into force on July 8, 2005.

Equity method
A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. For companies acquired prior to March 31, 2004 amortisation of goodwill is additionally taken into account. The equity method is used when a controlling influence is exercised on the business policy of the associate, but the criteria to qualify as a subsidiary or a joint venture are not in place.

Equity ratio
The equity ratio is determined as a percentage derived from the ratio of equity to total assets of a company and provides information on its economic and financial stability. A higher equity ratio is generally considered positive in terms of safeguarding against insolvency. The higher equity ratio, the higher the possibility that any losses incurred can principally be offset.

Ex-ante regulation
With ex-ante regulation, the regulator defines the framework conditions for competition in the network in advance. One example is price limits.

Fuel cell
A fuel cell is an electrochemical converter based on the principle of inverse electrolysis which generates electrical current and heat. The products of the chemical reaction are water and, depending on the energy carrier used, also carbon dioxide.

GbR
Gesellschaft bürgerlichen Rechts (civil law partnership).

Geothermal energy
Power harnessed by means of heat from the interior of the earth, for example using the Hot Dry Rock method (HDR) or Enhanced Geothermal System (EGS).

Gross domestic product (GDP)
The total economic output of an economy within a certain period of time. Measurement of value of economic performance resulting from domestic productions.

Hedge transaction
A hedge serves to secure a transaction against risks such as exchange rate fluctuations or changes in the price of raw materials. To do so, the company wishing to hedge a transaction enters into a further transaction that is linked to the underlying transaction.

HGB
Handelsgesetzbuch (German Commercial Code).

IFRIC (SIC)
International Financial Reporting Interpretations Committee (formerly: Standing Interpretations Committee). Its task is to interpret and specify the Standards promulgated by the International Accounting Standards Board (IASB). The London-based IASB, which is organised and financed under private law, has been in existence since 2001.

IFRS/IAS
International Financial Reporting Standards (formerly: International Accounting Standards). They are issued by the International Accounting Standards Board (IASB).

Investment properties
Real estate held as financial assets.

Joint implementation
The mechanism of joint implementation, defined in Article 6 of the Kyoto Protocol, offers industrialised countries and companies in these countries the possibility of purchasing emission credits with projects in other industrialised countries and crediting these to their own commitments. The emission reduction achieved in this way are called emission reduction units (ERU) and can be traded.

kWh
Kilowatt-hour. Unit of measure for power. If the power remains constant, it is the product of power and time: (1 kW x 1 h = 1 kWh).

Limit
To restrict the risk of price fluctuation when buying or selling shares, investors can set limits. When buying shares, the price high is set as the limit. If the market price exceeds this, the transaction is not carried out. When selling, the limit fixes the maximum price at which the investor is still prepared to sell.

Midstream
Import and transportation of natural gas via district pipe system. Sale to gas supply companies at the distribution stage.

MWh
Megawatt-hour. Unit of measure for power. 1 MWh = 1 million watt-hours = 1,000 kWh = 3.6 billion joules.

Natural monopoly
There is a natural monopoly in the pipe-based power industry, i.e. in the electricity and gas industry. In most cases, having parallel transmission networks is economically not feasible. Each network operator thus has a monopoly in its network area. Regulation can, however, be used to establish competitive structures for the monopoly.

No par shares
Shares without a par value which embody a certain share of the capital stock of a company.

Option
Right to buy (call) or sell (put) the underlying option asset (for example securities or foreign currency) at a predetermined price (strike price) at a certain point in time or within a certain period of time from/to the contracting party (writer of option).

Performance
Development of the value of a financial asset over a certain period of time.

Rating
Independent rating agencies use ratings to appraise the ability of a company to settle its contractual obligations. Classification in a certain credit rating category helps investors to evaluate the creditworthiness of a company. A rating is not, however, a recommendation to buy or sell securities. Nor is it a guarantee as the rating is based on data provided by the company to the rating agency.

ROCE
Return on capital employed. This business ratio sets the adjusted EBIT into relation with the average capital employed.

Syndicated loan
Fixed line of credit granted by a syndicate of banks for a certain period.

Target costing/target investment
Target investment is a cost management process based on target costing. In target costing, market research results are used to determine a price realisable on the market for a certain product and derive the maximum cost. In the target investment approach, the maximum permissible investment volume is derived taking into account the customer/market requirements and the economic targets of a company. The special aspects of major capital expenditure are considered, such as the unique character of an investment or irreversibility of the investment decision. This approach can help to secure/increase return on capital, thus helping the company as a whole to preserve its competitiveness.

TWh
Terawatt-hour. Unit of measure for power. One TWh equals 1,000 gigawatt-hours or one million megawatt-hours or one billion kilowatt-hours.

Unbundling
The separate accounting required by the electricity market law for the areas generation, transmission and distribution and any other activities of a vertically integrated company. This includes in particular the duties of separate accounting, organisational segregation, confidentiality duties and in future also legal separations.

Value at risk
The market risk of the trading book is calculated using the value at risk indicator which determines the loss potential with a certain probability and holding period.

Vertical integration
Companies with activities both on the network side (transportation and distribution) and on the market side (generation, trade and sales) are referred to as vertically integrated.

WACC
Weighted average cost of capital -> cost of capital rate

Financial calendar

March 3, 2006
Convening of the annual general meeting and publication of the financial statements and consolidated financial statements 2005

March 7, 2006
Press briefing on annual results/ publication of the 2005 annual report

April 28, 2006
Annual general meeting Kongresszentrum Karlsruhe, Stadthalle am Festplatz

May 10, 2006
Publication interim report January – March 2006

August 9, 2006
Publication interim report January – June 2006

November 8, 2006
Publication interim report January – September 2006

Contact

Shareholder Hotline/Investor Relations
Phone: 0800 1020030 oder
0800 AKTIEENBW (only in Germany)
Fax: 0800 9999977 (only in Germany)
email: info@investor.enbw.com
Internet: www.enbw.com

Group publications
Upon request, we would be pleased to send you additional complimentary copies of this annual report and other group publications such as the innovation report and sustainability report. These reports are available in German and English; the annual report is also available in French. In case of doubt the German version shall prevail. Please place your orders with our Shareholder Hotline.

More detailed information about the conventional power stations of EnBW can be found in our brochure on fossil energy and the conventional power stations of EnBW. This can also be obtained from our Shareholder Hotline. It is available in German and English.

Picture credits

Photo story
Mankind – technology – the region
Bernd Franck, Düsseldorf
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Photos of the members of the Board of Management and Supervisory Board
Pages 22 – 27, Frank Ossenbrink, Berlin/Bonn
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Photos "Top issues"
Page 12, Nicole Maskus, Berlin
EnBW's CEO Prof. Dr. Utz Claassen, Jürgen Hogrefe, head of EnBW's representative office in Berlin, and ex-Chancellor Gerhard Schröder

Page 13, Heiko Preller, Hanover
Ex-Chancellor Gerhard Schröder, Vladimir Putin, President of the Russian Federation, Dr. h.c. Detlef Schmidt, EnBW board member for marketing and sales, and EnBW's CEO Prof. Dr. Utz Claassen, at the Hannover Messe in 2005

Page 13, Anna-Maria Romanelli, Würselen
EnBW board member for marketing and sales Dr. h. c. Detlef Schmidt, EnBW's CEO Prof. Dr. Utz Claassen and the Finance Minister of the State of Baden-Württemberg Gerhard Stratthaus at the opening of EnBW's representative office in Brussels

Page 13, Uli Deck, Karlsruhe
Dr. Hans-Josef Zimmer, head of the Philippsburg nuclear power plant, EnBW's CEO Prof. Dr. Utz Claassen and the Prime Minister of the State of Baden-Württemberg Günther H. Oettinger visit the Philippsburg nuclear power plant

Page 14, Michael Maurer, Philippsburg
Exchanging the generator stator mid section of unit 1 of the Philippsburg nuclear power plant

Page 14, Ivo Sonnenschein, Waiblingen
Dr. Joachim Pfeiffer, member of the German Bundestag and chairman of the district council of the Rems-Murr district, Baden-Württemberg's minister of environment Tanja Gönner and Michael Stutz, Technical Director of S-plus Umweltservice GmbH visit the paper sorting plant at S-plus Umweltservice GmbH in Waiblingen

Page 15, Andy Ridder, Stuttgart
New control centre of the Stuttgart-Münster CHP station

Page 16, Guntram Gerst, Stuttgart
Dr. Wolfgang Bruder, CEO of EnBW Regional AG, Matthias Kurth, President of the Federal Network Agency for electricity, gas, telecommunications, post and railways, Günther H. Oettinger, Prime Minister of the State of Baden-Württemberg, and EnBW's CEO Prof. Dr. Utz Claassen at EnBW's municipal energy conference

Page 16, Nicole Maskus, Berlin
Mike de Vries, managing director of FC Deutschland GmbH and Dr. h.c. Detlef Schmidt, EnBW board member for marketing and sales, signing the cooperation agreement between EnBW and the "Land of ideas" campaign.

Page 17, Uli Deck, Karlsruhe
26th award ceremony of German industry's 2005 prize for innovation in January 2006

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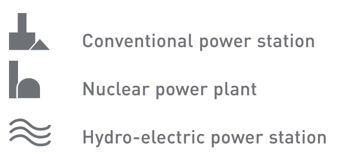
EnBW AG/Holding

		Generation	Procurement	Transportation and distribution	Sales
Energy	Electricity	EnBW Kraftwerke AG	EnBW Trading GmbH	EnBW Transportnetze AG EnBW Regional AG	EnBW Vertriebs- und Servicegesellschaft mbH Yello Strom GmbH
	Gas		EnBW Trading GmbH Gasversorgung Süddeutschland GmbH EnBW Gas GmbH	Gasversorgung Süddeutschland GmbH EnBW Gas GmbH	EnBW Vertriebs- und Servicegesellschaft mbH Gasversorgung Süddeutschland GmbH EnBW Gas GmbH

Energy and environmental services	
	Cross-divisional companies: EnBW Energy Solutions GmbH and EnBW Systeme Infrastruktur Support GmbH Waste disposal services: U-plus Umweltservice AG

Power station locations, own generation, investments, purchase and supply agreements (selection)



[1] Operations ceased on May 11, 2005 as a result of the nuclear energy consensus

EnBW
Energie Baden-Württemberg AG
Durlacher Allee 93
76131 Karlsruhe
www.enbw.com