Annual report 2002

EnBW
Die Energie-AG.

The customer

At a glance

EnBW Group		2002	2001
Income statement			
Sales			
Energy	€ m	6,884	6,098
Waste management	€ m	268	259
Industry and services	€ m	1,506	1,504
	€ m	8,658	7,861
EBITDA	€ m	1,481	1,030
EBIT	€ m	562	305
EBT	€ m	407	296
Net income for the year	€ m	280	272
Balance sheet			
Fixed assets	€ m	16,648	11,833
Current assets	€ m	5,252	6,817
Total net assets	€ m	22,013	18,744
Shareholders' equity	€ m	1,879	2,483
EnBW share			
Distribution	€ m	146	161
Dividends per share	€	0.66	0.66
Finance and capital expenditure			
Cash flow according to DVFA/SG	€ m	751	1,008
Depreciation / amortization	€ m	920	725
Capital expenditures (without financial assets)	€ m	5,152	3,445
Employees (annual average)	number	38,501	37,053

EnBW Group energy sales		2002	2001
Electricity			
(incl. all holdings)	bn kWh	120.5	110.1
(incl. all consolidated enterprises)	bn kWh	109.1	97.3
Gas	bn kWh	21.0	18.2
District heat	bn kWh_{th}	3.8	3.6

EnBW Group electricity production by primary energy sources		2002	2001
Coal, oil, gas	%	24.3	23.0
Nuclear energy	%	37.4	40.2
Hydroelectric power and other renewable energies	%	11.9	9.8
Primary source of energy unknown	%	26.4	27.0

Overview of the Group with the major shareholdings of EnBW AG [1)]

Energy					
Electricity generation	EnBW Kraftwerke AG	EnAlpin AG	Heizkraftwerk Neckar GmbH	Kernkraftwerk Obrigheim GmbH	Neckar Aktiengesellschaft
	Gemeinschafts-kernkraftwerk Neckar GmbH	Kraftwerk Bexbach Verwaltungs-gesellschaft mbH	Kraftwerk Reckingen AG	Rheinkraftwerk Iffezheim GmbH	Obere Donau Kraftwerke AG
	Rheinkraftwerk Säckingen AG	Schluchseewerk AG	Grosskraftwerk Mannheim AG	EnBW Contracting GmbH	Centrale Electrique Rhénane de Gambsheim SA
	Rojana Power Company Ltd.	Hidroeléctrica del Cantábrico S.A.	AMATA-Power Company Ltd.	Mátrai Erömü Rt. (MATRA)	Elektrownia Rybnik S.A.
Electricity transport	EnBW Transportnetze AG				
Electricity distribution	EnBW Regional AG	EnBW Ostwürttemberg DonauRies AG	Stadtwerke Schwäbisch Gmünd GmbH	e.wa.riss GmbH & Co. KG	Stadtwerke Schramberg GmbH & Co. KG
	Elektrizitätswerk Mittelbaden AG	Albwerk GmbH & Co. KG	Energie- und Wasserversorgung Bruchsal GmbH	ENRW Energie-versorgung Rottweil GmbH & Co. KG	Stadtwerke Freudenstadt GmbH & Co. KG
	Stadtwerke Sindelfingen GmbH	Stadtwerke Stockach GmbH	Technische Werke Schussental GmbH & Co. KG	Stadtwerke Weinheim GmbH	Stadtwerke Karlsruhe GmbH
	Neckarwerke Stuttgart AG	Stadtwerke Esslingen am Neckar GmbH	GESO Beteiligungs- und Beratungs-AG	ESAG Energie-versorgung Sachsen Ost AG	Energie und Wasserwerke Bautzen GmbH
	Meißener Stadtwerke GmbH	DREWAG-Stadtwerke Dresden GmbH	Stadtwerke Elbtal GmbH	Stadtwerke Zittau GmbH	Prazská energetika Holding a.s.
	Zementwerk Lauffen-Elektrizitätswerk Heilbronn AG	Stadtwerke Düsseldorf AG	Stadtwerke Völklingen GmbH	Budapesti Elektromos Müvek Rt. (ELMÜ)	Eszak-Magyarországi Áramszolgáltató Rt. (EMASZ)
Electricity trading	EnBW Gesellschaft für Stromhandel mbH				
Electricity marketing and sales	EnBW Energie-Vertriebs-gesellschaft mbH	Yello Strom GmbH	EnBW Austria Energie-Vertriebs-gesellschaft mbH	EnBW Benelux B.V.	EnBW Italia S.p.A.
	EnBW Polska Sp.z.o.o.	SaarPOWER GmbH	ENRW Energie Nordrhein-Westfalen GmbH		
Gas	EnBW Gas GmbH	EVS-Gasversorgung Nord GmbH	Badenwerk Gas GmbH	EVS-Gasversorgung Süd GmbH	EnBW Eni Verwaltungs-gesellschaft mbH
	Gasversorgung Süddeutschland GmbH				

Major shareholdings

Energy

District heat	Fernwärme Unterland GmbH	Heizkraftwerk Stuttgart GmbH	Fernwärme Ulm GmbH	Fernwärme Rhein-Neckar GmbH	Prazská teplárenská Holding a.s.
	Miejskie Przedsiebiorstwo Energetyki Cieplnej Wroclaw S.A. (MPEC)	Zespól Elektrociepłowni Wroclawskich Kogeneracja S.A. (ZEC)			

Waste management

non-thermal disposal	U-plus Umweltservice AG	Bautrans Umweltservice GmbH	R-plus Recycling GmbH	S-plus Umweltservice GmbH	
thermal disposal	Thermoselect Südwest GmbH Thermische Abfallbehandlungs-anlagen	T-plus GmbH	TAE Thermische Abfallentsorgung Ansbach GmbH		

Industry and services

Industry	Salamander AG				
Services	EnBW Service GmbH	EML Einkaufsgesellschaft für Material und Dienstleistungen mbH	EnBW Kundenservice GmbH	EnBW Akademie Gesellschaft für Personal- und Management-entwicklung mbH	TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH
	TEWERATIO Unternehmens-beratung GmbH	regelmatic GmbH	APCOA Parking AG	DIW Deutsche Industriewartung AG	Euro Sourceline GmbH
Innovation	EnBW Venture Capital Beteiligungsgesellschaft mbH	innotech Beteiligungs-gesellschaft mbH & Co. KG			
Property management	EnBW Immobilien GmbH	Senergi Immobilien GmbH	GegenbauerBosse Holding GmbH & Co. KG		
Water	Zweckverband Bodensee-Wasserversorgung	Zweckverband Landes-wasserversorgung			

[1] The full list of shareholdings pursuant to sec. 313 (2) and sec. 285 No 11 HGB is filed with the Commercial Register of the Karlsruhe District Court (Dept. B No HRB 7956).

Status: December 31, 2002

When we hear the word “customer”, our thoughts immediately turn to business.

When we hear the word "customer", our thoughts immediately turn to business.

Having customers is satisfying.

Customers. When we hear this word, our thoughts immediately turn to business – selling and buying, something economic, sober, material, mundane. And that is one side of it – but only one side.

In some business relationships, the word "customer" is avoided to conceal that side of things.

The customer of a physician is called a "patient", the customer of the lawyer is referred to as a "client", as is that of the lobbyist. If these terms show that there is more to this issue than meets the eye, then it also become clear that this "more" not only pertains to special ethical business relationships, but is the very essence of it.

This becomes particularly evident when the head of personnel speaks of his "clientele" or even "customers" when referring to the work-force, or likewise a board chairman when he means his shareholders.

When the energy industry was driven out of the monolopy paradise, they were told that they had to "discover" the customer, meaning they had to build up a (business) relationship with their customers.

Building up and maintaining a relationship, that is what the word "customer" means. What is a relationship? It is giving and taking in equal parts on a rational and emotional basis. That's all part of it: giving, taking, being rational and emotional. One can also say: an exchange of values on the basis of trust, that is a relationship, that is the true meaning of the word "customer".

Thus, one has to give values in order to be able to take values and this exchange must be founded on mutual trust. Then, and only then, does one have a customer.

Values and trust – both have to be created, nurtured. As they say: “You don’t get something for nothing“. Wise words that the “New Economy” forgot with all the terrible consequences experienced on the “Neuer Markt“.

“Customer” and “work” – two terms that belong together. Having customers is satisfying. And having work, being allowed to work, is satisfying.

Having customers is worthwhile. Having more customers is worthwhile. Keeping customers is worthwhile. Satisfied customers – because customer satisfaction empowers.

In some way, it is a goal in life, and not as some say “the yearning of the shopkeeper“.

Gerhard Goll


You used to take what you were given,
now we give you what you want.

Brief portrait

We, EnBW Energie Baden-Württemberg AG, are the third largest energy company in Germany. Our roots are in electricity, but we also operate in the areas of gas and district heat and in the growth market waste management and in the industry and services sector. We were heavily involved in the liberalisation of the German energy market and were the first energy company to offer its electricity throughout Germany. In Europe, we have made a name for ourselves as an innovative service provider.

Our customers, who are at the same time shareholders of EnBW or who may one day become shareholders, and this also applies to our employees, are important to us. We define ourselves through them. For this reason, and of course also in the face of the competition as the energy markets open up, we make every effort to satisfy our customers at home and abroad, to convince them and to win new customers. The EnBW Group has some 4.85 million energy customers, a fact we are proud of. We see this as an incentive and obligation to stay on course, continuing to focus on the business sectors energy and energy-related services, to reinforce our position in the gas business, to actively realise our responsibility towards society and the environment.

The topic of this annual report is, of course, the “customer“.


A relationship is the art of keeping the dialoque going.

Contents

Top issues 2002

EnAlpin: With the acquisition of EnAlpin AG, in which the former energy activities of Lonza AG are combined, EnBW successfully positions itself on the Swiss energy market. page 81

Rating: The rating agencies Standard & Poor's and Moody's give EnBW a very good rating with long-term ratings of A+ and A2 respectively, both with stable outlook, and short-term ratings of A1 and Prime 1 respectively. page 45

DIP: EnBW issues a so-called debt issuance programme (DIP) with a total financing limit of € 3 billion. page 45

ENRW: Via their joint subsidiary, ENRW Energie Nordrhein-Westfalen GmbH, EnBW and Stadtwerke Düsseldorf AG establish a presence on the North-Rhine Westphalian market. page 79

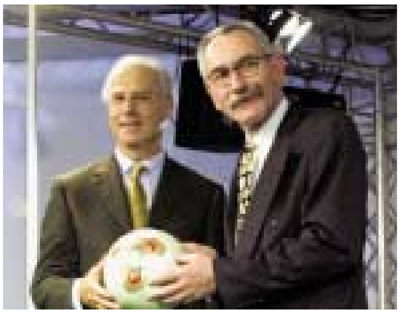
HC: EnBW's participation in Hidroeléctrica del Cantábrico S.A. is approved by the cartel authorities. page 80

Hand in Hand. Fürs Land: On June 2 EnBW and SWR1 present their joint campaign. In August, sleeves are rolled up. The goal and incentive is to realise charitable projects by providing practical help without financial reward. page 69

GVS: The joint venture formed in the gas segment between EnBW and Eni S.p.A. back in January purchases a majority holding in Gasversorgung Süddeutschland GmbH. In December the EU Commission gives its approval. page 77

GESO: EnBW acquires a 100% holding in GESO Beteiligungs- und Beratungs-AG domiciled in Dresden, thus reinforcing its involvement in eastern Saxony. page 80

January — February — March — June — July



FIFA: EnBW is the first official sponsor of the FIFA Soccer World Cup in Germany 2006. With this sponsorship EnBW has assumed a pioneering role, similar to the one it has on the German electricity market.

Bond: Within the framework of the DIP, EnBW issues its first two Eurobonds with maturities of five and ten years respectively totalling € 1.75 billion. page 45

Eco audit: The Heilbronn co-generation power plant is the second large-scale power station of EnBW to receive the certificate for passing the European eco audit in accordance with EMAS II and DIN EN ISO 14001. A further milestone in the gradual implementation of the law governing eco audits at EnBW's power stations. page 86

ZEAG: After the Federal Cartel Office gave its official approval, the majority participation of EnBW in ZEAG takes effect. page 78

KWL: EnBW acquires the stock majority of 76.6% held by Watt AG in Kraftwerk Laufenburg AG. The approval of the EU Commission is announced in December. page 62

Floods: The devastating floods in eastern Germany and the Czech Republic also hit associate companies of EnBW. In the emergency areas, EnBW and NWS help restore power supply.

Electricity market: EnBW asserts itself in the face of competition and again wins Gesellschaft für Stromwirtschaft (GfSt) as a customer. GfSt bundles some 4% of the industrial electricity procured in Germany, a total of approx. 1.7 billion kWh.

Yello: Under the motto "Seitensprung" Yello Strom makes an attractive fixed-price offer to potential but indecisive customers. Thousands switch spontaneously to Yello power!

Fuel cells: At the Michelin tyre plant in Karlsruhe a fuel cell plant with an electrical output of 250 kW is commissioned. page 54

August September October November December

Training centre: The new training centre on the site of the EnBW Heilbronn power station is completed, thus practically doubling training capacities there.

tesion: EnBW's endeavours to reorganise tesion Communikationsnetze Südwest GmbH & Co. KG are successful. Effective September 1, Arques AG Munich takes over tesion, thus ensuring the goal-directed continuation of tesion. page 85

Fuel cells: EnBW's first large-scale fuel cell plant with an electrical output of 250 kW goes into operation at the spa baths in Mingolsheim. page 54

Corporate Governance: EnBW publishes its own Corporate Governance principles on its internet pages. With these principles EnBW declares its intent to gear the management and control of the entire company to responsible value enhancement. page 25

The customer is always the key issue.

Sehr geehrte Aktionärin, sehr geehrter Aktionär,

The restructuring process in the European utilities industry continued unabated in 2002 with consolidation trends on an international, European and national level intertwining with one another. Foreign competitors have withdrawn from the German electricity market; this applies in particular to US American companies. At the same time, restructuring has been initiated on the gas market. A large number of public utilities have found an investment partner or are searching for one.

EnBW cannot, and will not, try to escape these developments. We want to be one of the most important players on the German market and maintain our head start over the others.

The prospect of the changed corporate landscape, typically characterised at EnBW by the purchase of Gasversorgung Süddeutschland GmbH in the Eni/EnBW joint venture and the acquisition of ZEAG AG, EnAlpin AG and Kraftwerk Laufenburg AG (Switzerland), is increasingly obstructing the view of the industry's most important asset, namely the customer. That is why we have devoted this year's annual report to this topic.

For EnBW, the customer always has been and will remain the key issue.

In our industry, the strain put on the customer by legislation implementing fiscal and environmental policy in 2002 was disproportionately high. The economic benefits of the liberalisation are being increasingly undermined by political actions. The plans of the European Commission to deprive companies of the accruals for the withdrawal from nuclear power would also seriously put up the price of electricity. Finally, the efforts of the anti-trust authorities to eliminate excessive network user charges are not having the desired effect.

All these factors are extremely detrimental to the customer. Although EnBW cannot eliminate these obstacles single-handedly, it can combat them. And we are doing just that with all the means at our disposal, in the interest of our customers. We are proud to be recognised as opinion leaders in this matter in Berlin and Brussels.

Of course, we also need the help of our customers and our shareholders in this dispute, and we would like to take this opportunity to ask for your support.

During 2002 we made great progress in the processing and mapping of our customer relations. Our customer service company now has systems which give us a considerable head start over our competitors.

In our home market Baden-Württemberg our "Heimat" campaign was a great success. Private customers, industrial customers and municipal customers all appreciate our commitment to the wellbeing of the community, and this is a policy we will continue in future. A special focus of attention are our children and young people. After all, they are our future.

With our partners EDF and Eni we will continue to develop our business to the benefit of our customers. After a phase of dramatic growth, the main goal will be to secure and to integrate what has been acquired. it. We have not lost sight of our plans to go public with a relevant part of the EnBW shares as soon as the capital market allows. Shareholders are customers too, and we want lots of customers to become shareholders of EnBW. We win and convince our customers and shareholders by corporate governance geared to value enhancement.

That is why it is important to develop our company in a way that appeals to the shareholder as customer. Safeguarding the future of EnBW is therefore central to our financial endeavours.

The financial statements of the Group are characterised by a marked increase in total net assets, sales and results from ordinary activities. The significant loss from the sale of tesion Communikationsnetze Südwest GmbH & Co. KG was offset by non-recurring income. Our aim is to further increase income and to reduce expenses. We will use the consolidation phase that has been initiated to achieve these goals.

The next financial statements will be prepared according to IFRS. Due to company-specific structures, the conversion is expected to result in a considerably lower pre-tax result.

Yours sincerely,

Gerhard Goll
Chairman of the Board of Management

The Board of Management

Gerhard Goll, Karlsruhe
Chairman of the Board of Management

Dr. Bernd Balzereit, Berlin
Finance, member of the Board of Management since August 1, 2002

Dr. Bernhard Beck, Leonberg
Director of labour relations, member of the Board of Management since October 1, 2002

Prof. Dr.-Ing. Thomas Hartkopf, Leimen
Technology, member of the Board of Management since November 1, 2002

Gerhard Jochum, Karlsruhe
Business Development

Pierre Lederer, Karlsruhe
Customers

Hans-Jürgen Arndt, Gerlingen
Director of labour relations, member of the Board of Management until September 30, 2002

Dr. Reinhard K. Volk, Waldbronn
Finance, member of the Board of Management until June 30, 2002

Status as of December 31, 2002

The Supervisory Board

Dr. Wolfgang Schürle, Ulm
District administrator
Chairman

Adolf Dinkel, Karlsruhe
Former chair of the central works council of EnBW Service GmbH
Deputy chairman

Manfred Autenrieth, Zimmern
District administrator (retired)
(until April 23, 2002)

Gisela Beller, Karlsruhe
Chair of the central works council of EnBW Service GmbH

Marc Boudier, Sèvres
Directeur Europe Continentale at Electricité de France

Loïc Caperan, Paris
Directeur Général Délégué at Electricité de France

Jacques Chauvin, Versailles
Directeur Général Adjoint Finance at Electricité de France

Manfred Eichkorn, Bad Dürrheim
Division head at ver.di national executive committee

Yannick d'Escatha, Paris
Directeur Général Délégué at Electricité de France

Franz Fischer, Berg
Regional director at ver.di, Oberschwaben district

Willi Fischer, Meßstetten
District administrator
(since April 24, 2002)

Gisela Gräber, Weinsberg
Deputy regional manager at ver.di, Baden-Württemberg

Rolf Koch, Maselheim
Deputy chairman of the central works council of EnBW Regional AG

Siegfried Luz, Neubulach
Mayor

Peter Neubrand, Winnenden
Chairman of the central works council of EnBW Regional AG

Dr. Wolfgang Schuster, Stuttgart
Lord mayor

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

Siegfried Tann, Meckenbeuren
District administrator

Günther Vogelbacher, Stutensee
Former chair of the central works council of EnBW Kraftwerke AG

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

Klaus-Michael Weber, Ludwigsburg
Lawyer at EnBW Service GmbH

Status as of December 31, 2002

Report of the Supervisory Board

In the reporting year, the Supervisory Board performed the tasks required of it by law and the articles of incorporation and monitored the work of the Board of Management and supported them in an advisory capacity. The Board of Management kept us informed regularly, promptly and fully about all material issues of business policy, the economic situation and the strategic development of the EnBW Group and EnBW AG as well as the development of ongoing business transactions. At eight meetings, we discussed in depth oral reports and written draft resolutions of the Board of Management. In the fiscal year 2002 the discussions focused on:

- the business plan 2003
- the report of the Board of Management on the business situation
- the mid-term planning 2003 – 2006, consisting of statements of projected earnings, capital expenditures and finance
- the regular and timely reporting according to the Law on Control and Transparency in Business (KonTraG)
- the adoption of Corporate Governance principles
- the formation of an audit committee and a finance and investment committee
- closer co-operation with Neckarwerke Stuttgart AG
- the electric current transfer to the Obrigheim nuclear power station
- the divestiture of tesion Communikationsnetze Südwest GmbH & Co. KG and the planned sale of Salamander AG
- the purchase of shares in Gasversorgung Süddeutschland GmbH in syndicate with Eni S.p.A.
- the purchase of further investments in German public utilities and European power supply companies, particularly in Poland, Switzerland and Slovakia

In addition, at individual meetings the chairman of the Board of Management and the chairman of the Supervisory Board had in depth discussions on questions relating to the orientation of business policy and strategic goals as well as important individual events. Every member of the Supervisory Board participated in at least half of the Supervisory Board meetings during fiscal 2002 apart from Dr. Schuster who only attended three of the eight meetings.

The personnel committee held five meetings during the reporting year. The balance sheet and finance committee met once. The newly created finance and investment committee had three meetings.

The financial statements of EnBW AG prepared by the Board of Management and the consolidated financial statements as of December 31, 2002 as well as the combined management report were audited by the audit firm PwC Deutsche Revision Aktiengesellschaft, Frankfurt. They were elected by the annual general meeting on April 23, 2002 and entrusted in writing by the Supervisory Board with the audit of the financial statements. The scope of the audit also covered the measures to be taken by the Board of Management to recognise risks early which could jeopardise the continuing existence of the company. The audit did not lead to any objections and an unqualified audit opinion was rendered.

The report of the auditor on the audit of the financial statements and the consolidated financial statements was submitted to every member of the Supervisory Board and considered in the discussion and review of the financial statements. The auditor took part in the discussions of the Supervisory Board about the financial statements of EnBW AG and the consolidated financial statements. He reported on the main results of their audit and was available for explanations. The Supervisory Board took note of the result of the audit and reviewed and approved the financial statements of EnBW AG, the consolidated financial statements and the combined management report prepared by the Board of Management. The financial statements of EnBW AG as of December 31, 2002 are therewith ratified.

We have examined the proposal of the Board of Management for the appropriation of net retained profits. There were no objections.

The report of the Board of Management pursuant to sec. 312 German Stock Corporation Law (AktG) on the relationship of the Company to affiliated companies was also submitted to us. After careful review of this report, the auditor rendered the following audit opinion thereon:

"Based on our audit and assessment in accordance with our professional duties we confirm that:
1. the actual information provided in the report is correct,
2. the compensation of Energie Baden-Württemberg AG, Karlsruhe, for the transactions itemised in the report was not inappropriately high."

Based on our own review, we, the Supervisory Board, agree with the opinion of the auditor and have no objections to the declaration of the Board of Management given at the end of the report and included in the management report about relations with dependent companies.

With the end of the annual general meeting on April 23, 2002, Mr. Manfred Autenrieth retired from the Supervisory Board. We would like to thank him for his trustful and dedicated work. In his place, the annual general meeting elected Mr. Willi Fischer, district administrator of the Zollernalb district, as new Supervisory Board member.

Dr. Reinhard K. Volk asked the Supervisory Board to release him from his office as member of the Board of Management effective June 30, 2002. We accepted his request and would like to thank him for all his work.

Mr. Hans-Jürgen Arndt withdrew from the Board of Management, effective June 30, 2002, to enter retirement. We thank him for his many years of service and his great contribution to the company.

At the meeting of the Supervisory Board on June 12, 2002, three new members of the Board of Management were elected. Effective August 1, 2002, Dr. Bernd Balzereit was appointed CFO. In addition, Dr. Bernhard Beck was appointed director of labour relations from October 1, 2002 and Prof. Dr.-Ing. Thomas Hartkopf was appointed technical director from November 1, 2002.

At the meeting of the Supervisory Board on October 23, 2002 Prof. Dr. Utz Claassen was appointed chairman of the Board of Management of the company effective May 1, 2003.

Mr. Gerhard Jochum will leave the Board of Management of EnBW as of March 31, 2003 at his own request. We regret his decision and would like to thank him for his successful work for the company.

The Supervisory Board would like to that the members of the Board of Management, the works councils and all the employees for their great personal commitment in the past fiscal year. We also thank the shareholders for the trust placed in the company.

Karlsruhe, March 2003

The Supervisory Board

W. Schürle

Dr. Wolfgang Schürle
Chairman

Corporate Governance

Corporate Governance principles of EnBW

In November 2002, EnBW published the company's own Corporate Governance principles adopted by the Board of Management and the Supervisory Board. The decision to draw up its own principles underlines the high importance attached by EnBW to Corporate Governance.

In international usage, Corporate Governance stands for the responsible governance and management of companies geared to long-term value added. In this context, Corporate Governance relates in particular to the way the managing bodies of stock corporations work and the way they interact.

Our principles are based on the German Corporate Government Code published by the government commission on February 26, 2002. In the interest of good Corporate Governance the EnBW principles regulate the relationship between EnBW and its shareholders and the social and political environment of the company and the efficient co-operation between Board of Management and Supervisory Board as well as the requirements for transparency and external reporting. With the adoption of its own principles of Corporate Governance, EnBW reinforces the confidence of investors, customers, business associates, employees and the public in the management of the company. The following points deserve a special mention:

– EnBW pledges to pursue a transparent information policy towards its investors and the general public. Thus, for example, facts subject to ad-hoc reporting as well as significant securities transactions by board members with EnBW shares (Directors' Dealings) are announced without delay on our internet pages.

– Comprehensive reporting to the Supervisory Board was already an integral part of our understanding of Corporate Governance even before the adoption of the EnBW principles. This allows the Supervisory Board to effectively exercise the control function entrusted in it by law. The efficiency of the work of the Supervisory Board has been further enhanced by the creation of an audit committee and a finance and investment committee.

– An extensive risk management system allows the early detection of developments in the EnBW Group that could jeopardise the existence of the company.

– Within its Directors & Officers insurance EnBW has agreed an appropriate deductible from the fiscal year 2003 of three basic monthly salaries for members of the Board of Management and half the annual remuneration for Supervisory Board members.

Corporate Governance is a dynamic process. A working group therefore reviews the EnBW Corporate Governance principles regularly and, where necessary, adjusts them to reflect new experiences or modified legal requirements as well as changes in national and international standards. With the agreement of the Supervisory Board, the Board of Management has appointed Dr. Bernd Balzereit, CFO of EnBW, chairman of the working group.

At its meeting on January 7, 2003 the Board of Management made the following declaration of compliance with the German Corporate Governance Code for the year 2002. The Supervisory Board passed the declaration of compliance at its meeting on January 23, 2003.

Declaration of compliance

The Board of Management and the Supervisory Board of EnBW Energie Baden-Württemberg AG declare in accordance with sec.161 AktG that in the reporting year the company adopted its own Corporate Governance principles to which EnBW will adhere in future. The Corporate Governance principles of EnBW currently only diverge from the recommendations of the "Government Commission German Corporate Governance Code" announced by the Federal Ministry of Justice in the official part of the electronic Federal Gazette in the version dated November 7, 2002, in the following respects:

Fig. 2.3.4 of the German Corporate Governance Code: Allow the annual general meeting to be followed via modern communication media (e.g. the internet)

Prior to the annual general meeting, EnBW AG provides its shareholders with the agenda, any reports of the Board of Management on individual points of the agenda, any company agreements tabled for voting, countermotions that have been submitted, the annual report as well as the articles of incorporation via the internet. After the annual general meeting, the voting results, information on dividend payments as well as the speech of the chairman of the Board of Management are published in the internet. In this way we keep our shareholders fully informed about the annual general meeting. With diversified holdings of less than 2%, the interest in a live transmission of our annual general meeting in the internet is currently not great enough to justify the costs it would involve.

Fig. 4.2.4 of the German Corporate Governance Code: publication of the fixed and variable components of the remuneration of the individual members of the Board of Management

For the moment, EnBW has decided not to publish a breakdown of the fixed and variable salary components of the individual members of the Board of Management. The remuneration of the Board of Management is stated in total in the financial statements, thus disclosing the key facts. We do not consider a public discussion about the salary levels of the individual members of the Board of Management to be expedient. We will observe how the structure and publication of board member salaries is dealt with on a national level in future and whether the new version of the German Corporate Governance Code contains convincing arguments. We will examine any such suggestions and, if applicable, put them into practice.

Fig. 5.4.1 and 5.4.5 of the German Corporate Governance Code: age limit and remuneration of the members of the Supervisory Board

EnBW has not set any age limit for its Supervisory Board members as their election to the Supervisory Board depends primarily on their qualifications, abilities and professional competence.

The status as chairman and membership on the committees is only considered in the remuneration of the Supervisory Board members in the form of an additional attendance fee for committee meetings.

At present, the remuneration of the members of the Supervisory Board is not based on performance. We have not introduced share price or dividend-oriented remuneration to preserve the necessary distance of the Supervisory Board members to the managerial actions of the Board of Management. Only the total remuneration of all the Supervisory Board members is disclosed in the annual report. Similar to the remuneration of the Board of Management we will observe how the German listed stock corporations handle the publication of the remuneration of their Supervisory Boards in future and also whether the revised German Corporate Governance Code contains any other aspects. We will examine any such recommendations and, if applicable, adjust the EnBW principles accordingly.

Fig. 7.1.1 of the German Corporate Governance Code: publication of annual reports and interim reports and the preparation of consolidated financial statements and interim report in accordance with internationally accepted accounting principles

As prescribed by law, EnBW publishes financial statements (January 1 to December 31) and a half-yearly report (January 1 to June 30). At present, three-month and nine-month reports are not published. It is planned to introduce quarterly reporting upon conversion to International Financial Reporting Standards (IFRS).

EnBW has prepared the financial statements for the fiscal year 2002 according to the German Commercial Code (HGB). A conversion to IFRS accounting will be implemented in 2003.

Fig. 7.1.4 of the German Corporate Governance Code: publication of a list of shareholdings

EnBW uses the legal possibilities relating to companies in which it has an investment and publishes a list of the names of the major investments. For competitive reasons, EnBW has not so far published the amount of the investment, the amount of equity and the results of the last fiscal year. However, in the coming year the current list is to be extended to include additional investment holdings and the amount of the investment.

A full version of the EnBW Corporate Governance Principles adopted by the Supervisory Board and the Board of Management, the declaration of compliance presented above as well as the scorecard of DVFA (Deutsche Vereinigung für Finanzanalyse und Asset Management e.V.) are published on our internet pages (www.enbw.com) in the Investors section. A printed version of the EnBW principles can be ordered there or via our shareholders' hotline (phone 08 00 / 1 02 00 30).


Having customers is satisfying.

Economic environment

Compared with the prior year, 2002 was marked by still weaker GDP growth. Primary energy consumption fell in Germany, and gross electricity generation remained practically unchanged. The process of opening up markets across Europe and of creating an environment for the national market that is conducive to competition continued to be fostered, yet there is still no sign of any decisive breakthrough. During the reporting year, the resolution to introduce an EU-wide system of emissions trading paved the way for emissions trading.

Overall economic developments

Following the fall in GDP in the second half of 2001, the economy recovered slightly at the beginning of 2002. However, it proved impossible to continue this economic growth to the end of the year. At 0.2%, GDP growth remained below the poor prior-year figure of 0.6%.

The economic revival of the first half of the year was mainly buoyed by an improved global economic situation, but this proved impossible to continue as a result of the Middle East crisis and a waning economic outlook in the USA. Nevertheless, exports helped to shore up growth in 2002, with net exports increasing 1.5% year-on-year. However, growth was significantly slowed by weak domestic demand. This fell by 1.3%, above all as a result of weak private consumption (down by 0.5%) and a drastic fall in expenditure on plant and equipment (down by 8.4%).

Developments in the industry

Electricity generation: The weak economy and mild weather conditions meant that primary energy consumption fell to 488.5 million t SKE in Germany, which represented a year-on-year drop of 1.9%. After adjustment for the influence of temperatures, this is equivalent to a 0.6% fall in primary energy consumption.

At 581.0 billion kWh, gross electricity generation in 2002 was marginally lower than the prior-year figure of 581.8 billion kWh. With a share of 28%, nuclear power remains the main source of primary energy, despite a slight fall in electricity generation compared with the prior year. It is followed by brown coal (27%), hard coal (23%), natural gas (9%) and hydropower (4%). Wind power generation increased significantly, from 11 billion kWh in 2001 to 17 billion kWh, and now accounts for 3% of gross electricity generation.

Electricity exports rose by roughly 3 billion kWh in 2002, reaching 46 billion kWh. Because imports also increased, the power exchange remained practically balanced, as in the prior year (0.7 billion kWh export surplus).

Fair competition: In 2002, further progress was again made in the projects to open up markets across Europe and create an environment conducive to competition. There are, however, no signs of a breakthrough, either on a European or on a national level.

In Brussels, consultations on the European Commission's "market opening package" continued. This package includes amendments to the existing electricity and gas guidelines aimed at completely opening up these markets, and a draft directive on cross-border electricity transport. The European Parliament concluded its first reading in the spring of 2002, calling for sweeping modifications. In response to this, the council of energy ministers radically revised the drafts. On November 25, 2002, the council reached a political agreement. The key points of this compromise are a complete market opening across the EU by July 1, 2007 at the latest, stricter rules on the unbundling of the various areas of operation of vertically integrated utilities companies ("legal unbundling") and minimum requirements for state monitoring and regulation. The liberalisation package is to be debated in the European Parliament in the first half of 2003. It can be expected that it will be enacted before the end of 2003.

Nationally, the draft bill to amend energy legislation was defeated. In the phase leading up to the general election, the ruling coalition failed to find the majority it needed to override a veto by the upper chamber.

The key points of this amendment were implementation of the 1998 gas directive, providing a legal basis for the voluntary agreements of the electricity and gas associations and immediate execution of orders issued by the Federal Cartel Office relating to the implementation of fair conditions for access to electricity networks. Following re-election, the federal government re-introduced the bill to the legislative process unaltered, not least because the European Commission has taken legal proceedings for treaty violation due to the unsatisfactory implementation of the gas directive in Germany.

Combined heat and power: A new law on combined heat and power (CHP) was enacted on April 1, 2002. It is accompanied by a voluntary climate protection declaration, in which the industry undertakes to make further reductions in CO_2.

The new regulations are a significant improvement on their predecessor, the preliminary CHP law. However, this cannot disguise the fact that it gives rise to significant burdens on electricity customers which, together with measures to promote renewable energy and the ecological tax, cancel out the effect of the "liberalisation dividend".

Emissions trading: In Brussels, consultations on an emissions trading guideline went ahead. In the autumn, the European Parliament concluded its first reading. The council of environment ministers reached a political compromise on December 9/10, 2002. The environment ministers agreed on an EU-wide emissions trading systems from January 1, 2005. This will initially affect power generation plants with a thermal output in excess of 20 MW, ore smelters and metalworking plants, and the production of glass, cement, pulp and paper. In future, these plants will have to prove that they have the right to emit the amount of greenhouse gas they emit into the atmosphere each year. If their emissions are too high, operators will have to reduce them by technical improvements or by buying the requisite amount of emission rights. If they cannot provide proof of their right to emit, plants will be subject to sanctions amounting to € 40 per tonne of CO_2 in the first trading period, and to € 100 subsequently.

Emissions trading may result in radical changes for the industry and large price increases. As many of the actual parameters have not yet been fixed, the consequences cannot yet be estimated.

Coalition agreement: Power did not play a major role in the agreements on which the old and new government coalition was based. The government has announced the above-mentioned re-introduction of its amendment to the energy law, continuation of the Law on Renewable Energy ("EEG") and "conditional approval" of a European emissions trading system. This announcement caused the debate about the regulations needed to implement them to become more vociferous in the last quarter of 2002.

E.ON / Ruhrgas: The proposed merger between E.ON and Ruhrgas has gained considerable political and economic significance. After the merger was turned down by the Federal Cartel Office, E.ON AG applied for ministerial authorisation. We made a significant contribution to these proceedings, as the merger would have considerable repercussions both for the gas market and for the electricity market. While basically in favour, we also had our reservations. Although we appreciated the industrial reasoning behind the merger, we demanded far-reaching conditions that would lead to real improvements and more competition on the markets affected.

The ministerial authorisation that was granted did not satisfy our demand in the slightest – nor did it do so in the revised version produced following yet another hearing. For this reason we filed an objection to the ministerial authorisation with the Düsseldorf Higher Regional Court.

In January 2003 we were able to reach an agreement with E.ON that serves to intensify competition and goes beyond the conditions set out in the ministerial authorisation. EnBW did not receive any pecuniary advantage from this. On the basis of this agreement, we withdrew our objection on January 31, 2003.

Company situation and business development

The EnBW Group was again able to continue its growth in fiscal year 2002. Compared with the prior year, sales rose by 10.1% to approx. € 8.7 billion. This increased growth is mainly manifested in energy, our core business segment, which contributed roughly 80% of the sales of the EnBW Group. Sales to electricity customers increased by 12.1%, and sales to gas customers by 16%. In the reporting year, EBITDA was approx. 43.8% or € 451.4 million above the prior-year result.

Sales and revenues

Sales of the EnBW Group by business segment (€ millions)	2002	2001
Energy		
Electricity	6,635	5,719
Electricity tax	- 545	- 462
Gas	634	689
District heat	160	152
Total energy	**6,884**	**6,098**
Waste management	268	259
Industry and services	1,506	1,504
Total	**8,658**	**7,861**

Sales of the EnBW Group by region (€ millions)	2002	2001
Germany	**7,552**	**7,128**
Foreign	1,106	733
Total	8,658	7,861

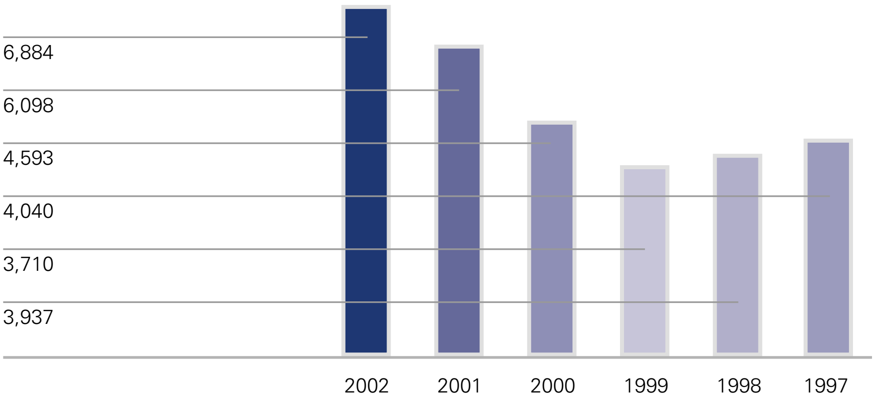
In fiscal year 2002, sales of the EnBW Group increased significantly by € 796.9 million or 10.1%, from € 7,861.2 million to € 8,658.1 million.

Apart from the first-time consolidation of the Spanish Hidroeléctrica del Cantábrico S.A., Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG and the Swiss EnAlpin Group, the significant growth rates in sales were especially due to the successful selling activities of EnBW Energie-Vertriebsgesellschaft mbH and Yello Strom GmbH.

The increase in sales is mainly manifested in energy, our core business segment.

Sales of electricity to customers by our consolidated companies rose year-on-year by approx. 12%, from 97.3 billion kWh to 109.1 billion kWh.

Sales development in the core segment energy in € millions



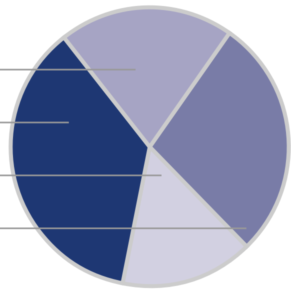
Energy: In fiscal year 2002, the energy business segment contributed roughly 80% of the sales of the EnBW Group, and is thus our most significant business segment by far.

After adjusting for electricity tax, electricity revenues increased by approx. 15.8%, or by € 833 million in absolute terms.

The first-time consolidation of the Spanish Hidroeléctrica del Cantábrico S.A., Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG and the Swiss EnAlpin Group increased revenues in the energy business segment by 6.1% or € 323 million in absolute terms. After adjusting for these first-time consolidation effects, we increased our revenues by approx. 9.7%, or by € 510 million in absolute terms.

Electricity sales of the EnBW Group by customer group

Private customers	20.3%
Industrial customers	36.3%
Redistribution utilities	15.4%
Intercompany/trade	28.0%

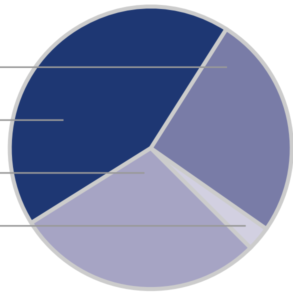


Electricity sales of the EnBW Group by customer group in billions of kWh	2002	2001
Private customers	22.2	18.8
Industrial customers	39.6	34.5
Redistribution utilities	16.8	19.2
Intercompany/trade	30.5	24.8
Total	**109.1**	**97.3**

In percentage terms, the greatest increases in electricity sales were recorded in the intercompany/trade segment. We were able to increase sales here by 22.9%. In the private customer segment, sales increased by 18.1%, while sales to industrial customers increased by 14.8%. There was a 12.5% drop in sales to redistribution utilities.

Gas sales of the EnBW Group by customer group

Private customers	28.6
Industrial customers	42.9
Redistribution utilities	25.7
others	2.8



Gas sales of the EnBW Group by customer group in billions of kWh	2002	2001
Private customers	6.0	5.7
Industrial customers	9.0	7.7
Redistribution utilities	5.4	4.7
others	0.6	0.0
Total	**21.0**	**18.1**

We were able to increase gas sales to all customer groups. In total, sales rose by 16.0% to 21.0 billion kWh.

The development of gas revenues is above all the result of oil-price-induced price reductions. Despite increased sales volumes, sales are 8.0% below their prior-year level.

Waste management: In the waste management segment, sales rose by 3.5% over the prior year. Much of this increase is due to thermal waste management, following the granting of approval for permanent operation of the Karlsruhe Thermoselect plant. In the area of non-thermal waste management, the U-plus Group was able to record a slight increase in sales despite the weak economic situation.

Industry and services: developments in the industry and services segment were mainly impacted by EnBW focusing its entrepreneurial activities on its energy and energy-related services segments. In the course of this concentration on its core business, EnBW sold tesion Communikationsnetze Südwest GmbH & Co. KG in the past fiscal year. tesion was removed from the consolidated group as of August 31, 2002. There was therefore a significant reduction in telecommunications revenues.

By means of a squeeze-out at Salamander AG in the fiscal year, we created an important precondition for the sale of the Salamander Group. A sweeping concept for the reorganisation of the shoe division, approved in 2003, will provide sustained support for the selling process. The talks that have begun with interested parties are being continued, and promise to be successful.

On the whole, all sales in the industry and services segment developed as planned, despite the difficult economic environment.

The Salamander Group's shoe division was affected by the difficult situation on the consumer goods market. Industrial sales in the shoe division fell considerably as a result. Within the Group, service revenues developed positively on the whole.

Result

Fiscal year 2002 was marked by a difficult economic environment and extraordinary burdens resulting from reorganisation programmes that were either introduced or had already been completed.

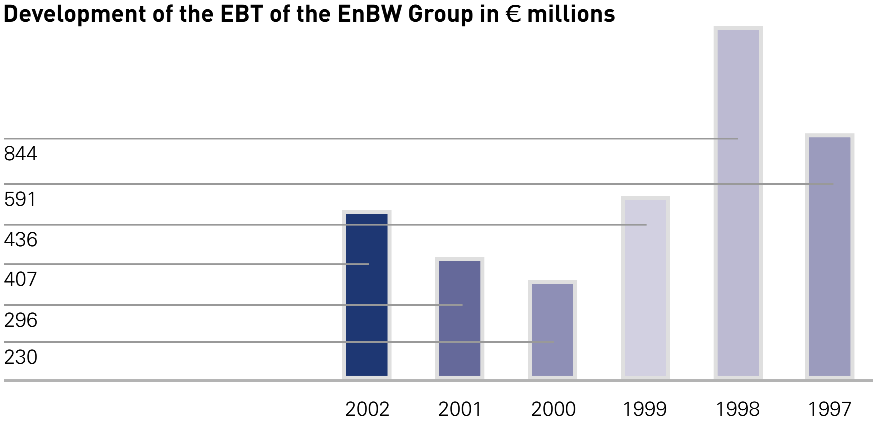
Extraordinary depreciation in the industry and services segment was offset by non-recurring income in the energy segment.

The increase in financing costs as a result of the growth strategy embarked on in 2002 and prior years on the one hand and the postponement of flotation due to the poor stock market situation on the other caused a significant reduction in financial result in the fiscal year.

The total net consolidated income for the year was slightly higher than in the prior year.

EBITDA, EBIT and EBT of the EnBW Group in € millions	**2002**	**2001**
EBITDA	1,481.2	1,029.8
EBIT	561.7	305.2
EBT	406.6	296.1

Development of the EBT of the EnBW Group in € millions



Compared with the prior year, it was possible to improve the result before interest, depreciation and income taxes (EBITDA) by 43.8% to € 1,481.2 million.

The result before income taxes and interest (EBIT) rose by a significantly lower amount than EBITDA, due to increased amortisation of goodwill and extraordinary depreciation of the property, plant and equipment and goodwill of tesion Communikationsnetze Südwest GmbH & Co. KG.

Owing to increased financing costs, the result before income taxes (EBT) rose by a lower amount than EBIT.

Taking the tax item into account, the net consolidated income for the year rose by 3.0% to € 280.0 million. Of this net consolidated result for the year, € 126.3 million is due to minority interests. After contributing € 7.7 million to the revenue reserves, a net profit of € 146 million remains. This means that the net retained earnings of the Group are equivalent to the net retained earnings of EnBW AG.

EBITDA and EBIT of the EnBW Group by business segment in € millions	Energy	Waste management	Industry and services
EBITDA	1,592	– 2	78
EBIT	1,073	– 40	– 265

Energy: In the energy segment, it was possible to increase EBITDA by a significant amount over the prior year. It rose by € 859 million to € 1,592 million. The electricity division played a major role in this positive development.

As a result of lower direct costs and non-recurring effects, it was possible to increase margins in the electricity business during the fiscal year. However, our result in the electricity division continues to be burdened significantly by indirect, excessive third-party-access and cooperation expenses. For this reason, the earnings situation in our core business segment is still not satisfactory.

Despite lower sales, we achieved a better result in the gas division than in the prior year.

Waste management: In the area of thermal waste management, capital expenditures to optimise thermal incineration plants placed a burden on the result. The non-thermal waste management division, which is run by the U-plus Group, closed the reporting period with a satisfactory result.

In the reporting year, EBITDA fell by € 11 million to € – 2 million.

Industry and services: The result of the industry and services business segment is affected by the extraordinary depreciation expense at tesion Communikationsnetze Südwest GmbH & Co. KG. Despite the difficult situation in the shoe division, the result of the Salamander Group developed in line with our expectations.

In the reporting year, EBITDA fell by € 160 million to € 78 million.

EnBW share

The EnBW share in figures	2002	2001
No of shares as of Dec. 31 (million shares)	250.0	250.0
Annual high €	35.00	35.50
Annual low €	29.80	30.00
End-of-year price €	34.00	34.50
Dividend per share €	0.66	0.66
Market capitalisation as of Dec. 31 (€ billions)	8.5	8.5

In the reporting year 2002, the EnBW share remained stable at a level above € 30, as in the prior year. In other words, the EnBW share has held its own in a stock market environment which continues to be difficult. This year, too, we were above all able to exploit the sustained positive attitude of national and international investors to EnBW on the debt capital market.

Changes in shareholder structure: following the sale of EnBW shares by Baden-Württemberg state and some local authorities in Baden-Württemberg to Electricité de France (EDF) in 2001, further local authorities displayed an interest in selling their shares in EnBW in 2002. Together with Deutsche Bank and HSBC Trinkaus & Burkhardt, and despite the difficult situation on the equity markets, we were able to find an interim solution. The two banks each purchased a 5.86% share package from the local authorities looking to sell their shares. This means that the shareholder structure of EnBW is now as follows:

Shareholder composition (%)	
Electricité de France International	34.50
Zweckverband Oberschwäbische Elektrizitätswerke	34.50
Deutsche Bank	5.86
HSBC Trinkaus & Burkhardt	5.86
Badischer Elektrizitätsverband	3.44
Gemeindeelektrizitätsverband Schwarzwald-Donau	1.58
Independently held capital	1.49
Others	1.17
Own shares	
directly	2.60
indirectly via TWS Beteiligungsgesellschaft mbH	9.00

Dividend: at the annual general meeting on April 25, 2003, the Board of Management will propose distributing an unchanged dividend of € 0.66 per share from the net retained profit for 2002. The capital stock of EnBW consists of 250,006,200 no par value shares. These in turn are made up of 141,088,383 registered shares and 108,917,817 bearer shares. A total of 221,011,422 shares are entitled to dividend payments. Given that such a resolution is passed by the annual general meeting on April 25, 2003, the sum distributed by EnBW AG for fiscal year 2002 will come to € 145.9 million.

Financing and investments

Compared with the prior year, cash flow according to DVFA/SG fell by € 258 million or 25.6%. The flow of funds is reflected in the cash flow statement as follows:

Cash flow statement for the EnBW Group in € millions (summary)	**2002**	**2001**
Inflow/outflow of funds		
from operating activities	512	461
from investing activities*	– 3,333	– 1,863
from financing activities	2,479	1,461
Increase/decrease in cash and cash equivalents	– 342	59
Cash and cash equivalents as of Dec. 31	564	906
Cash flow according to DVFA/SG	751	1,008

* including purchase of own shares

On the advice of the EnBW Board of Management, the Supervisory Board of EnBW decided on January 24, 2002 not to make any qualified public offering (flotation) for the purchase of no-par-value shares of Energie Baden-Württemberg AG before August 31, 2002. The reason for this was the ongoing poor situation on the stock markets. As part of our overall finance strategy, we intend to wait until the situation on the equity market improves.

The conversion right for the debentures issued in April 2001, totalling € 490 million and with a suspensively conditional right of conversion into EnBW shares (conditional convertible bonds), could only be exercised if EnBW made a qualified public offering by August 31, 2002 at the latest, i.e. had publicly placed

EnBW shares by this date. As of August 31, 2002, therefore, we paid back the conditional convertible bonds issued in April 2001, which had initially been issued as simple bonds, with a yield of 5.14% in accordance with the terms of bond issue. With a 16-month term, this conditional debenture was an attractive investment for our investors.

Long-term rating **Short-term rating**	**2002**	**2001**
Standard & Poor's	A+/stable outlook	A+/stable outlook
	A-1	–
Moody's	A2/stable outlook	–
	Prime-1	–

In January 2002, Standard & Poor's revised its rating of December 2000 to a long-term A+/stable outlook, thus affirming the strong market position and sound financial and earnings base of EnBW. For the first time, Standard & Poor's issued a short-term A-1 rating. For the first time, Moody's awarded a long-term A2/stable outlook rating (short-term Prime-1 rating) for EnBW. Moody's justified this appraisal by pointing out EnBW's strong regional presence and its sound financial profile. These ratings and outlook remained unchanged over the course of 2002.

On January 28, 2002, EnBW launched what is known as a debt-issuance programme (DIP) with a financing facility of € 3 billion. This programme was also taken into account in the above-mentioned ratings. The DIP, which is quoted on the Luxembourg stock exchange, is a standardised documentation platform for the issuance of debentures up to a maximum amount of € 3 billion. Both private placements and publicly syndicated bond issues are possible, with flexible options allowing a choice of all major currencies and a range of terms.

On February 15, 2002, via its subsidiary EnBW International Finance B.V,. Amersfoort/Netherlands, EnBW AG used the DIP to issue bonds denominated in euro, one issue totalling € 750 million and with a term of 5 years and another issue totalling € 1 billion and with a term of ten years. These have been very well received by investors. The issue of bonds has provided us with a favourable means of finance which will allow the consistent application of our growth strategy in our core business segment energy, which focuses on Europe.

The bond issues in figures

Volume	€ 750 million	€ 1 billion
Issue date	Feb. 28, 2002	Feb. 28, 2002
Maturity	Feb. 28, 2007	Feb. 28, 2012
Coupon	5.125%	5.875%
Issue price	99.484%	99.704%
Securities identification number	846097	846098
Lead manager	Barclays Capital; Deutsche Bank	Barclays Capital; Deutsche Bank
Stock exchange	Luxembourg stock exchange	Luxembourg stock exchange

The five-year bond was mainly placed with pension and investment funds in Germany, Switzerland, Spain and France. The narrow yield gap and relatively low level of secondary trading are indicative of how well this bond has been received on the market. The ten-year bonds have mainly been acquired by investment funds, banks and insurance companies in Germany, the UK and France. They are holding up very firmly on the market. In other words, we can look back on a successful issue which provides solid foundations for further EnBW activities on the capital market.

Development of the spread of the EnBW Euro-bonds

In addition, EnBW set up a syndicated credit facility with a volume of € 3 billion in April 2002. A total of 26 banks participated in the syndicate. Its term is one year, but EnBW has the option to extend it for up to one further year. As of December 31, 2002, the credit facility had been drawn up to € 1.95 billion, and thus not fully drawn.

As part of EnBW's DIP programme, placements worth a total of € 300 million were issued in November and December 2002, some due in 2005 and some in 2010. In the case of these placements, too, EnBW profited from its stable A-rating.

On the whole, EnBW is successfully positioned on the capital market. Contrary to the general trend, we maintained our rating over the entire fiscal year and fulfilled the actions notified by our investors.

Investment of the EnBW Group by business segment in € millions	**2002**	**2001**
Energy	4.501	774
Waste management	43	43
Industry and services	277	379
Holding company / consolidation	331	2,249
Total	**5,152**	**3,445**

Compared with the prior year, investments in the group rose by a total of € 1,707 million or 49.6%.

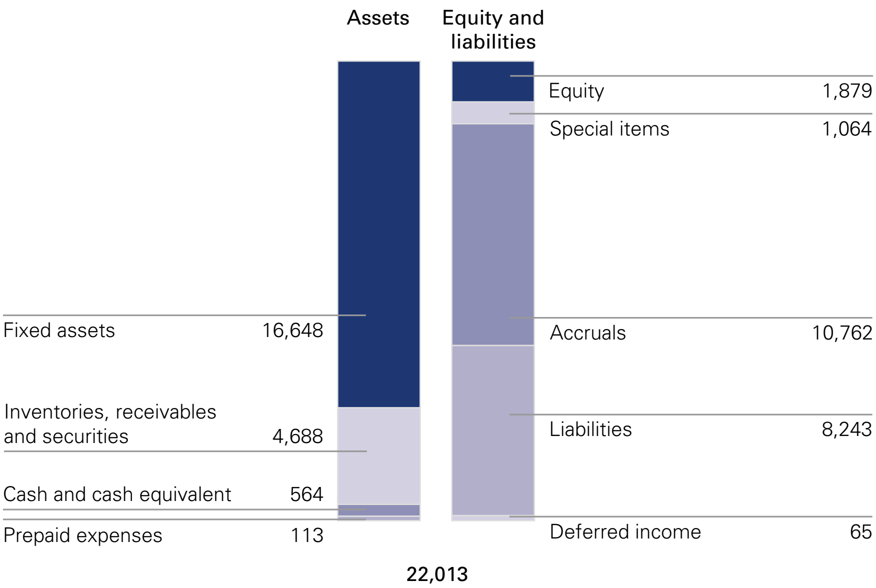
We made significant investments at the following companies in particular: Neckarwerke Stuttgart AG, Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG, EnAlpin AG, Gasversorgung Süddeutschland GmbH and Stadtwerke Düsseldorf AG. In connection with the acquisition of Technische Werke der Stadt Stuttgart GmbH (now TWS Beteiligungsgesellschaft mbH), which held 42.5% of the shares in Neckarwerke Stuttgart AG, 9% own shares of EnBW AG were also indirectly acquired. Most of the capital expenditures on property, plant and equipment related to the extension of distribution systems.

In the area of divestitures, we above all shed our holdings in tesion Communikationsnetze Südwest GmbH & Co. KG, Rheinmetall Elektronik AG, EBH Energie-Beteiligungsholding GmbH and Kraftübertragungswerke Rheinfelden AG.

Composition of assets and equity

Balance sheet structure of the EnBW Group in € millions	2002	%
Assets		
Fixed assets	16,648	75.6
Inventories, receivables and securities	4,688	21.3
Cash and cash equivalents	564	2.6
Prepaid expenses	113	0.5
	22,013	**100.0**
Equity and liabilities		
Equity	1,879	8.5
Special items	1,064	4.8
Accruals	10,762	48.9
Liabilities	8,243	37.5
Deferred income	65	0.3
	22,013	**100.0**

Balance sheet structure of the EnBW Group in € millions



Consolidated total net assets increased year-on-year by 17.4%, while the total net assets of EnBW AG rose by 28.7%. Intangible assets in the Group went up by € 2,241 million to € 3,147 million. This increase is a result of a rise in goodwill. Property, plant and equipment in the Group went up by € 1,988 million to € 7,125 million, and account for 32% of the balance sheet total.

Financial assets in the Group went up by € 586 million to € 6,377 million. The assets included in financial assets mainly comprise long-term specialised securities funds and participations in associated enterprises.

Compared with the prior year, current assets fell by approx. 23% or € 1,565 million. Receivables and other assets decreased in the reporting year by 38% or € 1,715 million. The fall is especially due to the acquisition of Hidroeléctrica del Cantábrico S.A. In the prior year, claims to the transfer of shares in the company totalling € 1,967 million were disclosed under other assets. Marketable securities increased by approx. 58% as a result of the acquisition of own shares, while cash and cash equivalents fell by 38%.

For accounting purposes, the ratio of equity to assets (including minority interests) fell in the reporting year from 13.2% to 8.5%. This does not consider the operational equity portion of the special item in the Group totalling € 1,064 million (prior year: € 1,030 million). The reduction in the ratio of equity to assets mainly results from the reduction of minority interests of Neckarwerke Stuttgart AG in equity.

At EnBW AG, the percentage share of equity went down from 17.7% to 14.0%.

Debt capital in the Group largely comprises long-term accruals for the shutdown and decommissioning of our nuclear power plants. Interest-bearing loans in the liabilities to banks come to a total of € 4,046 million, and bonds payable total € 2,265 million.

Relationships with affiliated enterprises

Pursuant to sec. 312 AktG, the Board of Management of EnBW AG prepared a dependent company report for fiscal year 2002. This details relationships with affiliated companies, and closes with the following declaration:

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

Employees

Headcount development

Employees in the EnBW Group as of Dec. 31*	2002	2001
Energy	13,188	13,017
Waste management	1,841	1,795
Industry and services	23,312	29,535
Holding	152	153
Total	**38,493**	**44,500**

* without inactive employees, including apprentices

As of December 31, 2002, the EnBW group had 38,493 employees. Compared to mid-year, this represents an increase of just under 600 employees in the energy segment due to the first-time consolidation of Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG and the partial consolidation of Hidroeléctrica del Cantábrico S.A. Compared to year-end 2001, the headcount in the Group has dropped by 6,007 or 13.5%. This is primarily due to the deconsolidation of DIW Deutsche Industriewartung AG within the Salamander group and of tesion Communikationsnetze Südwest GmbH & Co. KG in the industry and services segment. Adjusted to reflect changes in the consolidation group, this represents a slight drop in the number of employees of – 1.3% compared to – 1.6% as of June 30, 2002. The percentage share of part-time employees stood at 21.5%.

Social and regional responsibility

During 2002 we were again committed to aligning economic success and social responsibility. As one of the largest employers in Baden-Württemberg we are aware of our special responsibility in the region and act accordingly. Traditionally, special attention has been paid to basic and advanced training. EnBW stands for a modern portfolio of personnel-related services. At the same time, the agreements with the employee representatives guarantee a stable social environment.

Focus on training and student sponsorship

An important element of our social obligation is to give motivated young people the opportunity to receive state-of-the art training. In 2002 the share of apprentices was maintained on a consistently high level. Regular competence training for the trainers and the adaptation of requirement profiles to meet the current demands of the market ensure high standards. In the future we will continue to offer all our apprentices career prospects in the form of employment within the group for at least 18 months after the successful completion of their training.

Thanks to intensive contact to universities and technical colleges and the employment of some 600 students on placement, interns and students preparing their theses in the core companies alone we secure access to potential key employees while they are still studying. Particularly highly qualified students have the chance to participate in a sponsorship program, the Energy Career program.

EnBW Academy pursues expansionary policy

Only highly trained employees can offer EnBW's customers the greatest possible value added. Activities in the area of personnel and management development were therefore further expanded in 2002, the second fiscal year of EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH. The courses offered in the advanced training programme of the Akademie still play a key role. There has been a marked increase in customised training and development activities designed to effectively accompany and support change processes in the organisational units. One important aspect here is the support of employees in an increasingly international working environment in the form of language training and intercultural courses.

Potential young managers who are just starting their professional career are supported by the groupwide trainee programme. Employees taking over new responsibilities on account of structural changes receive specific training in the "Drehscheibe" programme. Managers assuming managerial responsibility for the first time or who are taking on a new managerial task on the same or a higher level are given special support. When starting in a new managerial position the need for professional advice and support is particularly pronounced. Young managers are prepared for their first managerial position within the "PROFIL" programme. Most persons completing this program have since assumed a position in management.

Trend towards flexible working time models

We have responded to the needs of our employees by expanding our offering. To make family and job more compatible we have set up a service which provides comprehensive advice and support before and during parenting leave and helps with the return to work. At the end of 2002 around 160 employees used the possibility to take parenting leave. We also expanded our advisory services relating to the topic "Altersteilzeit" (special German early retirement arrangement).

Ideas welcomed

After the successful relaunch in August 2001, the ideas management scheme has become a permanent fixture. Our employees are actively involved in the continuous improvement of work processes, methods and products. In the reporting year, the ideas management initiated a cross-industry forum that promotes the regular exchange of experiences between the regional idea managers.

Employees in action

In 2002 measures designed to achieve the objective of integrating the entire workforce in current issues of company policy and strategy continued. Regular events with the whole management board and individual members of the holding board allow a timely and direct exchange. At an event in the Heilbronn power plant, 300 employees from EnBW and EDF contributed their ideas for the co-operation of the two groups under the motto "Partnership is what we make of it". A representative survey revealed that the employees are highly satisfied with their employer EnBW and are attached to their company.

This was presumably their motivation for the commitment to our customers displayed during 2002 and for tackling and mastering the new challenges. Their abilities and dedication made a material contribution to the success of EnBW. Works' councils, the executives' representative bodies and youth representatives were valuable partners. The management board would like to express its heartfelt gratitude for their great personal commitment.

Research and Development

Research cooperation

In all research, development and demonstration projects, EnBW works together closely with external associates from industry and research. Operatively, the projects are handled exclusively by subsidiaries or partners of EnBW. Usually, several group companies work together in research projects. This allows different business activities to be linked to provide a common benefit. Strategically, the EnBW research programme is managed by a special unit within EnBW Holding, whose responsibilities are to observe technological developments and develop projects. The group companies' research projects are financed partly out of the holding company's research budget and partly by the companies.

The fuel cell: a technology with a future

To provide our customers in Baden-Württemberg with tomorrow's technology today, we have put additional fuel cell systems with varying levels of output into operation.

In the case of fuel cells for domestic energy supply, our private customers continue to be extremely interested in generating energy ecologically and economically with a power station of their own. Of our total quota of fuel cell heaters made by Sulzer Hexis, we have planned 12 systems; five systems went into operation by the end of 2002, two of them at private customers'. The fuel cell heater provides heat for central heating and hot water up to a maximum of 24.5 kW, and electricity up to a maximum of 1 kW.

In September 2002, we put a PEM fuel cell into operation with an electrical output of 250 kW. It supplies heat and electricity to the thermal spa in Mingolsheim, near Karlsruhe. The system is part of a joint project with a large number of partners, combining various pioneering technologies for generation and storage in a regional network.

At the tyre factory of Michelin KGaA in Karlsruhe, a further fuel cell system went into operation in December 2002. It has an electrical output of 250 kW. Here, in a world first, a molten carbonate fuel cell (MCFC) generates process steam in a production process for the vulcanisation of truck tyres, as well as generating electricity for the factory mains.

In the years to come, the operation of fuel cell systems will show whether this technology can, in the foreseeable future, provide an economically and ecologically viable solution for our customers' decentralised generation of heat and power.

We will not be building the fuel cell demonstration power station in Marbach/ Neckar, with an electrical output of 1 MW. From today's perspective, our aim of building a pre-commercial, megawatt-class fuel cell hybrid power station with a high level of electrical efficiency is neither financially feasible nor can it be realised within the given time frame. Fuel cell hybrid technology combines a high-temperature fuel cell and a small gas turbine in order to increase electrical efficiency while keeping system costs low.

Successful cooperation with EDF

Within the EDF Group, EnBW plays an important role, in particular with its demonstration projects. At the same time, EnBW can benefit from the results of the wide range of development work done by the EDF Group. This is a good basis for successful cooperation. Since the winter of 2002/2003, for example, we have been working with EDF on trials with small Stirling engine cogeneration plants at commercial customers' in Baden-Württemberg and France.

Use of renewable energy

In recent years, public interest in decentralised generation of heat and electricity from renewable sources of energy has increased dramatically. "Intelligent use of energy" was the principle behind further new approaches tried out in 2002, which have so far received little attention. For example, we are preparing several projects in the fields of geothermal energy and techniques for the digestion of biomass, in order to test their suitability for the business activities of EnBW and for installation at customers'. Together with our partner Stadtwerke Düsseldorf AG, we intend to examine the opportunities presented by gas turbine cogeneration plants based on small gas turbines (micro gas turbines). What is interesting here is the very high fuel utilisation. These projects, which are especially significant from an environmental perspective, will come to fruition in 2003. As a result of the current legislation to promote use of renewable energy, the above technologies are on the threshold to economic feasibility. Here, too, demonstration projects help assess possible selling and contracting activities which will allow us to use the latest technologies for our customers and install them at our customers'.

Risk report

Holistic risk assessment

Risk management: As an internationally operating energy group in a market environment marked by varying levels of liberalisation, EnBW is exposed to a large number of risks. These risks are an inseparable part of our business activities. We tackle these risks in a responsible and controlled manner in order to exploit opportunities expediently – in the interest of our shareholders and employees and for the benefit of our social environment.

The systematic recording and ongoing monitoring of our business risks, as well as the work of analysing, evaluating, documenting and managing them, are guaranteed by a group-wide risk management system, which is an integral part of our business operations. Our decision-makers and supervisory bodies in the group are regularly (every three months at least) kept comprehensively informed. Every year, both the internal group auditors and the external auditors assess how well the system is working. They confirm that it complies with the legal requirements.

In the reporting period, there were no discernible risks to the continued existence of the company.

Overall economic risks

Economic situation: In the reporting period, the economic situation in Europe and Germany deteriorated compared with the prior year. We cannot escape the effects of this development.

In order to consolidate the budget the reelected federal government has put together a comprehensive package for the reform of corporate taxation, the Law to Reduce Tax Privileges (StVergAbG). The law was adopted by the cabinet on November 20, 2002. Some of the changes took immediate effect, others from January 1, 2003. A key component of the reform is the restriction of the possibilities to offset losses including a minimum taxation for corporations.
In this context, the possibilities to have tax credits stemming from the corporate tax law valid until the end of 2000 refunded or offset are also to be restricted.
In the trade tax area the possibility to form so-called fiscal unities is also to be abolished, a change which would trigger a considerable additional tax burden for the EnBW Group. There are also changes regarding the depreciation of new assets.

We will mitigate the negative effects on our company as far as possible by appropriate optimisation measures. With the current political constellation the legislation process is not expected to be completed until mid-March 2003. Until then, however, the ongoing controversial discussions of various political lobbies, even within the ruling parties, about the content of the reform unfortunately prevent tax planning with any certainty.

Property insurance: In the wake of the events of September 11, 2001 companies have to accept that the insurance firms will no longer insure risks to property as a result of terrorist acts, or only at significantly higher premiums. The EnBW Group has also made use of the solutions developed in cooperation with the insurance industry. In addition, the protective measures already taken in the prior year for plants subject to security risks remain in force.

Industry risks

In the reporting year, changes or planned changes in the political and regulatory framework led to risks for the energy industry and thus also for our company.

Accruals: Due to the nature of the industry, all the energy concerns will be affected by the legislative plans of the Transport and Energy Directorate at the European Commission to separate the nuclear power accruals. The key element of this plan is to transfer capital accrued for the ultimate storage of used fuel rods and decommissioning of nuclear power plants to an external fund. In Germany, this would put an end to the proven practice of establishing accruals for future obligations. Many issues have not yet been resolved. Nonetheless, in order to limit the negative effects the German energy industry is endeavouring through political channels to have its position considered in the planned directive.

Atomic energy act: Based on the amendment of the atomic energy act, the coverage of previously € 250 million per nuclear power plant operator has been increased to € 2.5 billion within the framework of a pooling agreement of the industry using nuclear energy. Besides the unlimited primary liability, for EnBW thus means an additional pro-rata secondary liability of approx. € 1 billion in the event of the insolvency of a nuclear power plant operator. These funds are kept in a Treasury reserve.

CHP law: The new law to promote combined heat and power came into force on April 1, 2002. It replaces the preliminary CHP law. Although the law provides more legal certainty as regards the question how the monetary burden is to be divided between the customer and energy provider, the question of whether burdens already caused by the preliminary CHP law is, however, still the subject of legal dispute. As a decision by the supreme court is still pending, we have made provision in accounts for the resulting risks. We do not, therefore, anticipate any significant burdens in excess thereof.

Emissions trading: The CO_2 emissions trading planned throughout Europe may result in profound changes for the industry. As the procedures for an EU emissions trading directive are still underway, the conditions are still unclear.

The start of the CO_2 emissions trading planned for the period 2005 to 2008 involving the gradual substitution of nuclear power by other primary sources of energy could also negatively impact EnBW. At present, it is completely unclear whether it will be possible to pass on the price increases induced by the legislation to the market. We will continue to represent our interests and those of our customer in all the relevant working groups in order to reduce potential risks.

Large combustion plants: The energy concerns are also facing increased burdens from the European Directive on large combustion plants that was enacted in October 2001 and that is to be transformed into national law. It requires the same limits for old plants as for new ones. In political discussion we, and the other energy concerns, are endeavouring to mitigate the risks.

Network access: Because the uniform application of the voluntary industry agreement on pricing for the non-discriminatory network access still lacks binding force, it is impeding competition. At an early stage, we therefore demanded government regulation of the pricing of the network user charges and are calling for the immediate execution of the orders of the Federal Cartel Office for the enforcement of fair network access conditions.

Operating risks

As an energy concern, we produce our products in hi-tech plants using complex processes. Technical downtimes have a direct effect on the results of operations. They can also adversely affect the public image of our company. Our customers judge our performance on our safety record and the availability of our products and services.

Safety management: To further increase the safety level in our nuclear power facilities, the safety management concept was thoroughly revised in 2002 and is being gradually put into practice. The existing risk management system already in place in our nuclear power plants has also been extended and refined. The networking of the risk management systems of all the nuclear power plants belonging to the EnBW Group guarantees proper risk communication.

EnBW operates a uniform group information processing infrastructure for the performance of its customer-related and internal processes. Data security, data protection and the high level of availability of these systems are essential to maintain high standards of service. To achieve this we rely on state-of-the-art IT security measures and employees with excellent know-how. We are constantly working on the optimisation of our information processing systems to safeguard this standard of quality.

Market risks / counterparty risks

Treasury: As part of our risk policy, we pursue a wide spread of capital investments in various risk categories. Fixed-interest securities, shares and investments in special funds are the focal points of our investment policy. In accordance with our internal investment guidelines, we place high demands on the quality of the issuers. Moreover, we only use customary market financial instruments with adequate liquidity. Risk provisions are supplemented by a system limiting volume, counterparties and issuers.

In the area of capital procurement we also attach importance to diversification as regards types of financing, terms and capital providers. There are no dependencies on individual lenders. Maturities and lock-down periods for interest rates are governed by the requirements derived from the planning.

To measure our price risks we use the value-at-risk (VaR) concept. At a market value of our financial assets of € 5,326 million at the balance sheet date, the thus determined market price risk in the EnBW Group amounted to € 90 million (VaR 95%/10 days). Due to the high volatility on the capital markets, the relative value of the VAR has increased compared to the prior year.

As prescribed by the risk management and risk controlling standards for the trading business of banks, we have performed a functional and organisational separation of the trade and risk controlling. This also applies in particular to the management of EnBW Gesellschaft für Stromhandel mbH where the risk management is bundled along the value added chain.

Electricity trading: The limits for market price risks arising from the disposition and trading activities are approved by the supervisory board of the electricity trading company. The risk management of the electricity trading company continuously monitors adherence to this limit and reports regularly on market price risks that are determined by means of valuations and scenario analyses. During the reporting period the limits were observed at all times.

To minimise the risk inherent in the potential failure of counterparties, we demand high credit standing and check this at regular intervals. Furthermore, we generally conclude master agreements according to the EFET Standard (European Federation of Energy Traders) which also contain guarantees independent of our estimation of the trading partner.

In the reporting year, the trading business was marked by the withdrawal of several US energy trading companies from the European market. The liquidity problems experienced by some of these companies did not adversely affect us because we had reduced the credit risks with these trading partners in good time.

In the reporting period, we successfully installed a new trading and risk management system. This new system supports our activities to manage the risks resulting from trading and disposition.

The management of the volume risks resulting from our selling activities was further improved by the implementation of an integrated process covering various group companies.

Subsequent events

Kraftwerk Laufenburg AG: On August 1, 2002 EnBW acquired the majority shareholding of Watt AG of 76.6% in the Swiss company Kraftwerk Laufenburg AG (KWL). It is planned to allocate this investment to the EnBW subsidiary EnAlpin AG in 2003. After the approval of the European Commission on December 19, 2002 the shares were transferred to EnBW on January 20, 2003. With this acquisition EnBW also assumed indirect control of Kraftübertragungswerke Rheinfelden (KWR), now called Energiedienst AG (ED). In January 2003 KWL acquired 100% of the shares of KWR.

KWL and ED operate the Upper Rhine run-of-river hydroelectric power plants Laufenburg, Rheinfelden and Grenzach-Wyhlen and hold interests in other hydroelectric power stations. ED will take care of more than 200,000 electricity customers of KWL/ED via its own networks in southern Baden-Württemberg. In 2001 KWL/ED sold some 6.3 billion kWh of electricity. With the acquisition of the majority holding in KWL, EnBW intends to optimise its supply territory in southern Baden and to bundle cross-border generating capacities on the Upper Rhine.

The bond issues in figures

Volume	CHF 400 million
Issue date	February 25, 2003
Maturity	February 25, 2008
Coupon	2.25% p.a.
Issue price	99.7%
Securities identification number	1547804 (ISIN0015478040)
Lead manager	Bank von Ernst & Cie AG
Stock exchange	SWX Stock Exchange

Bond on the Swiss capital market: On January 23 EnBW issued a bond of CHF 400 million with a fixed maturity of five years via its subsidiary EnBW International Finance B.V., Amersfoort/Netherlands, thus fully exploiting the targeted volume. Under the lead manager Bank von Ernst & Cie AG the bond was taken over by a bank syndicate. Issue date was February 25, 2003, repayment is scheduled for February 25, 2008. The bond is equipped with a coupon of 2.25% and was placed long term with investors with a spread of 48 bp above midswap at the lower end of the target range. The funds received by EnBW from this bond will be used for general financing purposes.

Outlook 2003

Future industry development

As energy is not a priority of the reelected federal government, we assume that while the legislative procedure will continue as described, there will not be any new issues.

Single market for energy: We expect the deregulation package of the European Commission to be enacted during 2003. In view of the fact that the German market is already fully liberalised, the effects on Germany should be limited.

Energy law amendments: We still have some doubts whether the retabled amendment of the energy legislation will actually become law. Our reservations mainly relate to the voluntary industry agreements gaining the status of a law. Not only the Federal Cartel Office has opposed this. It is also doubtful whether the parliament will accept a static reference, i.e. reference only to the given version of the voluntary industry agreements which expire in 2003.

The urgently anticipated reform of the general terms and conditions for the supply of electricity gas (AVB) also depends on the amendment of the energy law. This requires a change in the legal basis of the authorisation which is part of the amendment of the energy law.

Emissions trading: We also expect the EU legislative process for the emissions trading directive to continue. If this process is concluded, the discussion will be shifted to the transformation to German law and the allocation of the so-called emissions certificates. In this area we cannot yet see any practicable solutions that would be acceptable to all the parties concerned.

EnBW is directly represented in all the relevant working groups dealing with the issues surrounding emissions trading. We support solutions which will protect our company and our customers from detrimental intervention. In any case, the introduction of the new production factor – use of the atmosphere of the earth – will result in far-reaching changes throughout the industry.

Conversion of accounting system

During fiscal 2003, the accounting system at the level of the EnBW Group will be converted from German commercial law to International Financial Reporting Standards (IFRS). The first IRFS financial statements will be published as of June 30, 2003. Due to company-specific structures, we expect the result after taxes under IFRS to be considerably lower.

Future development in the segments

Changes in segmentation: As a result of the concentration of the EnBW Group on energy and energy (infrastructure) related services, the segments will change in 2003. The consolidated financial statements for 2003 will report on the segments electricity, gas and energy and environmental services. The prospects for the future development of the segments is therefore based on the new structure.

Electricity: This segment comprises the generation, trade, sale, transportation and distribution stages of the value added chain. Due to the unfavourable cyclical development of the German economy we do not expect a major increase in the demand for electricity in 2003. However, thanks to our strong position in Baden-Württemberg, the nationwide expansion of our industrial customer area and the purchase of Laufenburg AG in January we expect sales to increase in 2003.

An extensive programme to improve earnings adopted in 2003 will lead to a sustained increase in the earnings power of the EnBW Group in the core business sector.

Capital expenditures will focus on biomass and wind power plants in the field of small generating plants and in the area of electricity networks.

Expenditures will be financed from cash flows from ordinary activities, by divestiture within and outside our core business segment and by long-term debt and equity instruments.

Gas: The strategic goal to strenghten the position of EnBW in the gas business was realised with the majority acquisition of Gasversorgung Süddeutschland GmbH in collaboration with Eni S.p.A. The partnership with Eni SpA will allow EnBW to further expand its position on the German gas market

Sales in the gas sector will virtually double as a result of the consolidation of Gasversorgung Süddeutschland GmbH. After the electricity segment, the gas division makes the largest contribution to the result of the EnBW Group. We expect the results of operations to develop positively.

Energy and environmental services: The energy and environmental services segment will mainly combine the previous segments waste management and industry and services. The segment focuses on services which are closely associated with the electricity and gas divisions. It contains water, thermal and non-thermal environmental services as well as the other service activities of the EnBW Group.

The result of the fiscal year 2003 will improve significantly compared to 2002. In 2003 we expect a positive EBIT in the energy and environmental services segment.

We will report separately on the discontinued activities previously included in the industry and services division.


Performance has a high value. A smile is value added.

Reports from the business segments

Energy

The consistent alignment of operations with the needs of our customers and more intensive selling activities on the European markets has had a positive effect on our electricity sales and collaborations at home and abroad have improved our market opportunities. Besides nuclear power, hydroelectric power and gas are important components of our power generation portfolio. A reliable supply of electricity and competent energy-related services giving due consideration to environmental issues, innovative products as well as non-discriminatory network access and low network user charges are the distinguishing features of our energy strategy.

€ millions	**2002**	**2001**
External sales	6,884	6,098
of which		
Electricity	6,635	5,719
Electricity tax	– 545	– 462
Gas	634	689
District heat	160	152
EBITDA	1,592	733
EBIT	1,073	273
Capital expenditures	4,501	774
Employees as of Dec. 31 (number)	13,188	13,017

Electricity sales

Energy sales of the EnBW Group in billions of kWh	**2002**	**2001**
Electricity		
incl. all investments	120.5	110.1
incl. all consolidated companies	109.1	97.3
Gas	21.0	18.2
District heat in billions of kWh_{th}	3.8	3.6

EnBW Energie-Vertriebsgesellschaft mbH is the most important sales organisation in the EnBW Group. For industrial customers from Germany and Europe as well as private and commercial customers from our traditional home territory Baden-Württemberg the sales company is a competent point of contact for all questions relating to efficient electricity supply and energy-related services.

By focusing more strongly on margins, the sales company was able to significantly improve margins during the fiscal year and at the same time slightly increase electricity sales.

Other factors contributing to the success of the sales company are its rigorous customer orientation and customer proximity. As part of the sector approach, customers from a certain sector are supported by the respective key account managers, i.e. the specialist responsible for that industry. The branch network with eight branches and twelve offices throughout Germany is the densest in the business and is supplemented by several branches in other European countries. In addition, the sales company also further expanded its product portfolio during the reporting year to better satisfy the individual requirements of our industrial customers with their differing consumption and purchasing behaviour.

To maintain its pioneering status as regards customer orientation in future, the sales company has optimised its sales units. With its newly established process-oriented structures it is able to map customer requirements even more efficiently. Moreover, the successful European orientation of the sales company was reinforced. Alongside the international branch offices, international collaborations and intensified co-operation with partners outside the EDF Group open up new market opportunities. With the help of the new European key account management, the sales company will in future be able to exploit these market opportunities even more rigorously. EnBW is still one of the few energy companies that also supplies its customers in other European countries with electricity.

To sustain the good market position of EnBW with its customers in Baden-Württemberg in the face of increasing competition and the aggressive pricing of some local suppliers, the sales company has continued its customer loyalty programme. Numerous state-wide and regional actions and campaigns were initiated, particularly in the home state Baden-Württemberg. Examples include the partnership campaigns „Hand in Hand. Fürs Land." and „Tour de Ländle" with the Südwestrundfunk.

For **Yello Strom GmbH,** the year 2002 was the year of the customer. With more than 900,000 customers at year end, Yello has significantly extended its market leadership among the new electricity providers and again considerably enlarged its head start over its competitors. The company's uncompromising alignment with customer wishes, the radical simplification of customer contacts and downstream operative processes as well as the individualisation of the way customers are addressed catapulted Yello to the top of customer loyalty ratings in the industry.

At the same time, Yello has once again improved its market awareness, despite a reduced marketing budget, to 98 percent, ranking joint first with E.ON. A study of the magazine "Capital" on Corporate Branding from June 13, 2002 put the brand value of Yello above that of such renowned concerns like Allianz, RWE, SAP, Bertelsmann, Bayer, Henkel and Deutsche Bank.

The focus on the customer has led to a expansion of the network of sales representatives and streamlining of selling partnerships. Despite a price increase at the beginning of the year, Yello not only asserted its selling position with its price formula 6.6 but actually succeeded in extending it. Thanks to a continuous improvement in selling efficiency, a record number of new customers was recorded in the third and fourth quarters.

At the same time, Yello made successful inroads in the telecommunications market in 2002. The internet and telephony products were well received by the market. In market trials, other products were also well received and are being prepared for a nationwide product launch. With the "YelloKarte Gewerbe" (Yello card for business) Yello has expanded its services for the particularly lucrative small and medium-sized company segment.

The cost side is characterised by a sustained significant optimisation of internal selling and processing costs (greater sales efficiency, improved order through-put, accelerated note and billing process). The external costs for network fees, eco taxes, renewable energies and dues relating to the CHP law have stabilised at an unacceptably high level for all new electricity providers.

At 246, the number of employees has dropped slightly compared to the prior year.

Energy-related services

In 2002, EnBW geared its activities in the area of energy-related services even more closely to the needs of the customer. Various units and services were combined so that especially industrial customers can be offered an even broader service portfolio. This was an important step towards the goal of providing one-stop customer service in all energy-related matters on an even higher level.

Trade

At the heart of the EnBW group, EnBW Gesellschaft für Stromhandel mbH ensures optimum electricity procurement for EnBW. The electricity trading company also assumes the role of central energy risk manager. By actively managing the counterpart risk, the electricity trading company protects EnBW, for instance, from the financial effects of the economic difficulties of various electricity dealers. It continues to support the development of the electricity exchanges in Germany and Europe. The exchange trading minimises the counterpart risk in electricity trading transactions.

Generation

For EnBW the generation of its own electricity is an important prerequisite which enables it to continue offering its customers a reliable supply at competitive prices. In 2002 we again generated a large part of the electricity we sold ourselves, based on a portfolio of power station capacities, participations and long-term purchasing contracts. This portfolio offers the following aggregate generating capacities:

Generation mix (incl. NWS)	**Electrical output in MW**
Nuclear power stations (incl. EDF contracts)	5,067
Conventional power stations	6,424
Run-of-river and storage hydropower stations	2,938
Renewable energies	32
Total EnBW	14,461

Within the EnBW Group, Hidroeléctrica del Cantábrico S.A. also has electricity generating capacities in which EnBW has an interest of roughly 33% via generation activities; the output here is 2,718 MW.

The majority of the electricity generating capacities, power station participations and electricity purchasing contracts of the EnBW Group is combined in **EnBW Kraftwerke AG.** With an annual electricity provision of 69.3 billion kWh (incl. NWS 14.7 billion kWh), the wholly-owned subsidiary of EnBW is one of Germany's most important energy producers. Much of the power station output of EnBW Kraftwerke AG stems from its six power stations with a total output of 4,946 MW. By optimising the use of power stations and long-term procurement and supply agreements, EnBW Kraftwerke AG provides the EnBW Group and its customers with electricity and district heat at competitive prices.

Nuclear power, coal, gas, oil and hydroelectric power ensure the efficient and environmentally friendly generation mix. The high proportion of CO_2-free generation from hydropower and nuclear power makes an important contribution to climate protection.

Of the total electricity generated, the fossil fuel power stations contributed 25.5% and the run-of-river and storage hydropower stations 9.5%. The remaining 8.8% were electricity purchases for which the primary energy source could not be identified. Thanks to the energy mix of nuclear power, coal, natural gas and renewable energies some 45 million t CO_2 were avoided.

Accounting for 56.2% of the total electricity generated, nuclear energy is still the most important source of electricity for EnBW Kraftwerke AG. The incident in block 2 of the Philippsburg nuclear power station in the autumn of 2001 in connection with incorrect levels of boron concentration in the borated storage water tank showed that the existing safety management needs to further improved. Such an improvement is in line both with the objective of EnBW to ensure the safe operation of its nuclear power stations and with the demands of the authorities. The nuclear power stations in Obrigheim, Neckarwestheim and Philippsburg have therefore built up a comprehensive indicator-based safety management system and will continue to refine it. The indicators are designed to show that the high safety standards of the nuclear power stations are guaranteed at all times and in the event of any variances an early warning system is triggered.

Based on an agreement with the federal government in December 2002, the operation of the Obrigheim nuclear power station is secured until mid-2005. The dismanteling concept is being prepared by the management of Obrigheim nuclear power station, the implementation of which will still require significant human resources. Employees laid off in Obrigheim will be transferred to other EnBW nuclear power stations. Replacement construction measures on account of the shutdown of the Obrigheim plant are not planned.

In 2002 the consolidation of its core business became the focus of the entrepreneurial activities of EnBW Kraftwerke AG. With market prices still under pressure and in light of the current political conditions EnBW Kraftwerke AG will concentrate more strongly on its core process. To this end, efforts to cut costs and enhance efficiency have been have continued. To achieve a sustainable competitive edge in the interest of the customer the power plants are to be reorganised, synergies exploited from the integration of the generating capacities of NWS, procurement contracts renegotiated and productivity increased. To meet the demands of the liberalised market more closely, a cross-company project was initiated to bundle hydroelectric generating capacities. The objective here is to use synergies and to further optimise the operation of the plants. Implementation is scheduled for the year 2003.

At the end of 2002 EnBW Kraftwerke AG had 1,650 employees, 25 more than in the prior year.

The longstanding co-operation between EDF and EnBW is currently being realigned and intensified. In the field of nuclear technology, for example, various working groups – benchmarking of nuclear technology, nuclear fuel, knowledge retention and nuclear safety – have been entrusted with this task. Business Network Generation & Trading, which bundles the activities of the EDF Group relating to generation and trade worldwide, also started its work in 2002.

Electricity networks

Grid lengths of EnBW Transportnetze AG

Very high voltage 380 kV	1,861 km	(of which 96 km leased from NWS)
Very high voltage 220 kV	1,753 km	(of which 124 km leased from NWS)

EnBW Transportnetze AG operates the very high voltage network in Baden-Württemberg. It provides its network to all market participants at transparent and non-discriminatory conditions. It applies the regulations of part 2 of the voluntary industry agreement and the associated costing guidelines for network user charges. The network user charge of EnBW Transportnetze AG is lower than that of other German distribution network operators.

The 380/220-kV distribution network is monitored and managed by the main control center of EnBW Transportnetze AG in Wendlingen. Besides the network management, they are also responsible for network management and the schedules for energy exchange. These schedules are coordinated with other national and international network operators and some 200 dealers which manage the balance areas within the EnBW control zone. These functions are supported by state-of-the-art IT solutions.

To control the network EnBW Transportnetze AG purchases primary balancing power, secondary balancing power and reserves. Since August 1, 2002 this has to be done by public tender on the market as required by the Federal Cartel Office. EnBW Transportnetze AG has thus acquired a new sphere of responsibility. It procures balancing power on the market, implements quality assurance measures and settles the purchased balancing power and energy.

Another growing responsibility is the implementation of the Renewable Energies Law and the CHP law. EnBW Transportnetze AG records the electricity produced in its control zone from renewable energy sources pursuant to the Renewable Energies Law, carries out the nationwide equalisation of burdens with other German network operators and allocates the electricity volume due to the electricity providers in its control zone. EnBW Transportnetze AG also performs the nationwide equalisation of burdens under the CHP law.

As of December 31, 2002 EnBW Transportnetze AG had a total of 74 employees at the Stuttgart and Wendlingen locations.

Distribution networks

Grid lengths of the EnBW Group

High voltage	8,403 km (of which 6,483 km EnBW Regional AG)
Medium voltage	40,481 km (of which 23,119 km EnBW Regional AG)
Low voltage	87,662 km (of which 49,060 km EnBW Regional AG)

EnBW Regional AG is the largest distribution network operator within the EnBW Group. In the fiscal year 2002 the profile of EnBW Regional AG was defined more clearly along the lines of the customer-oriented group strategy. In addition to its traditional role as distribution network operator, EnBW Regional AG was given responsibility for municipal relations and the sales and service business with the municipalities in Baden-Württemberg. Moreover, it holds and manages the participations in public utilities in Baden-Württemberg. With this extended business model EnBW Regional AG is building on the close connections to the towns and communities in Baden-Württemberg that have grown up via the network licenses and the holdings in the public utilities.

For all network customers, be it private household, trade or industry, EnBW Regional AG ensures a high level of supply reliability. It has also set itself the goal of expanding its leading position as network operator in Baden-Württemberg and becoming a leading service provider for all products focusing on municipal customers. The aim here is to maintain the results from the network business under more difficult conditions and to allow profit-driven growth via the service business.

EnBW Regional AG for its part helps to ensure non-discriminatory network access by applying the best practice recommendations developed by the network access task force of the federal ministry of economic affairs for the periods allowed and the use of uniform data formats when changing supplier.

Internally, the company has continued to work on an economically effective and technically optimised network infrastructure. In the 110-kV high-voltage network, the restructuring of the network control has been completed; since November 2002 the entire 110-kV network is monitored and controlled by just two network control centres in Daxlanden and Engstlatt. The reorganisation of the decentralised structures in the distribution network initiated in 2001 has since been implemented.

Based on the public service conglomerate, EnBW Regional AG has extended its service portfolio to include innovative products relating to all aspects of network infrastructure. At the same time, as part of the implementation of the new business model it is bundling the multifaceted offerings of the Group for municipal customers with a view to putting together customised service packages for the towns and communities as a one-stop provider (municipal portal). With the help of market analyses, business processes have been developed for promising services such as the preparation of land for electricity, the KOMM-IN service centre or MulitmediaPower at schools. The market launch has been effected.

The wide-ranging co-operation projects of the "Energy Team Baden-Württemberg", an independent partnership network between EnBW and some 80 public utilities that was founded two years ago, are increasingly bearing fruits for all the parties involved.

The ecological objectives of the company continue to play an important role in its practical work. In the medium-voltage network the extensive bird protection measures carried out over the past ten years were completed and all the 46,000 pylons have been reequipped. In a research project findings have been collected on the maintenance of the corridors under overhead lines to establish how these strips of land can be ideally used as habitat for flora and fauna. The broad service spectrum for the municipalities comprises numerous offers relating to renewable energies and the efficient use of energy.

In the reporting year, the headcount of EnBW Regional AG fell from 2,391 to 2,327.

Investments in the energy segment

Gasversorgung Süddeutschland GmbH: In the joint venture with Eni S.p.A. we have purchased a 62.22% share in Gasversorgung Süddeutschland GmbH (GVS) and acquired the 33.4% share of Neckarwerke Stuttgart AG in GVS. Option agreements were concluded with two shareholders with a joint shareholding of 4.38% in GVS for these shares. One of these shareholders has already exercised the option to sell the shares to the joint venture. As a result the joint venture's share in GVS now stands at 97.81%. The European Commission gave its approval for the acquisition of GVS by the joint venture in mid-December 2002.

The result is a strong alliance combining the strengths of EnBW in the sales area and its strong regional presence with the special competence of Eni in the field of gas procurement. The integrated gas market concept linked with the joint venture can now be put into practice. As an independent integrated company under the umbrella of the EnBW/Eni syndicate, GVS will now help shape the gas market in the home territory Baden-Württemberg and beyond – from the procurement and distribution to the supply of industrial customers and public utilities.

Via its 1,892 km long high-pressure network, GVS supplies some 750 towns and communities in Baden-Württemberg. In the fiscal year 2001/2002 GVS recorded revenues of around € 1.5 billion from sales of 73,769 million kWh.

Neckarwerke Stuttgart AG: To achieve close interdependence with EnBW and to exploit the extensive synergy potential Neckarwerke Stuttgart AS (NWS) passed a resolution at its annual general meeting on March 25, 2002 to spin off its operating activities into five subsidiaries: NWS Energie-Vertriebs AG & Co. KG, NWS Kundenservice AG & Co. KG, NWS Kraftwerke AG & Co. KG, NWS Service AG & Co. KG and NWS Regional AG & Co. KG. In this way, NWS has also implemented the unbundling required by the EU Electricity Directive in its corporate structure. At the same time, the subsidiaries acting under the NWS Holding mirror the respective companies on the EnBW side.

This structural alignment, interlocking directorates in appropriate areas and an optimised segregation of duties and processes generates considerable synergy potential, particularly in the power station and network areas. Based on a common understanding of the home market Baden-Württemberg, NWS with its competence as a public service conglomerate – particularly in the gas and water segments – makes a valuable contribution to the EnBW Group, thus strengthening customer relations on the offer side. In addition, NWS supplements the clientele of EnBW to form a broader customer platform in an economically challenging market.

By the end of the reporting year, the share in the capital stock of NWS held by EnBW or other group companies increased to 99.44%. To accelerate the integration of NWS in the EnBW group, squeeze out proceedings were initiated on November 26, 2002. The aim being to transfer the shares of the minority shareholders of NWS to EnBW in return for adequate compensation and thus ultimately to control 100% of the shares.

Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG (ZEAG) / Stadtwerke Heilbronn: Following the official decision of the Federal Cartel Office approving the sale of the ZEAG shares of the city of Heilbronn to EnBW on July 29, 2002, the majority investment of EnBW in ZEAG was concluded. After the transfer of the ZEAG shares of the city of Heilbronn of 50.1% to EnBW and the takeover of further ZEAG shares in the subsequent mandatory bid pursuant to the Securities Purchasing and Takeover Law EnBW now holds 95.68% of the shares in ZEAG.

ZEAG operates in the Neckar-Franconia region in the electricity and cement business, with cement accounting for around one fifth of total sales. ZEAG also supplies heat to industrial customers and is involved in the gas supply business via Gasversorgung Unterland GmbH (GU). GU supplies natural gas to customers in six municipalities in the north east of Heilbronn.

In September 2002 the purchase of 25.1% in Heilbronner Versorgungs GmbH (HVG) was also successfully completed. The company supplies Heilbronn and surrounding communities with natural gas and heat. In accordance with a business management agreement with the Heilbronn public utilities, in future it will also be responsible for the water supply in Heilbronn.

The aim is to further optimise operational processes and to exploit cost-cutting potential. As part of the EnBW Group, ZEAG has access to the broad technical competence of EnBW, for example in the areas of material management, risk management, third party access and marketing. To realise cost synergies, we have transferred the business of the EnBW Neckar-Franconia regional centre to ZEAG. In the course of this process, some 60 jobs have already been relocated from Öhringen to Heilbronn. In addition, various working groups are investigating the possibilities for co-operation between HVG, ZEAG and EnBW.

The customers of the Neckar-Franconia region will reap the benefits of these partnerships and more intensive relations in the form of a coordinated and complementary portfolio of energy services. In this way, the confidence placed by the customers in ZEAG and HVG is to be further reinforced.

Stadtwerke Düsseldorf AG / ENRW Energie Nordrhein-Westfalen GmbH: ENRW Energie Nordrhein-Westfalen GmbH, a joint subsidiary of EnBW and Stadtwerke Düsseldorf AG (SWD), has started successfully on the energy market in North-Rhine Westphalia. SWD and EnBW provide their services to their customers via ENRW. Thanks to the regional proximity of ENRW it is thus possible to satisfy the individual needs of the customers. ENRW has developed well as a specialist for the large customer business and also acts as co-operation partner both for public utilities and for other network partners.

Through EnBW’s 29.9% investment in SWD, the two companies have intensified their collaboration and refined it in the interest of the customer. This is particularly true of the individual stages of the value added chain as well as product development, research and development, purchasing and training. EnBW and SWD plan to develop their partnership further in order to make better use of market opportunities in the face of competition and to be able to provide their services with an even higher level of efficiency.

GESO Beteiligungs- und Beratungs-AG: EnBW has reinforced its position in east Germany by acquiring a 100% interest in GESO Beteiligungs- und Beratungs-AG with domicile in Dresden. GESO, that was founded jointly with Hamburgische Eleztricitäts-Werke AG (HEW) in 1990, has numerous holdings in German, Polish and Czech utility companies.

In the course of a mutual divestiture of investments, HEW sold its GESO shares (36.7%) to EnBW. At the same time, HEW will participate directly – and no longer indirectly via GESO – in ESAG Energieversorgung Sachsen Ost AG. Im exchange, EnBW surrendered its shares (25%) in EBH Energiebeteiligungs-holding GmbH to HEW.

This means that EnBW can develop GESO as a platform for its activities in east Germany. ESAG, in which EnBW holds the absolute majority of 50.3% via GESO, will play a key role in the implementation of this strategic objective. As regional competence centre for energy and energy-related services, ESAG will make an invaluable contribution here.

Hidroeléctrica del Cantábrico S.A.: During 2002 our involvement at Hidroeléctrica del Cantábrico S.A. progressed to plan. In March 2002 the European Commission approved our partnership with Electricidade de Portugal (EDP) and the Asturian savings bank CajAstur. The shares in Hidrocantábrico could thus be distributed as agreed (EDP around 38%, EnBW around 33%, CajAstur around 23%). Other than widely held shares of less than 1%, the remaining shares are held by Hidrocantábrico itself. At the same time, EDP and EnBW were able to assume full right of participation for their shares and took their place in the executive bodies of the company. In July 2002 the project financing was finalised and EnBW was thus released from its interim financing obligation.

Hidrocantábrico acts as an independent player on the Spanish market. The company has not only asserted its position as the fourth largest energy supply company in Spain. It also succeeded in significantly exceeding the prior-year result. Hidrocantábrico continues to strive for further growth on the Spanish market for electricity and gas and was able to expand its market position considerably thanks to the integration of EnBW Energia España S.L.

EnAlpin AG: The neighbouring country Switzerland plays a very important role in the strategy of EnBW. With the acquisition of the energy segment of the Lonza Group at the beginning of 2002 EnBW is the only foreign company with a wholly owned subsidiary on the Swiss energy market. To pool our Swiss energy activities, EnAlpin AG was founded as a holding and EnAlpin Wallis AG as its operating subsidiary. Following its successful integration in EnBW, EnAlpin Wallis AG is one of the largest companies within the EnBW Group specialising in renewable energies. EnAlpin Wallis AG has succeeded in keeping existing customers and winning new ones. The basis for this success is its strong customer orientation on the one hand and the generation of energy from hydroelectric power on the other.

To continue and reinforce EnBW's involvement in Switzerland, partnerships will be sought with companies with regional operations in the electricity industry.

Austria: With its subsidiary EnBW Austria Energie-Vertriebsgesellschaft mbh with domicile in Vienna, EnBW has been involved in Austria since the electricity market started to open up in 1999 and has positioned itself as a serious partner for industrial customers in a liberalised market. Since September 2001 EnBW has a 6.33% holding in Österreichische Elektrizitätswirtschafts AG (association), the largest electricity producer and distributor in Austria and since January 2002 more than 5% in Energie-Versorgung Niederösterreich AG (EVN), the second largest regional supplier. With the investments in the association and EVN EnBW has the chance to continue its successful involvement in Austria.

Waste management

In the waste management segment, we were able to further expand our leading position in Baden-Wüttemberg. We also anticipate improved market opportunities at home and abroad in the recycling sector. With state-of-the-art technologies and system solutions we are well equipped. Our service portfolio in the waste water area has already been extended. In early 2002, the final operating licence for the Karlsruhe Thermoselect plant was granted.

€ millions	2002	2001
External sales	268	259
EBITDA	– 2	9
EBIT	– 40	– 27
Capital expenditures	43	43
Employees as of Dec. 31 (number)	1,841	1,795

U-plus Umweltservice AG

In the fourth quarter of 2002 the effects of the weak economy were felt in the waste management division, particularly in the area of construction and commercial waste. The net result of U-plus Umweltservice AG is impacted by the withdrawal from soil production and the associated closure of the Appenweier soil plant. In light of market changes, satisfactory results were no longer to be expected in the long term.

The regional waste management companies were able to further expand their leading position in Baden-Württemberg. By combining the companies in Oberschwaben/Lake Constance region, U-plus strengthened its market position. The purchase of two waste management companies also contributed to this development.

In the recycling sector, the directives enacted on a national and European level for the recycling of electronic scrap and old cars have created improved market conditions. U-plus offers system solutions for Europewide services and has the necessary modern technologies at its disposal.

Together with EnBW in a joint company, U-Plus also works in the field of renewable energy. The task of EnBW Biomasse GmbH is to supply fuel to the biomass power plants planned by EnBW reliably and for a reasonable price.

The service offering in the field of waste water treatment has been expanded by the purchase of a majority holding in a company specialising in sewer maintenance.

Capital expenditures on the development of innovative technologies and services focused on the area of mechanical-biological waste treatment (ISKA®), plastics recycling and electronic archiving/scanning to supplement the file destruction business.

The deposit solution for beverage packaging enacted by the government, the planned new invitation for tender of the contracts under the dual system (DSD) and the new commercial waste directive are expected to impact the waste management segment in the fiscal year 2003.

Thermoselect Südwest GmbH

Following the completion of extensive refitting work, compliance of the thermoselect plant in Karlsruhe with the approved low emission limits was proven at the end of 2001, both during full operation and emergency operation. Thereupon the Karlsruhe Regional Council gave its permission for final commissioning of the plant in January 2002.

After that, the thermal treatment of the entire household waste of the waste disposal partners, city of Karlsruhe and district, Rastatt district and the city of Baden-Baden was only interrupted for further optimisation measures in the synthesis gas unit in February and the annual inspection in August and September with the mandatory examination of parts of the plant of significance for its technical safety.

In total, 100,000 t of waste were processed during 2002 in the Karlsruhe Thermoselect plant in compliance with the extremely low emission limits. By the end of 2002 the prerequisites were created for the necessary crushing of the entire bulky household waste and bulky commercial waste of the waste disposal partners. From 2003 the entire residual waste of the region can thus be treated in the Thermoselect plant.

Industry and services

Customer service has been improved decisively by a comprehensive update of the information technology used. Improved processes allow increased efficiency, customer loyalty programmes can be designed more effectively, billing is now simpler and quicker. Our customers benefit from improved accessibility by phone and customer support. At the end of August 2002 we sold the telecommunications company tesion. The prerequisites for the separation from Salamander are in place.

€ millions	2002	2001
External sales	1,506	1,504
EBITDA	78	238
EBIT	– 265	38
Capital expenditures	277	379
Employees as of Dec. 31 (number)	23,312	29,535

EnBW Kundenservice GmbH

EnBW Kundenservice GmbH (KSG) is the service provider for Yello Strom GmbH, EnBW Energie-Vertriebsgesellschaft mbH, EnBW Regional AG and other supply companies, providing customer relationship management and contract processing services in the energy industry. KSG also offers services for non-energy products.

With the transfer of customer billing in the former main territory of Badenwerk AG to the SAP module IS-U as of January 7, 2003, KSG is a significant step closer to the final replacement of the legacy systems. In addition, a new customer relationship management system (CRM) for standard-rate customers was installed, again on the basis of the SAP system world. The evaluation of the information from CRM and IS-U is performed via the SAP Business Warehouse reporting system.

By introducing the new systems, KSG can perceptibly improve the quality of its customer support for EnBW customers. Thanks to the improved IT landscape, the customer companies of EnBW can obtain information about their business development more quickly and reliably and achieve a further increase in efficiency from the process improvements. Moreover, in future it will be possible to implement customer loyalty programmes considerably more efficiently.

During 2002, EnBW Kundenservice GmbH successfully optimised its processes. The backlog of customer queries was dramatically reduced. New queries are now processed on the day they are received. In the invoice management area, billing performance has been significantly improved. In addition, the introduction of the customer care organisation for billing questions at the Karlsruhe site has significantly enhanced the accessibility by phone and thus the customer support of EnBW's customers.

Divestiture of Salamander and tesion

As part of its policy to focus its entrepreneurial activities on energy and energy-related services, over the past year EnBW initiated or continued its divestiture endeavours as regards Salamander AG and tesion Communikationsnetze Südwest GmbH und Co. KG.

Salamander: Despite the difficult economic situation, the service and industry segments have largely developed according to plan. The shoe division was hit hard by the extremely difficult situation on the consumer goods market. During the fiscal year, we have created important prerequisites for the separation from Salamander. We performed a squeeze-out and prepared a comprehensive re-capitalisation concept for the shoe division that was adopted in 2003. Talks initiated with interested parties are being continued with good prospects of success.

tesion: At tesion the successful reorganisation was supported by the strategic realignment that has already been initiated and the adjustment of capacities to changed market conditions. At the end of August 2002 sales negotiations were successfully concluded with the Arques group. Based on its financial and human resources and its past experience, Arques offers the best assurance that tesion will survive in Baden-Württemberg as an alternative telecommunications provider. This is also in the interest of EnBW, both as customer and as supplier of infrastructure services for the operation of the tesion telecommunication network in Baden-Württemberg.

Environmental protection

As energy company we are responsible for a safe supply and for the protection of the environment. Our energy mix is therefore geared to sustainability. Besides biomass and wind energy, the use of natural gas, which is particularly efficient and environmentally friendly, plays an important role here. Environment management systems and eco audits guarantee flawless generation. With energy-saving campaigns we make an important contribution to climate protection.

Sustainable energy supply

EnBW is committed to its responsibility for society and the environment, and acts accordingly. Our energy mix of nuclear power, coal, natural gas and renewable energies gives adequate consideration to the three pillars of sustainability – economy, ecology and social matters. Thanks to the energy mix used, the emission of some 45 million t $C0_2$ was avoided, an effective contribution to climate protection.

The use of coal increases supply reliability; the use of natural gas is particularly efficient and environmentally friendly. At the Rheinhafendampfkraftwerk Karlsruhe (RDK) maximum efficiency of more than 57% is achieved using the combined cycle process.

The alignment in 2001 to projects in the biomass and wind power area was again pursued successfully in 2002. One biomass power plant is currently under construction, two further projects are at the planning stage. Ten wind energy plants with an aggregate electrical output of 15 MW were commissioned in Baden-Württemberg and Saxony-Anhalt. EnBW Kraftwerke AG currently operates 20 wind-power stations and 15 photovoltaic plants.

Environmental management system and eco audit

The development of environmental management systems and the performance of eco audits underlines the importance attached to environmental protection, and this also applies to the power plants of EnBW. The conventional power plants are validated according to the eco management and audit scheme (EMAS II); for the nuclear power stations an environment management system was introduced according to ISO 14001. At Badenwerk Gas GmbH four gas centres were successfully revalidated according to EMAS II in the spring of 2002. Following in the footsteps of the RDK, in May 2002 the Heilbronn co-generation power plant also received the eco-audit certificate. At EnBW Regional AG the environment management system introduced in 2001 was successfully put into practice.

Emissions trading

With the adoption of the common understanding of the EU Council of Ministers on December 9, 2002 the way seems to have at least been paved for the introduction of planned EU-wide emissions trading with CO_2 certificates. EnBW has examined this issue in depth and prepared a position paper which was contributed to the political discussion. We also took part in a simulation of the Baden-Württemberg Ministry of Environment on the topic emissions trading.

New products and energy services

With numerous campaigns on the topic energy saving, EnBW makes an important contribution to climate protection while at the same time supporting its customers' saving activities. The product "EnBW Solar Plus" was particularly successful in 2002. We arranged the sale of a total of 190 solar power plants to our customers. The electricity generated by these plants is sufficient for approx. 80 households. In 2002 we successfully included a new product in our offering, the heat pump package "EnBW Wärme Plus". With these heat pumps up to 75% of the heat required by a single-family house can be covered from the existing environmental heat. In addition, we have already installed or designed twelve of the 55 planned fuel cell plants.

For many years we have been able to control and evaluate the energy and water consumption based on the energy requirement of the different types of building.

With our extended energy report from 2002, we facilitate the entry of municipalities, churches and social facilities into successful energy management.

With the environmental tariff, our customers can purchase electricity from renewable energies; the eco-price mark-up flows exclusively into the construction of new plants. We have made the eco-electricity portfolio more attractive and will continue to expand it.


Taking responsibility is the key to gaining trust.

EnBW Group
Balance sheet as of December 31, 2002

	€ millions	Notes to the financial statements	Dec. 31, 2002	Dec. 31, 2001
ASSETS	Fixed assets	(1)		
	Intangible assets		3,146.7	905.7
	Property, plant and equipment		7,124.6	5,136.9
	Financial assets		6,376.6	5,790.3
			16,647.9	11,832.9
	Current assets			
	Inventories	(2)	801.0	706.5
	Receivables and other assets	(3)	2,807.9	4,522.7
	Securities	(4)	1,079.7	682.3
	Cash and cash equivalents	(5)	563.7	905.4
			5,252.3	6,816.9
	Prepaid expenses	(6)	113.1	93.8
			22,013.3	**18,743.6**
EQUITY AND LIABILITIES	Equity	(7)		
	Subscribed capital		640.0	640.0
	Capital reserve		634.0	634.0
	Revenue reserves		181.7	136.3
	Minority interests		277.8	907.2
	Consolidated retained earnings		146.0	165.0
			1,879.5	2,482.5
	Special items	(8)	1,063.8	1,029.7
	Accruals	(9)	10,762.5	10,775.2
	Liabilities	(10)	8,242.7	4,388.3
	Deferred income		64.8	67.9
			22,013.3	**18,743.6**

EnBW Group

Income statement from January 1 to December 31, 2002

€ millions	Notes to the financial statements	2002	2001
Sales		9,203.1	8,323.0
Electricity tax		– 545.0	– 461.8
Sales without electricity tax	(11)	**8,658.1**	**7,861.2**
Change in inventories		– 0.4	– 6.9
Own work capitalised		29.1	41.6
Other operating income	(12)	893.0	856.4
Cost of materials	(13)	– 5,206.1	– 4,896.5
Personnel expenses	(14)	– 1,650.6	– 1,615.4
Depreciation and amortisation	(15)	– 919.5	– 724.6
Other operating expenses	(16)	– 1,316.5	– 1,311.3
Financial result	(17)	– 65.3	102.0
Result from ordinary activities		**421.8**	**306.5**
Taxes	(18)	– 141.8	- 34.6
Net income for the year	(19)	**280.0**	**271.9**
Minority interests	(20)	– 126.3	– 91.2
Transfers to revenue reserves		– 7.7	– 15.7
Consolidated retained earnings		**146.0**	**165.0**

Notes to the financial statements of the EnBW Group
Development of fixed assets 2002

€ millions	Acquisition and manufacturing cost					
	Jan. 1, 2002	Change in consolida-tion group	Additions	Disposals	Reclassi-fication	Dec. 31, 2002
Intangible assets						
Concessions, industrial rights and similar rights and assets	358.3	18.6	31.9	32.9	1.8	377.7
Goodwill	890.9	1,081.1	1,152.6	1.8	0.0	3,122.8
Payments on account	0.6	0.1	0.5	0.0	– 0.4	0.8
	1,249.8	**1,099.8**	**1,185.0**	**34.7**	**1.4**	**3,501.3**
Property, plant and equipment						
Land, land rights and buildings including buildings on third party land	3,118.5	194.6	576.1	60.7	21.5	3,850.0
Technical equipment and machines	373.2	– 105.0	23.0	19.6	10.1	281.7
Generating plants / gas transfer stations	9,621.1	830.1	55.1	13.1	16.5	10,509.7
Distribution facilities	9,759.4	591.8	822.5	78.2	15.2	11,110.7
Thermal disposal facilities	129.8	0.0	3.3	3.0	0.0	130.1
Other plant, technical equipment and machinery	1,173.3	1.0	150.1	109.8	– 4.7	1,209.9
Payments on account and assets under construction	169.5	52.1	101.2	4.4	– 60.0	258.4
	24,344.8	**1,564.6**	**1,731.3**	**288.8**	**– 1.4**	**27,350.5**
Financial assets						
Shares in affiliated companies	12.9	18.3	38.4	17.6	– 2.1	49.8
Loans to affiliated companies	2.3	– 0.3	0.3	0.5	– 1.2	0.6
Companies in which an investment is held	954.8	489.0	152.6	249.9	– 13.3	1,333.2
Other investments	357.0	57.5	77.7	108.8	15.4	398.8
Loans to companies in which an investment is held	24.3	0.0	1.5	16.2	1.2	10.8
Long-term investments	4,250.9	31.7	364.6	195.0	0.0	4,452.2
Other loans	349.7	– 2.7	18.6	61.4	0.0	304.2
	5,951.9	**593.5**	**653.7**	**649.4**	**0.0**	**6,549.6**
	31,546.5	**3,257.9**	**3,570.0**	**972.9**	**0.0**	**37,401.4**

Depreciation / revaluations							Net book values	
Jan. 1, 2002	Change in consolida-tion group	Additions	Disposals	Reclassi-fication	Revaluation	Dec. 31, 2002	Dec. 31, 2002	Dec. 31, 2001
227.7	– 1.8	26.5	15.9	0.0	0.0	236.5	141.2	130.6
116.4	– 127.3	129.5	0.5	0.0	0.0	118.1	3,004.7	774.5
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.6
344.1	**– 129.1**	**156.0**	**16.4**	**0.0**	**0.0**	**354.6**	**3,146.7**	**905.7**
1,635.4	83.1	87.1	29.3	2.5	0.0	1,778.8	2,071.2	1,483.1
192.4	– 119.5	135.0	11.6	0.0	0.5	195.8	85.9	180.8
8,516.4	327.5	197.6	8.4	0.7	0.0	9,033.8	1,475.9	1,104.7
7,896.8	228.1	216.3	76.6	1.4	0.0	8,266.0	2,844.7	1,862.6
50.2	0.0	9.3	0.8	0.0	0.0	58.7	71.4	79.6
912.6	– 15.5	98.4	102.2	– 2.3	0.0	891.0	318.9	260.7
4.1	0.0	0.0	0.0	– 2.3	0.0	1.8	256.6	165.4
19,207.9	**503.7**	**743.7**	**228.9**	**0.0**	**0.5**	**20,225.9**	**7,124.6**	**5,136.9**
0.0	13.3	4.8	0.0	0.6	0.0	18.7	31.1	12.9
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	2.3
122.7	– 31.2	16.8	2.2	0.0	0.7	105.4	1,227.8	832.1
17.8	7.3	9.6	2.3	– 0.6	0.9	30.9	367.9	339.2
3.1	0.0	1,4	2.9	0.0	0.0	1.6	9.2	21.2
7.1	– 0.1	0.2	0.1	0.0	0.0	7.1	4,445.1	4,243.8
10.9	0.0	0.0	0.6	0.0	1.0	9.3	294.9	338.8
161.6	**– 10.7**	**32.8**	**8.1**	**0.0**	**2.6**	**173.0**	**6,376.6**	**5,790.3**
19,713.6	**363.9**	**932.5**	**253.4**	**0.0**	**3.1**	**20,753.5**	**16,647.9**	**11,832.9**

Cash flow statement

€ millions	2002	2001
1. Operations		
Net income for the year	280.0	271.9
Depreciation/appreciation of fixed assets	913.2	730.1
Changes in long-term accruals	– 495.3	56.0
Other non-cash expenses/income	52.7	– 49.8
Cash flow according to DVFA/SG	750.6	1.008.2
Income from the disposal of fixed assets	– 142.9	– 300.7
Changes in inventories	– 59.0	17.0
Changes in receivables and other assets	– 244.2	– 4.4
Changes in short-term accruals	– 89.7	– 2.4
Changes in trade payables and other liabilities	297.7	– 257.2
Cash flow from operating activities	512.5	460.5
2. Investments		
Capital expenditures on property, plant and equipment and intangible assets	– 604.0	– 585.5
Investments in financial assets	– 5,178.5	– 2,870.8
Income from the disposal of property, plant and equipment and financial assets	2,091.7	1,198.2
Payments received/made relating to short-term financial investments	357,9	394,7
Cash flow from investing activities	– 3,332.9	– 1,863.4

€ millions	2002	2001
3. Financing		
Dividends paid	– 214.6	– 178.9
Payments relating to borrowing	2,527.1	1,628.5
Changes in other financial liabilities	166.2	11.8
Cash flow from financing activities	**2,478.7**	**1,461.4**
Change in cash and cash equivalents (sub-totals 1 – 3)	**– 341.7**	**58.5**

Development of cash and cash equivalents in € millions	Dec. 31, 2002	Dec. 31, 2001	Change
Cash and cash equivalents	563.7	905.4	– 341.7

Statement of changes in equity

€ millions	Subscribed capital	Capital reserve
As of December 31, 2001	640.0	634.0
Purchase/redemption of treasury stock		
Dividends paid		
Changes in consolidation group		
Other changes		
Group net income for the year		
As of December 31, 2002	640.0	634.0

	Earned group capital	Accumulated other group income	Treasury stock not intended for redemption	Equity without minority interests	Minority interests in capital	Group equity
	243.8	– 157.8	215.3	1,575.3	907.2	2,482.5
	– 8.5		8.5	0.0		0.0
	– 160.9			– 160.9	– 53.7	– 214.6
		– 33.3	133.9	100.6	87.6	188.2
		– 67.0		– 67.0	– 789.6	– 856.6
	178.4		– 24.7	153.7	126.3	280.0
	252.8	– 258.1	333.0	1,601.7	277.8	1,879.5

Segment reporting

Business segments in € millions	Energy		Waste management		Industry and services		Holding / consolidation		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
External sales	6,884	6,098	268	259	1,506	1,504	0	0	8,658	7,861
Internal sales	79	53	5	5	379	346	– 463	– 404	0	0
Total sales	6,963	6,151	273	264	1,885	1,850	– 463	– 404	8,658	7,861
Operating result	992	228	– 40	– 27	– 257	46	– 208	– 42	487	205
Financial result	156	158	– 10	– 13	– 54	– 47	– 157	4	– 65	102
Capital expenditures										
on intangible assets and property, plant and equipment	458	311	31	41	115	349	0	0	604	701
Financial assets	4,043	463	12	2	162	30	331	2,249	4,548	2,744
Depreciation and amortisation	519	460	38	36	343	200	20	29	920	725
Assets	16,044	13,514	313	403	2,003	2,429	3,653	2,398	22,013	18,744
Gross debts	11,193	9,882	267	363	766	1,374	6,844	3,612	19,070	15,231
Cash flow according to DVFA/SG	735	701	– 16	45	2	161	30	101	751	1,008
Number of employees as of December 31	13,188	13,017	1,841	1,795	23,312	29,535	152	153	38,493	44,500

Regions in € millions	2002	2001
External sales		
Germany	7,552	7,128
European Union without Germany	696	488
Rest of Europe	392	228
Outside Europe	18	17
	8,658	**7,861**
Assets by region		
Germany	19,427	16,077
European Union without Germany	1,710	2,165
Rest of Europe	852	478
Outside Europe	24	24
	22,013	**18,744**
Capital expenditures by region		
Germany	4,819	1,429
European Union without Germany	46	1,982
Rest of Europe	287	34
	5,152	**3,445**

General principles and explanatory comments on the consolidation group

General principles

The consolidated financial statements of Energie Baden-Württemberg AG (EnBW) are prepared in accordance with the German commercial code and the supplementary provisions of the German Stock Corporation Law. The figures are stated in million euros.

In accordance with sec. 297 (1) German Commercial Code (HGB), the financial statements include, in addition to the balance sheet, the income statement, and the notes to the financial statements, a cash flow statement and segment reporting as well as a statement of changes in equity.

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

The interest portion from the transfer to personnel-related accruals is shown in the financial result. Amortisation of goodwill from at-equity valuation is disclosed under depreciation and amortisation.

The income statement was 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.

Companies included in consolidation

Besides EnBW, the consolidated financial statements include all domestic and foreign subsidiaries which are uniformly managed, directly or indirectly, by EnBW or over which EnBW has a controlling influence. Joint ventures are consolidated proportionately to the share of capital held. Associated companies are accounted for at equity.

Shares in subsidiaries, joint ventures and associated companies which are immaterial from a group perspective are accounted for at amortised cost. This pertains in particular to subsidiaries with no primary business operations or a low volume of business.

Initial consolidation and deconsolidation is generally performed at the time the shares are purchased or sold respectively.

Besides EnBW, the consolidation group comprises 213 (prior year: 222) domestic and foreign subsidiaries, 6 (prior year: 5) joint ventures and 69 (prior year: 70) associated companies.

41 (prior year: 52) subsidiaries and 60 (prior year: 53) associated companies have not been included in consolidation. The shares are disclosed as affiliated companies or equity investments. The influence of these companies on the net assets, financial position and results of operations of the group is either not material or the parent company has been shown not to exercise a controlling influence on their business and finance policy.

In accordance with sec. 313 HGB, the full consolidation group of EnBW is presented in the list of shareholdings which has been filed in the Commercial Register of the Karlsruhe District Court (Dept. B No HRB 7956).

The main additions to the consolidation group are:

Company	Group share as %	Initial consolidation	Inclusion according to HGB
Fully consolidated companies			
EnAlpin group*	100.00	1.1.2002	sec. 290 (2) No 1
ENRW Energie Nordrhein-Westfalen GmbH	50.00	1.1.2002	sec. 290 (2) No 1
ZEAG Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG	95.68	1.8.2002	sec. 290 (2) No 1
Gasversorgung Süddeutschland GmbH	97.81	30.12.2002	sec. 290 (2) No 1
SaarPOWER GmbH	51.00	1.1.2002	sec. 290 (2) No 1
Companies consolidated proportionately			
Hidroeléctrica del Cantábrico S.A.*	32.85	1.7.2002	sec. 310

* including its subsidiaries

The main companies no longer included in the consolidation group are tesion Communikationsnetze GmbH & Co. KG (deconsolidated August 31, 2002) and the DIW Group (deconsolidated January 1, 2002).

The additions to the consolidation group compared to the consolidation of the prior year impact the balance sheet and income statement as follows:

€ millions	Dec. 31, 2002
Notes to the balance sheet	
Fixed assets	2,628
Current assets and prepaid expenses	492
Assets	**3,120**
Equity and special items	149
Accruals	181
Liabilities and deferred income	2,790
Equity and liabilities	**3,120**
Notes to the income statement	
Sales	328
Financial result	– 64
Result from ordinary activities	– 24
Group net income for the year	– 31

Consolidation principles

The financial statements of the domestic and foreign subsidiaries and joint ventures included in the consolidation were prepared as required by law according to the uniform accounting and valuation methods of EnBW. In some cases, divergent carrying values in the financial statements of associated companies have been maintained for materiality reasons.

Capital consolidation follows the book value method which involves offsetting the purchase price against the equity of the subsidiaries at the time of acquisition or on the date of initial consolidation. Debit differences have, where possible, been allocated to the respective consolidated balance sheet item and written off; any remaining amounts are capitalised as goodwill and amortised systematically. Credit differences that represent realised profits are allocated to the revenue reserves; otherwise they are disclosed as accruals. If the prerequisites of sec. 309 (2) HGB are satisfied, credit differences are released.

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

The consolidation of joint ventures is performed according to the same principles.

The inclusion of companies under the equity method and the treatment of any differences is performed according to the same principles as the capital consolidation, whereby goodwill is disclosed in the carrying value of the investment and depreciation under depreciation and amortisation.

Associated companies not included in the consolidation are disclosed under investments.

Currency translation

Transactions denominated in foreign currency in the financial statements of the individual companies are translated at the rate prevailing on the date of transaction (date of entry) or at the lower current exchange rate in the case of receivables or the higher current exchange rate in the case of liabilities.

Subsidiaries included in the consolidated financial statements and companies accounted for at equity generally operate independently. For this reason, the balance sheet items of all foreign companies and the translation of the equity rollforward of foreign associated companies valued using the equity method are translated at the spot rate on the balance sheet date (closing rate method). Differences compared to the prior-year translation are offset against the revenue reserves without effect on income. The items of the income statement, including the net profit or loss for the year, are translated at the average rate for the year. None of the financial statements of group companies stem from hyperinflationary economies. The companies of the EnBW group mainly operate in the euro zone.

Accounting and valuation

Fixed assets

Intangible assets acquired for a consideration are carried at cost and depreciated using the straight-line method over their estimated useful life. Any goodwill resulting from the capital consolidation as a result of group expansion is generally amortised over a period of between four and 20 years. Acquired goodwill is amortised from the fiscal year following acquisition. Property, plant and equipment is capitalised at acquisition or manufacturing cost and moveable assets are depreciated uniformly throughout the group using the straight-line method.

Repair and maintenance costs are expensed. Replacement and structural maintenance expenses that extend the useful life of an asset are capitalised.

Additions to moveable assets in the first half of the fiscal year are depreciated at the full rate and additions in the second half of the year by half the depreciation rate. Extraordinary depreciation is charged if the item has to be disclosed at a lower realisable value. Low value assets pursuant to sec. 6 (2) Income Tax Law (EStG) are immediately expensed in the year of acquisition.

The official depreciation tables for the energy and water supply sector are used to determine the estimated useful life of an asset, particularly in the energy segment.

The useful lives for buildings range between 20 and 50 years. Power stations are depreciated over a period between 19 and 60 years. The useful life of factory and office equipment is between three and ten years.

Borrowing costs are not capitalised.

The shares in unconsolidated affiliated companies shown under the financial assets, associated companies not accounted for at equity and other group equity investments are stated at cost or, in isolated cases, at the lower realisable current value. If the reasons for impairment losses recorded in the past no longer apply, the investments are revalued.

Investments in associated companies are carried at equity using the book value method.

Investments and other financial assets are valued at the lower of cost or market.

Loans at market interest rates are accounted for at face value, low-interest and interest-free loans at the present value based on an assumed interest rate of 6%.

Long-term investments are valued at the lower of cost or market. If the reasons for depreciation recorded in the past no longer apply, the investments are revalued.

Current assets

Inventories are stated at the lower of historical cost or market as of balance sheet date. Fuel inventories are valued using the Lifo method at the lower of cost or market. Supplies and consumables are valued at average cost taking the lower of cost or market principle into account. Appropriate allowance is made for risks on surplus stocks due to slow-moving stocks and diminished saleability.

Nuclear fuel rods included in inventories are valued at amortised cost. The depreciation rates are determined according to the level of consumption and the estimated useful life of the reactor.

Work in process and finished goods are valued at production cost. In addition to direct costs, these comprise necessary material and production overheads as well as scheduled depreciation.

Borrowing costs are not capitalised as part of acquisition or manufacturing cost. The valuation of work in process depends on the degree of completion, taking into account the lower of cost or market and net realisable value principles. Specific allowances are made for any inventory and sale risks.

Receivables are stated at their nominal value. Appropriate specific valuation allowances are recognised for doubtful accounts and a general valuation allowance of 1% of receivables is made. Non-interest bearing long-term receivables are generally discounted with an assumed interest rate of 6%.

Other assets are stated at face value. Discernible risks have been taken into account by forming specific valuation allowances. Receivables denominated in foreign currencies are valued at the spot rate prevailing at the transaction date.

Securities classified as current assets are valued at the lower of cost of market.

Debt discount and similar capital procurement costs are capitalised as deferred income and written off over the term of the individual loans.

Equity and liabilities

Subscribed capital is stated at nominal value.

Investment cost subsidies and investment grants are released over the expected useful life of the subsidised asset. The amount credited in respect of investment cost subsidies is set off against the depreciation charge.

Construction cost subsidies received by customers are released in equal annual instalments of 5%.

The accruals for pensions and similar obligations are determined according to actuarial principles at the net present value defined by sec. 6a EStG applying an interest rate of 6%. The effects of the Heubeck mortality tables from 1998 have been fully considered.

The interest portion from the transfer to personnel-related accruals is shown separately in the financial result.

Tax accruals and other accruals have been determined on the basis of prudent commercial judgement. Deferred taxes are calculated on the basis of the tax rates that apply or that are expected at the time of realisation.

Other accruals take into account all commitments recognizable on the balance sheet date that are related to transactions or events that have already taken place but for which the amount or due date is uncertain. The amount of other accruals is the amount required on the basis of prudent commercial judgement.

Liabilities are stated at the repayment amount. Liabilities denominated in foreign currencies are valued at the spot rate prevailing at the transaction date.

Derivative financial instruments, in particular forward exchange contracts and interest swaps, are used to hedge against currency and interest-rate risks arising in the ordinary course of business.

As part of the operating activities of EnBW Gesellschaft für Stromhandel mbH, derivatives are also used for trading purposes.

Trading with derivatives is subject to an independently monitored daily limit. Discretionary scopes and responsibilities relating to the use of derivative financial instruments are set forth in internal guidelines and are subject to strict monitoring observing the segregation of functions.

Derivative financial instruments are not used for speculative purposes but are designed solely to hedge against risks in connection with operating activities.

Unrealised gains from derivative financial instruments are not considered; accruals are however established for unrealised losses. From a group perspective, the volume of derivative financial instruments used is not material.

Explanations to the balance sheet

(1) Fixed assets

A break-down of the asset items combined in the balance sheet and their development in the fiscal year 2002 is presented in a separate schedule.

Goodwill arising on capital consolidation and goodwill shown in the individual financial statements of the subsidiaries and joint ventures included in the consolidation are disclosed in the goodwill line item.

The shares in affiliated companies shown under financial assets relate to companies not included in the consolidation.

The long-term investments mainly relate to special funds and shares.

(2) Inventories

€ millions	**Dec. 31, 2002**	**Dec. 31, 2001**
Raw materials, consumables and supplies	218.7	183.2
Nuclear fuel rods (incl. payments on account)	388.7	330.1
Work in process	49.3	47.9
Finished goods and merchandise	143.7	140.5
Payments on account	0.6	4.8
Total	**801.0**	**706.5**

(3) Receivables and other assets

€ millions	Dec. 31, 2002	of which with a residual term of more than 1 year	Dec. 31, 2001
Trade receivables	1,744.2	0.6	1,946.8
Receivables from affiliated companies	26.2	2.2	8.3
Receivables from companies in which an investment is held	98.4	0.4	36.1
Payments on account of electricity procurement agreements	40.1	28.4	39.7
Other assets	899.0	117.7	2,491.8
Total	**2,807.9**	**149.3**	**4,522.7**

Other assets mainly include short-term loan receivables, receivables from debentures, tax refund claims and interest cut-offs.

(4) Securities

€ millions	Dec. 31, 2002	Dec. 31, 2001
Treasury stock	889.6	215.3
Other securities	190.1	467.0
Total	**1,079.7**	**682.3**

On the authority of the annual general meeting held on April 23, 2002, EnBW AG holds 6,491,195 own bearer shares as of December 31, 2002. During fiscal 2002, 250,000 bearer shares were purchased in the first half year at a price of € 34.00.

On account of the lower attributable values, the treasury stock held by EnBW AG as of December 31, 2002 was written down by € 24.7 million. A corresponding amount was released from the reserve for treasury stock.

In the reporting year TWS Verwaltungsgesellschaft mbH (formerly TWS Technische Werke der Stadt Stuttgart GmbH) was acquired from Stuttgarter Versorgungs- und Verkehrsgesellschaft mbH. With this investment, EnBW indirectly acquired treasury stock equivalent to 9% of the capital stock of EnBW AG.

Thus, in the consolidated financial statements as of December 31, 2002 a total of 28,994,778 own shares (11.6% of the capital stock) is disclosed, of which 7,910,925 are bearer shares and 21,083,853 are registered shares.

The purchase of treasury stock was effected in preparation for the planned collaboration with domestic and foreign energy providers and industrial customers which are to be backed by interlocking participations.

No rights accrue to the Company from the directly and indirectly held own shares; in particular they are not entitled to dividends.

Other securities mainly consist of shares (€ 93.5 million), bonds (€ 18.6 million), mortgage bonds (€ 16.0 million) and participating certificates (€ 43.8 million).

(5) Cash and cash equivalents

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

(6) Prepaid expenses

The prepaid expenses relate to debt discounts of € 19.9 million (prior year: € 8.0 million) as well as accrued lease instalments of € 61.2 million (prior year: € 66.0 million).

(7) Equity

The development of group equity and the net result of the group are presented separately in the statement of changes in group equity.

Subscribed capital

The capital stock of EnBW amounts to € 640,015,872.00 and is divided into 250,006,200 no par value shares comprising:

Capital stock	**Shares**
Registered no par value shares	141,088,383
No par value bearer shares	108,917,817
Total	**250,006,200**

The no par value shares each represent an imputed share of approx. € 2.56 of the subscribed capital.

Electricité de France International S.A. (EDFI) and OEW each hold 34.5% of the voting capital of EnBW. TWS Beteiligungsgesellschaft mbH holds 9% of the capital of EnBW.

By a resolution of the annual general meeting of EnBW AG on April 23, 2002 the Board of Management is authorised, with the consent of the Supervisory Board, to increase the capital stock of the Company within a period of five years from the day of registration of the amendment to the articles of incorporation as follows:

– by € 64 million by issuing new shares in exchange for cash contributions (authorised capital I),
– by € 64 million by issuing new shares in exchange for cash contribution or contribution in kind (authorised capital II).

Capital reserve

The capital reserve includes cash flows from external sources in accordance with sec. 272 (2) HGB. The capital reserve relates to EnBW.

Revenue reserves

The revenue reserves contain the reserve for treasury stock equivalent to the book values of own shares in the individual financial statements as well as the pro rata revenue reserves of the parent company and other companies included in the consolidation from the date of initial consolidation. In addition, consolidation measures without effect on income are offset against or credited to the revenue reserves and currency adjustment items are also shown here.

Minority interests

Minority interests relate to shares in group companies held by third parties.

Consolidated retained earnings

Consolidated retained earnings correspond to the net retained earnings of EnBW.

(8) Special items

€ millions	Dec. 31, 2002	Dec. 31, 2001
Special item for investment allowances for fixed assets		
Investment grants	5.1	5.7
Investment cost subsidies	5.7	5.3
Special item with an equity portion	4.9	7.5
Construction cost subsidies	1,048.1	1,011.2
Total	**1,063.8**	**1,029.7**

The investment grants were made in accordance with sec. 4a German Investment Grant Act (InvZulG).

The special item with an equity portion mainly pertains to transfers in accordance with sec. 273 HGB in conjunction with sec. 52 (16) EStG.

The construction cost subsidies that have not yet be recognised in income were mainly paid for capital expenditures in the electricity and gas segments. Title to the subsidised assets is retained by the EnBW group companies. The subsidies are released on a straight-line basis.

(9) Accruals

€ millions	Dec. 31, 2002	Dec. 31, 2001
Accruals for pensions and similar obligations	2,601.8	2,491.4
Tax accruals	867.4	489.6
Accruals in the nuclear power sector less payments on account	5,695.2	5,984.6
	9,164.4	**8,965.6**
Other accruals	1,598.1	1,809.6
Total	**10,762.5**	**10,775.2**

The accruals for pensions and similar obligations are formed on the basis of existing pension commitments for future benefits and current payments to eligible employees and former employees and their surviving dependants.

The tax accruals contain accruals for taxes on income such as corporate income tax including the solidarity surcharge and trade tax on income. Deferred tax liabilities amount to € 460.2 million.

The carrying value of the accruals for disposal in the nuclear power sector and the other accruals consider all discernible risks and uncertain liabilities. The accruals for disposal and decommissioning are based on expert requirements. As regards the disposal of fuel rods, the costs for reprocessing or ultimate storage are based on the contractual agreements. The ultimate storage costs are calculated according to model generally applied in the industry. Decommissioning costs are determined on the basis of a scenario that assumes that the nuclear plants will be removed immediately. The payments on account offset against the accruals in the nuclear power sector total € 403.5 million (prior year: € 415.4 million).

Other accruals relate to conventional electricity and fuel procurement, personnel, outstanding invoices for supplies and services and other uncertain liabilities.

(10) Liabilities

€ millions	Dec. 31, 2002	of which with a residual term of			Dec. 31, 2001
		less than 1 year	1 to 5 years	over 5 years	
Loans	2,265.2	138.5	976.7	1,150.0	574.6
Liabilities to banks	4,046.2	2,447.7	1,393.5	205.0	2,615.8
of which secured by mortgages	(75,8)	(24.0)	(19.0)	(32.8)	(90.6)
Payments received on account of orders	132.8	47.7	40.7	44.4	138.6
Trade payables	459.5	459.5	0.0	0.0	306.7
Payables to affiliated companies	17.1	17.1	0.0	0.0	9.6
Payables to companies in which an investment is held	58.2	51.3	6.9	0.0	141.7
Other liabilities	1,263.7	987.4	41.2	235.1	601.3
of which taxes	(351,6)	(323,5)	(28.2)	0.0	(201.5)
of which relating to social security	(22.6)	(22.6)	0.0	0.0	(28.1)
Total	8,242.7	4,149.2	2,459.0	1,634.5	4,388.3

The loans mainly relate to bonds issued by EnBW Finance B.V. Amersfoort/ Netherlands, as part of the DIP programme.

Most of the short-term liabilities to banks (residual term of less than one year) have a renewal option for a further year.

Payables to affiliated companies pertain to affiliated companies that are not included in the consolidation.

Explanations to the income statement

(11) Sales

€ millions	2002	2001
Energy		
Electricity	6,634.6	5,719.1
Electricity tax	– 545.0	– 461.8
Gas	634.3	689.0
District heat	160.4	151.5
Energy, total	**6,884.3**	**6,097.8**
Waste management	267.9	259.3
Industry and services	1,505.9	1,504.1
Total	**8,658.1**	**7,861.2**

The geographical breakdown of sales is presented separately in the segment reporting.

(12) Other operating income

Other operating income primarily contains income from the disposal of financial assets and property, plant and equipment, from the reversal of accruals and credit differences from the capital consolidation as well as rent and lease income.

Income from the reversal of the special item with equity portion amounts to € 4.8 million.

(13) Cost of materials

€ millions	2002	2001
Cost of raw materials, consumables and supplies and of purchased goods	3,543.2	3,500.7
Cost of purchased services	1,662.9	1,395.8
Total	**5,206.1**	**4,896.5**

Cost of raw materials, consumables and supplies and of purchased goods comprises electricity procurement costs, the required provisions to accruals for the shutdown of nuclear power stations, costs for the disposal of irradiated fuel rods and radioactive waste, the depreciation of fuel rods and nuclear fuels, the fuels of the conventional power stations and the material costs of industrial products in the industry and services sector.

Cost of purchased services mainly contains services rendered for the operation and maintenance of plants and the costs of waste disposal and contract production. In addition, other expenses directly attributable to services rendered are shown under this heading.

(14) Personnel expenses

€ millions	2002	2001
Wages and salaries	1,309.0	1,299.5
Social security and other pension costs	341.6	315.9
of which in respect of old age pensions	(99.5)	(77.2)
Total	**1,650.6**	**1,615.4**

Average headcount during the year	2002	2001
Salaried employees	15,921	15,814
Wage earners	20,997	19,868
Apprentices	1,583	1,371
Total	**38,501**	**37,053**

Where companies have been consolidated on a proportionate basis, the employees have been included proportionately. The allocation of the employees between the segments as of December 31, 2002 is presented in the segment reporting.

(15) Depreciation and amortisation

€ millions	2002	2001
Depreciation and amortisation	899.7	713.2
of which goodwill arising from capital consolidation	(119.3)	(77.3)
Amortisation of goodwill from at equity valuation	16.8	9.7
Release of investment cost subsidies	– 0.4	– 0.4
Depreciation of current assets	3.4	2.1
Total	**919.5**	**724.6**

Depreciation charged purely in accordance with fiscal provisions amounts to € 6.0 million (prior year: € 6.9 million), impairment losses total € 186.0 million (prior year: € 38.9 million). The impairment losses mainly relate to tesion Communikationsnetze Südwest GmbH & Co. KG.

(16) Other operating expenses

Other operating expenses mainly contain franchise fees, external services for administration and sales, rent and lease payments, other personnel expenses, audit and consulting fees as well as advertising expenses.

(17) Financial result

€ millions	2002	2001
Income from investments	26.1	27.7
Result of companies reported at equity	81.4	79.3
Income from the disposal of affiliated companies and investments	0.0	44.9
Income from profit and loss transfer agreements	1.3	0.1
Expenses from profit and loss transfer agreements	– 0.2	– 0.9
Other	– 18.8	– 40.0
Investment result	**89.8**	**111.1**
Income from other investments and financial assets	223.6	176.4
Other interest and similar income	117.1	148.1
of which from affiliated companies	(2.1)	(0.3)
Revaluations of financial assets	0.8	2.0
Income from the disposal of long-term investments and securities classified as current assets	6.6	35.1
Interest and similar expenses	– 458.5	– 350.4
of which from affiliated companies	(– 0.4)	(– 0.6)
Depreciation of long-term investments and securities classified as current assets	– 37.2	– 19.7
Losses from the disposal of long-term investments and securities classified as current assets	– 7.5	– 0.6
Net interest	**– 155.1**	**– 9.1**
Financial result	**– 65.3**	**102.0**

The interest portion from the provision to the personnel-related accrual amounted to € 157.5 million (prior year: € 152.0 million).

(18) Taxes

€ millions	2002	2001
Taxes on income	151.9	– 3.3
Deferred taxes	– 25.3	27.5
Taxes on income	**126.6**	**24.2**
Other taxes	15.2	10.4
Total	**141.8**	**34.6**

(19) Net income for the year

Due to the change in the special item with an equity portion, depreciation of fixed and current assets in accordance with fiscal provisions and the resulting impact on the tax expenses, group net income for the year is approx. 0.3% lower than the amount that would otherwise have been disclosed. Significant future burdens as a result are not anticipated. Group net income for the year has been substantially increased by operating income and expenses not relating to the current period.

(20) Minority interests

This position contains the profit and loss shares of the minority shareholders in the fully consolidated subsidiaries.

Other disclosures

Financial instruments and derivatives

In the course of operating activities, the EnBW group is exposed to financial price risks in the currency, interest and commodity area.

In connection with the electricity trading on the futures market, energy trading contracts are entered into for the following purposes: management of price-related risks, system optimisation, burden equalisation and to increase margins.

During the reporting year, standardised products like futures were mainly used.

To hedge against financial risks, the EnBW group uses financial instruments in accordance with the assessment criteria such as position limit and loss limit prescribed in group instructions.

Contingent liabilities

Warranty obligations amount to € 0.9 million (prior year: € 56.9 million).

EnBW or one of its subsidiaries is jointly and severally liable on account of its investments in partnerships under the Civil Code and commercial partnerships.

After the amended Atomic Power Act (AkG) and the amended directive on the coverage provisions in the nuclear power industry (ADeckV) came into force on April 27, 2002, the German nuclear power plant operators are required to provide evidence of coverage provision for risks from nuclear damage up to a maximum amount of € 2,5 billion per case of damage.

Until December 31, 2002 customary insurance was in place for damage up to € 102.3 million. Damage in excess of this amount was covered up to an amount of € 255.6 million per case of damage by Nuklear Haftpflicht GbR.

Based on their share in nuclear power plants, group companies have undertaken to equip their operating companies with adequate liquidity to fulfil their obligations from belonging to Nuklear Haftplficht GbR at all times. From January 1, 2003 uniform third party liability insurance for a sum of € 255.6 million means that the cover via Nuklear Haftpflicht GbR lapses from that point in time.

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 have 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 has to bear a 22.627% share (from January 1, 2003 23.941%) of the liability plus 5% for damage settlement costs.

There are guarantee obligations of € 166.3 million (prior year: € 48.1 million).

Obligations from the provision of collateral amount to € 9.0 million (prior year: € 30.3 million).

Other financial commitments amount to € 25.6 million (prior year: € 21.2 million).

Other financial commitments

Other financial commitments from rental, lease and hire purchase agreements amount to € 1,332.7 million (prior year: € 1,053.7 million). Other financial commitments exist in connection with an electricity purchase option lease agreement until the year 2015. In the reporting year the lease instalments amounted to € 110.3 million (prior year: € 111.2 million).

As of the balance sheet date there is a purchase commitment totalling € 472.4 million (prior year: € 345.8 million).

In the Group there are capital commitments of € 34.1 million (prior year: € 65.6 million).

The purchase of holdings may give rise to financial commitments of up to € 996.9 million. This includes two put options with a total volume of € 577.8 million until December 31, 2007 and one put option of up to € 33.6 million until December 31, 2012.

Squeeze-out proceedings initiated to exclude minority shareholders give rise to commitments relating to the cash compensation due to minority shareholders.

Other financial commitments amount to € 59.7 million (prior year: € 220.7 million).

German Corporate Governance Code

EnBW Energie Baden-Württemberg AG has issued a declaration of compliance with the German Corporate Governance Code as prescribed by sec. 161 German Stock Corporation Law. The shareholders can access it in the 2002 annual report and in the internet at www.enbw.com.

Neckarwerke Stuttgart AG identifies itself with the Corporate Governance principles adopted by EnBW Energie Baden-Württemberg AG in the autumn of 2002. The declaration of compliance is freely accessible in the internet at www.nws-ag.

The principles of ZEAG Zementwerk Lauffen - Elektrizitätswerk Heilbronn AG are based on the German Corporate Governance Code published by the government commission on February 26, 2002. The declaration of compliance with the German Corporate Governance Code pursuant to sec. 161 German Stock Corporation Law was made and can be accessed at any time by the shareholders in the internet at www.zeag.de.

Salamander AG has also made the declaration of compliance with the German Corporate Governance Code required by sec. 161 German Stock Corporation Law and published it in the internet at www.salamander.de. The declaration of compliance of APCOA Parking AG with the German Corporate Governance Code pursuant to sec. 161 German Stock Corporation Law is freely accessible to the shareholders in the internet at www.apcoa-europe.com.

Additional information

For some time contracts have been in place with companies from the Electricité de France group for the procurement and supply of electricity. In the fiscal year a total of 7.5 billion kWh of electricity was procured and 1.5 billion kWh sold. The contracts were concluded at market prices.

The members of the Supervisory Board and the Board of Management are listed separately.

The remuneration of the Board of Management for the fiscal year totalled € 5,552,926.96.

Former members of the Board of Management and their surviving dependants received € 3,130,847.12. EnBW has set aside € 28,904,903 for pension obligations to former members of the Board of Management and their surviving dependants.

The members of the Supervisory Board received remuneration of € 373,715.85.

Explanations to the cash flow statement

Preliminary remarks

The cash flow statement is split up into cash flows from operating, investing and financing activities.

Within the net cash flow from operating activities, the cash flow according to DVFA/SG is also disclosed. The balance of the cash flow statement represents the increase in cash and cash equivalents during the reporting period.

Effects of changes in the consolidation group have been eliminated from the respective positions of the three areas of activity.

Cash flow statement for the fiscal year 2002

During the fiscal year 2002, the cash flow according to DVFA/SG amounted to € 750.6 million (prior year: € 1,008.2 million). The cash flow from operating activities amounted to € 512.5 million (prior year: € 460.5 million). The cash flow from operating activities is thus on the prior-year level.

The net cash outflow from investing activities came to € 3,332.9 million. Expenditures focused on the acquisition of companies to enlarge the consolidation group. Net cash flows from financing activities amount to € 2,478.7 million. Financing activities mainly related to borrowing. On balance, cash received from operating activities and cash received from investing and financing activities resulted in a decrease in cash and cash equivalents of € 341.7 million.

Cash and cash equivalents contain the short-term liquid assets. Of the cash and cash equivalents, € 7.6 million (prior year: € 3.7 million) is attributable to companies consolidated on a proportionate basis.

Explanations to the segment reporting

Preliminary remarks

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 of the EnBW group follows the internal reporting structure. The structure and content of the internal reporting also provide a fair view of the risk and opportunity structure of the various divisions. The segment figures have been determined in accordance with the presentation and valuation methods applied in the consolidated financial statements.

Divisions

The energy division includes the following activities: generation of electricity, buying and selling of electricity, and transport, distribution and marketing of electricity. Gas and district heat are also included here.

The waste management division includes non-thermal and thermal waste disposal. The area of non-thermal waste management – under the leadership of U-plus Umweltservice AG, a wholly-owned subsidiary of EnBW – includes services in the field of disposal and recycling.

The industry and services division contains the industrial activities not included in the aforementioned segments as well as the entire service portfolio of the EnBW group. It includes, in particular, industrial products for commercial and private use, telecommunications, land and property management as well as services relating to business accounting and administration.

The holding/consolidation segment is used to account for the effects of consolidation, EnBW AG and other activities which cannot be allocated to the other three segments.

Notes on the segment data

Internal sales consist of sales between the group companies. Intra-segment sales were made at market prices. The operating result is computed as the results of ordinary activities less the financial result. The segmentation of capital expenditures, assets and gross debts was performed within the EnBW Group itself. The gross debts contain liabilities, accruals and deferred income.

EnBW Group Audit Opinion

"We audited the consolidated financial statements (consisting of consolidated balance sheet, consolidated income statement, notes to the consolidated financial statements, consolidated cash flow statement, segment reporting and statement of changes in equity) of Energie Baden-Württemberg Aktiengesellschaft, Karlsruhe, and 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, 2002. The Company's Board of Management is responsible for preparing the consolidated financial statements and the group management report in accordance with German commercial law and the supplementary regulations in the articles of incorporation. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and the combined management report.

We conducted our audit of the consolidated financial statements pursuant to sec. 317 of the German Commercial Code (HGB) and in compliance with the generally accepted standards for the audit of financial statements issued by the German Institute of Auditors (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit to obtain reasonable assurance that inaccuracies and violations are recognised which significantly affect the presentation of the assets, liabilities, financial position and results of the Company and the Group as conveyed by the consolidated financial statements, in compliance with generally accepted accounting principles, and by the group management report. The scope of the audit was planned taking into account our understanding of business operations, the Group's economic and legal environment, and any potential errors anticipated. In the course of the audit, the effectiveness of the system of internal accounting controls has been assessed, and the disclosures made in the consolidated financial statements and the group management report have been verified, mainly on the basis of spot checks. The audit comprises the assessment of the financial statements of the companies included in the consolidated financial statements, the demarcation of the consolidation group, the accounting and consolidation principles applied and estimates of the Board of Management as well as the appraisal of the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give any cause for qualification.

The consolidated financial statements of the Company, in compliance with generally accepted accounting principles, present a true and fair view of the assets, liabilities, financial position and results of the Group. In all material respects, the combined management report gives a true and fair view of the Group and presents the risks inherent in the future development."

Karlsruhe, February 18, 2003

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wagner
Wirtschaftsprüfer

Kurz
Wirtschaftsprüfer

EnBW AG
Balance sheet as of December 31, 2002

	€ millions	Dec. 31, 2002	Dec. 31, 2001
ASSETS	Fixed assets		
	Property, plant and equipment	2.9	2.5
	Financial assets	10,762.3	5,690.8
		10,765.2	**5,693.3**
	Current assets		
	Receivables from affiliated companies	685.0	763.8
	Other receivables and other assets	856.2	2,238.0
	Securities	302.8	654.2
	Cash and cash equivalents	170.2	568.4
		2,014.2	**4,224.4**
	Prepaid expenses	73.3	66.0
		12,852.7	**9,983.7**
EQUITY AND LIABILITIES	Equity		
	Subscribed capital	640.0	640.0
	Capital reserve	634.0	634.0
	Revenue reserves	375.0	325.0
	Retained earnings	146.0	165.0
		1,795.0	**1,764.0**
	Special items	2.3	6.4
	Accruals	1,786.2	1,840.7
	Liabilities		
	Payable to affiliated companies	6,326.6	4,560.6
	Other liabilities	2,914.2	1,781.3
		9,240.8	**6,341.9**
	Deferred income	28.4	30.7
		12,852.7	**9,983.7**

EnBW AG
Income statement from January 1 to December 31, 2002

€ millions	2002	2001
Investment result	942.0	212.6
Net interest	– 508.8	– 136.0
Other operating income	36.3	200.2
Personnel expenses	– 74.0	– 32.3
Depreciation and amortisation	– 0.1	– 0.1
Other operating expenses	– 158.6	– 102.7
Result from ordinary activities	**236.8**	**141.7**
Taxes	– 44.9	20.4
Net income for the year	**191.9**	**162.1**
Profit carryforward from the prior year	4.1	2.9
Withdrawal from the reserve for treasury stock	0.0	81.0
Allocated to other revenue reserves	– 50.0	– 81.0
Retained earnings	**146.0**	**165.0**

The full financial statements of EnBW AG audited by PwC Deutsche Revision Aktiengesellschaft, Wirtschaftprüfungsgesellschaft, on which they rendered an unqualified opinion, are published in the Federal Gazette and filed with the Commercial Register of the Karlsruhe District Court, No HRB 7956. A copy can also be requested from EnBW.

Notes to the financial statements of EnBW AG
Development of fixed assets 2002

€ millions	Acquisition and manufacturing cost				
	As of Jan. 1, 2002	Additions	Reclassi-fications	Disposals	As of Dec. 31, 2002
Property, plant and equipment					
Land and land rights	1.7	0.1	0.0	0.0	1.8
Buildings including buildings on third party land	1.0	0.0	0.0	0.0	1.0
Office and factory equipment	1.9	0.5	0.0	0.1	2.3
	4.6	**0.6**	**0.0**	**0.1**	**5.1**
Financial assets					
Shares in affiliated companies	3,270.3	4,167.1	29.5	234.9	7,232.0
Loans to affiliated companies	260.3	110.3	0.0	98.8	271.8
Investments	545.7	1,317.7	0.0	225.5	1,637.9
Long-term investments	1,600.0	176.0	– 29.5	140.9	1,605.6
Other loans	53.6	10.9	0.0	12.6	51.9
	5,729.9	**5,782.0**	**0.0**	**712.7**	**10,799.2**
	5,734.5	**5,782.6**	**0.0**	**712.8**	**10,804.3**

Accumulated depreciation/discounting				Net book value	
As of Jan. 1, 2002	**Depreciation Discounting (A)**	**Disposals / Mark-up (A)**	**As of Dec. 31, 2002**	**As of Dec. 31, 2002**	**As of Dec. 31, 2001**
0.6	0.0	0.0	0.6	1.2	1.1
1.0	0.0	0.0	1.0	0.0	0.0
0.5	0.1	0.0	0.6	1.7	1.4
2.1	**0.1**	**0.0**	**2.2**	**2.9**	**2.5**
3.8	0.0	0.0	3.8	7,228.2	3,266.5
0.0	0.0	0.0	0.0	271.8	260.3
33.3	0.2	2.2	31.3	1,606.6	512.4
0.0	0.0	0.0	0.0	1,605.6	1,600.0
2.0	0.0 (A)	0.2 (A)	1.8	50.1	51.6
	0.0 (A)	0.2 (A)			
39.1	**0.2**	**2.2**	**36.9**	**10,762.3**	**5,690.8**
	0.0 (A)	0.2 (A)			
41.2	**0.3**	**2.2**	**39.1**	**10,765.2**	**5,693.3**

EnBW AG
Proposal for the appropriation of profits

As of December 31, 2002 the financial statements of EnBW AG show unappropriated retained earnings of € 145,993,756.72. The annual general meeting will propose to use this amount as follows:

€	
Distribution dividend of € 0.66 per no par value share with dividend entitlement (221,011,422 shares)	145,867,538.52
Profit carried forward	126,218.20
Retained earnings	**145,993,756.72**

Karlsruhe, February 15, 2003

Energie Baden-Württemberg Aktiengesellschaft
The Board of Management

Goll   Dr. Balzereit   Dr. Beck

Prof. Dr.-Ing. Hartkopf   Jochum   Lederer

EnBW AG
Audit Opinion

"We audited the financial statements of Energie Baden-Württemberg Aktiengesellschaft, Karlsruhe, including the accounting system and the management report, which has been combined with the group management report, for the fiscal year from January 1 to December 31, 2002. The Company's Board of Management is responsible for the accounting system, the preparation of the financial statements and the management report in accordance with German commercial law and the supplementary regulations in the articles of incorporation. Our responsibility is to express an opinion, based on our audit, on the financial statements, including the accounting system, and on the management report.

We conducted our audit of the financial statements pursuant to sec. 317 HGB and in compliance with the generally accepted auditing principles promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance that inaccuracies and violations are recognised which significantly affect the presentation of the net worth, financial position and results of operations of the Company as conveyed by the financial statements, in compliance with generally accepted accounting principles, and by the management report. The scope of the audit was planned taking into account our understanding of business operations, the Company's economic and legal environment, and any potential errors anticipated. In the course of the audit, the effectiveness of the system of internal accounting controls was assessed, and the disclosures made in the books and records, financial statements and management report were verified, mainly on a test basis. The audit also includes assessing the accounting principles used and the significant estimates made by the Board of Management as well as the overall assessment of the financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give any cause for qualification.

In our opinion, the financial statements present a true and fair view of the net worth, financial position and results of operations of the Company in accordance with generally accepted accounting principles. In all material respects, the combined management report accurately presents the situation of Energie Baden-Württemberg Aktiengesellschaft, Karlsruhe, and the risks to its future development."

Karlsruhe, February 17, 2003

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wagner	Kurz
Wirtschaftsprüfer	Wirtschaftsprüfer


Having customers is worthwhile.


Having more customers is worthwhile.


Keeping customers is worthwhile.

Further information about the company boards

Offices of the members of the Board of Management*

Gerhard Goll
Chairman

(1) Vorarlberger Illwerke AG

(2) EnBW Energie-Vertriebsgesellschaft mbH (until October 14, 2002)
EnBW Kraftwerke AG (chairman)
Neckarwerke Stuttgart AG (chairman)
Salamander AG (chairman)

(3) Baden-Württembergische Bank AG
Deutsche Bank AG
Elektrizitäts-Gesellschaft Laufenburg AG (until January 25, 2002)
EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH
EnBW Telekommunikation GmbH (chairman)
Schluchseewerk AG
tesion Communikationsnetze Südwest GmbH & Co. KG
(chairman; until August 31, 2002)

Hans-Jürgen Arndt
(until September 30, 2002)

(1) Elektrizitätswerk Mittelbaden AG
Grosskraftwerk Mannheim AG
Kraftwerk Reckingen AG (chairman)
Reederei Schwaben GmbH (until October 24, 2002)
Rheinkraftwerk Albbruck-Dogern AG
Schluchseewerk AG

(2) EnBW Kraftwerke AG (until November 15, 2002)
EnBW Service GmbH (chairman; until October 17, 2002)
ESAG Energieversorgung Sachsen Ost AG
GESO Beteiligungs- und Beratungs-AG (until October 31, 2002)

* (1) Membership in other statutory supervisory boards
(2) Membership in statutory supervisory boards of group companies
(3) Membership in comparable domestic and foreign control bodies of business organisations

Status as of December 31, 2002

(3) Centrale Electrique Rhénane de Gambsheim SA (until November 30, 2002)
EML Einkaufsgesellschaft für Material und Dienstleistungen mbH (chairman)
EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (chairman; until October 31, 2002)
EuroSourceLine GmbH
Rheinkraftwerk Iffezheim GmbH (until November 30, 2002)

Dr. Bernd Balzereit
(since August 1, 2002)

(1) Ziehl-Abegg AG

(2) EnBW Energie-Vertriebsgesellschaft mbH (since October 7, 2002)
EnBW Kraftwerke AG (since November 15, 2002)
EnBW Service GmbH (since October 17, 2002)
GESO Beteiligungs- und Beratungs-AG (since November 18, 2002)
Neckarwerke Stuttgart AG (since September 10, 2002)

(3) EnBW Gesellschaft für Stromhandel mbH (since December 1, 2002)
Walter de Gruyter GmbH & Co. KG

Dr. Bernhard Beck
(since October 1, 2002)

(1) DREWAG-Stadtwerke Dresden GmbH (since November 1, 2002)
Kraftübertragungswerke Rheinfelden AG (since August 26, 2002)
Obere Donau Kraftwerke AG
SOMENTEC Software AG (chairman)
Stadtwerke Düsseldorf AG (since January 9, 2002)

(2) EnBW Energie-Vertriebsgesellschaft mbH (since November 15, 2002)
EnBW Kraftwerke AG (since November 16, 2002)
EnBW Kundenservice GmbH (since October 1, 2002)
EnBW Service GmbH (since September 1, 2002; chairman since October 17, 2002)
ESAG Energieversorgung Sachsen Ost AG
Neckarwerke Stuttgart AG (since September 10, 2002)
Salamander AG (since April 19, 2002)

(3) EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (since November 1. 2002; chairman since November 21, 2002)
EnBW Contracting GmbH
EnBW Gas GmbH
EnBW International GmbH
Kraftwerk Laufenburg AG (since April 19, 2002)
SaarPOWER GmbH (chairman)
Skandinavisk Kraftmeglin SA
Stadtwerke Völklingen GmbH (since March 5, 2002)
TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH

Prof. Dr.-Ing. Thomas Hartkopf
(since November 1, 2002)

(1) Kraftwerk Reckingen AG (chairman; since December 10, 2002)

(2) EnBW Transportnetze AG (chairman; since November 7, 2002)
Neckarwerke Stuttgart AG (since September 10, 2002)
U-plus Umweltservice AG (since September 18, 2002; chairman since September 23, 2002)

(3) Centrale Electrique Rhénane de Gambsheim SA (since December 1, 2002)
EnBW Gesellschaft für Stromhandel mbH (since December 1, 2002)
Gemeinschaftskernkraftwerk Neckar GmbH (since December 2, 2002)
Kernkraftwerk Obrigheim GmbH (since December 6, 2002)
Rheinkraftwerk Iffezheim GmbH (since December 1, 2002)
Thermoselect Südwest GmbH (since October 23, 2002)

Gerhard Jochum

(1) DREWAG-Stadtwerke Dresden GmbH (since April 16, 2002)
Elektrizitätswerk Mittelbaden AG
Kraftübertragungswerke Rheinfelden AG (since April 19, 2002)
Stadtwerke Düsseldorf AG (since January 9, 2002)
Stadtwerke Karlsruhe GmbH

(2) EnBW Energie-Vertriebsgesellschaft mbH
EnBW Kundenservice GmbH
EnBW Ostwürttemberg DonauRies AG (chairman)
EnBW Regional AG (chairman)
EnBW Service GmbH
EnBW Transportnetze AG (chairman until November 7, 2002)
ESAG Energieversorgung Sachsen Ost AG (chairman since April 26, 2002)
GESO Beteiligungs- und Beratungs-AG (chairman since June 21, 2002)
Neckarwerke Stuttgart AG (until June 10, 2002)
U-plus Umweltservice AG
Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG

(3) Amata Power Ltd. (since February 20, 2002)
Deutsche Bank AG
EnAlpin Wallis AG (since March 15, 2002)
EnBW International AG
Gasversorgung Süddeutschland GmbH (until June 13, 2002)
Heilbronner Versorgungs GmbH (since September 27, 2002)
Kraftwerk Laufenburg AG (since April 19, 2002)
Kraftwerk Ryburg-Schwörstadt AG (since January 24, 2002)
Rojana Power Ltd. (since January 31, 2002)
Ruhrgas AG
Stadtwerke Völklingen GmbH (since March 5, 2002)
Zweckverband Bodensee-Wasserversorgung (since November 19, 2002)
Zweckverband Landeswasserversorgung (since November 12, 2002)

Pierre Lederer

(1) DREWAG-Stadtwerke Dresden GmbH (until March 28, 2002)
Rheinkraftwerk Säckingen AG (since February 25, 2002)
Schluchseewerk AG (chairman; since March 19, 2002)

(2) EnBW Energie-Vertriebsgesellschaft mbH (chairman)
EnBW Kraftwerke AG
EnBW Kundenservice GmbH (chairman)
ESAG Energieversorgung Sachsen Ost AG (chairman until April 26, 2002)
GESO Beteiligungs- und Beratungs-AG (chairman until July 9, 2002)

(3) EnBW Gas GmbH (chairman)
EnBW Gesellschaft für Stromhandel mbH (chairman)
EnBW Ingenieure GmbH
EnBW International GmbH (chairman)
Eszak-Magyaroszági Àramszolgáltató Rt. (EMASZ) (until April 23, 2002)
Gasversorgung Süddeutschland GmbH (since June 14, 2002)
Hidroeléctrica del Cantábrico S.A. (since July 15, 2002)
Skandinavisk Kraftmeglin SA

Dr. Reinhard K. Volk
(until June 30, 2002)

(1) AGIV AG

(2) EnBW Energie-Vertriebsgesellschaft mbH (until June 29, 2002)
EnBW Kraftwerke AG (until June 29, 2002)
EnBW Kundenservice GmbH (until September 30, 2002)
EnBW Regional AG (until June 29, 2002)
EnBW Service GmbH (until June 29, 2002)
GESO Beteiligungs- und Beratungs-AG (until May 29, 2002)
Salamander AG
U-plus Umweltservice AG (chairman until May 29, 2002)

(3) BWK GmbH Unternehmensbeteiligungsgesellschaft
EnBW Gesellschaft für Stromhandel mbH (until May 29, 2002)
EnBW International GmbH
EnBW Venture Capital Beteiligungsgesellschaft mbH (chairman)
innotech Beteiligungsgesellschaft mbH & Co. KG (chairman)
Kernkraftwerk Obrigheim GmbH (until May 31, 2002)
tesion Communikationsnetze Südwest GmbH & Co. KG
(until August 31, 2002)

Additional offices of supervisory board members*

Dr. Wolfgang Schürle
District administrator (chairman)

(1) Donau-Iller-Nahverkehrsverbundgesellschaft mbH Ulm
EnBW Ostwürttemberg DonauRies AG
Krankenhaus-GmbH Alb-Donau-Kreis (chairman)
Kreisbau-GmbH Ulm (chairman)

(3) Fernwärme Ulm GmbH
Sparkasse Ulm

Adolf Dinkel
Former chairman of the central works council of EnBW Service GmbH (deputy chairman)

(1) EnBW Service GmbH
Elektrizitätswerk Mittelbaden AG

(3) Betriebskrankenkasse Energieverbund, Körperschaft öffentlichen Rechts
EML Einkaufsgesellschaft für Material und Dienstleistungen mbH (until May 31, 2002)
EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (until May 31, 2002)
TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH (until September 12, 2002)

Manfred Autenrieth
District administrator (retired)

(1) Gesundheitszentren Landkreis Rottweil GmbH (chairman; until April 30, 2002)

* (1) Membership of other statutory supervisory boards
(2) Membership of statutory supervisory board of group companies
(3) Membership of comparable domestic and foreign control boards of business organisations
Information provided by the officer

Status as of December 31, 2002

(3) Kreisbaugenossenschaft Rottweil (chairman; until April 30, 2002)
Kreissparkasse Rottweil (chairman; until April 30, 2002)
Landesbausparkasse Württemberg (until April 30, 2002)
Schwarzwald-Tourismus GmbH (Gesamtschwarzwald) (until April 30, 2002)
Schwarzwald-Tourismus GmbH (Mittlerer Schwarzwald) (until April 30, 2002)
Wirtschaftsfördergesellschaft Schwarzwald-Baar-Heuberg GmbH (until April 30, 2002)

Gisela Beller
Chair of the central works council of EnBW Service GmbH

(1) EnBW Service GmbH

Marc Boudier
Directeur Europe Continentale at Electricité de France

(3) Aare Tessin SA d'Electricité
Dalkia International SA
EDF UK Ltd. (until February 7, 2002)
Elektrocieplownia Krakow SA (chairman; since June 20, 2002)
Graninge AB plc (until February 19, 2002)
London Electricity Group plc (until February 7, 2002)
SEMOBIS SA (chairman; since May 2, 2002)

Loïc Caperan
Directeur Général Délégué at Electricité de France

(3) Dalkia Holding SA
Dalkia International SA
EDF Développement Environnement SA
EDF International SA
EDF Trading SA (chairman)
EDF UK Ltd. (chairman)
Lyonnaise des eaux de Casablanca (since July 1, 2002)

Jacques Chauvin
Directeur Général Adjoint Finance at Electricité de France

(3) Dalkia Holding SA
EDF Capital Investissement SA (chairman)
EDF Développement Environnement SA
EDF International SA
EDF Trading SA
Société Nationale d'Electricité et de Thermique SA

Manfred Eichkorn
Division head at ver.di national executive committee

(1) EnBW Kraftwerke AG
EnBW Regional AG
U-plus Umweltservice AG (until September 18, 2002)

Yannick d'Escatha
Directeur Général Délégué at Electricité de France

(3) Ecole Polytechnique (chairman)
EDF Développement Environnement SA
EDF International SA
EDF Trading SA
EDF UK Ltd.
France Télécom SA
Société Nationale d'Electricité et de Thermique SA

Franz Fischer
Regional director at ver.di, Oberschwaben district

(1) EnBW Regional AG

Willi Fischer
District administrator

(1) EnBW Regional AG (until September 17, 2002)
Hohenzollerische Landesbahn AG

(3) Sparkasse Zollernalb, Balingen (chairman)
Verkehrsverbund Naldo GmbH (chairman)
Wirtschaftsförderungsgesellschaft im Zollernalbkreis (chairman)
Zweckverband Oberschwäbische Elektrizitätswerke

Gisela Gräber
Deputy regional manager at ver.di, Baden-Württemberg

(1) Bausparkasse Schwäbisch Hall AG
SVH Sparkassen Versicherung Baden-Württemberg Holding AG
(until February 28, 2002)

Rolf Koch
Deputy chairman of the central works council of EnBW Regional AG

(1) EnBW Regional AG

(3) EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH
TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH

Siegfried Luz
Mayor

(3) Kreissparkasse Calw

Peter Neubrand
Chairman of the central works council of EnBW Regional AG

(1) EnBW Regional AG

(3) TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH (until September 12, 2002)

Dr. Wolfgang Schuster
Lord Mayor

(1) Flughafen Stuttgart GmbH
Neckarwerke Stuttgart AG
Stuttgarter Straßenbahn AG (chairman)
Stuttgarter Versorgungs- und Verkehrsgesellschaft mbH (chairman)

(3) Landesbank Baden-Württemberg, Anstalt öffentlichen Rechts
Stuttgart 2012 GmbH (chairman)
Verkehrs- und Tarifverbund Stuttgart GmbH (chairman)
WAVE – Wasser, Abwasser, Vollservice, Engineering GmbH
Zweckverband Bodensee-Wasserversorgung (chairman)
Zweckverband Landeswasserversorgung (chairman)

Gerhard Stratthaus
Finance minister for Baden-Württemberg

(1) Baden-Württembergische Bank AG (chairman)
Badische Staatsbrauerei Rothaus AG (chairman)

(3) Landesbank Baden-Württemberg, Anstalt öffentlichen Rechts
Landeskreditbank Baden-Württemberg – Förderbank, Anstalt öffentlichen Rechts
Landesstiftung Baden-Württemberg gGmbH
Zentrum für Europäische Wirtschaftsförderung GmbH (chairman; since June 26, 2002)

Siegfried Tann
District administrator

(1) ABK-Abfallwirtschaftsgesellschaft mbH for the Friedrichshafen and Constance districts

(3) Landesbausparkasse Baden-Württemberg
Sparkasse Bodensee (chairman)

Günther Vogelbacher
Former chairman of the central works council of EnBW Kraftwerke AG

(1) EnBW Kraftwerke AG

(3) Fernwärme Rhein-Neckar GmbH (until October 31, 2002)
TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH (until September 12, 2002)
Thoraxklinik Heidelberg gGmbH

Christoph Walther
Works council of ESAG Energieversorgung Sachsen Ost AG

(1) ESAG Energieversorgung Sachsen Ost AG

Klaus-Michael Weber
Lawyer at EnBW Service GmbH

(3) EnBW Service GmbH

Advisory Board

Loïc Caperan
Directeur Général Délégué at Electricité de France, Paris
(until March 31, 2002)

Dr. rer. nat. Joachim Dreyer
Former chairman of the Board of Management of debitel AG, Heiligenberg

Dr.-Ing. e. h. Heinz Dürr
Chairman of the Supervisory Board of Dürr AG, Berlin

Dipl.-Math. Klaus Eberhardt
Chairman of the Board of Management of Rheinmetall AG, Düsseldorf

Yannick d'Escatha
Directeur Général Délégué at Electricité de France, Paris
(since April 1, 2002)

Dr. Andreas Fabritius
Lawyer at Freshfields Bruckhaus Deringer, Frankfurt

Walter Frey
Chairman of the Board of Management of Emil Frey AG, Zürich

Dipl.-Ing. Karl Haase
General manager of Badische Stahlwerke GmbH, Kehl/Rhine

Dr. Franz-Wilhelm Hopp
Member of the Board of Management of ERGO Versicherungsgruppe AG, Düsseldorf

Dr. Klaus Kinkel
Former Vice Chancellor, St. Augustin

Bernd Kreutz
Owner of the advertising agency Kreutz & Partner, Düsseldorf

Dr. Rolf Linkohr
Member of the European Parliament, Brussels

Dr. Klaus Mangold
Member of the Board of Management of DaimlerChrysler AG, Stuttgart

Gerhard Mayer-Vorfelder
Former finance minister of the state of Baden-Württemberg,
President of the German Football Association, Stuttgart

Dr.-Ing. e.h. Peter Mihatsch
Former member of the Board of Management of Mannesmann AG,
Sindelfingen

Dr. Wolf Hartmut Prellwitz
Chairman of the Supervisory Board of IWKA AG, Karlsruhe

Urs B. Rinderknecht
General Director of UBS AG, Zürich

Dr. Sieghardt Rometsch
Personally liable partner of HSBC Trinkaus & Burkhardt, Düsseldorf

Hans-Joerg Rudloff
Chairman of the Executive Committee of Barclays Capital, London

Dr. Ronaldo Schmitz
Former member of the Board of Management of Deutsche Bank AG, Frankfurt

Dr. Wolfgang Schuster
Lord Mayor, Stuttgart

Prof. Dr. Dr. h.c. Bernhard Servatius
Former chairman of the Supervisory Board of Axel Springer Verlag AG,
Hamburg

Willem G. van Agtmael
Managing partner of E. Breuninger GmbH & Co., Stuttgart

Dr. Theo Waigel
Former government minister, 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 business and technology, Berlin

Horst R. Wolf
Member of the Board of Management of Heidelberger Zement AG, Heidelberg

Status as of December 31, 2002

Five-year summary

EnBW Group		2002	2001	2000	1999	1998
Income statement						
Sales						
Energy	€ millions	6,884	6,098	4,593	3,710	3,937
Waste management	€ millions	268	259	259	236	201
Industry and services	€ millions	1,506	1,504	977	52	29
	€ millions	8,658	7,861	5,829	3,998	4,167
EBITDA	€ millions	1,481	1,030	675	884	1,275
EBIT	€ millions	562	305	89	296	663
EBT	€ millions	407	296	230	435	844
Net income for the year	€ millions	280	272	180	138	367
Balance sheet						
Fixed assets	€ millions	16,648	11,833	11,934	7,350	7,260
Current assets	€ millions	5,252	6,817	5,119	4,883	3,721
Total net assets	€ millions	22,013	18,744	17,148	11,388	11,024
Equity	€ millions	1,879	2,483	2,434	1,726	1,722
EnBW share						
Distribution	€ millions	146	161	112	111	111
Dividend per share	€	0.66	0.66	0.46	0.46	0.46
Market capitalisation as of Dec. 31	€ billions	8.5	8.5	8.9	9.1	9.1
Ratios						
Equity ratio	%	8.5	13.2	14.2	15.2	15.6
EBIT margin	%	6.5	3.9	1.5	7.4	15.9
EBITDA margin	%	17.1	13.1	11.6	22.1	30.6
Finance and capital expenditures						
Cash flow according to DVFA/SG	€ millions	751	1,008	732	918	1,181
Depreciation and amortisation	€ millions	920	725	587	560	571
Capital expenditure						
Property, plant and equipment and intangible assets	€ millions	604	701	1,108	405	678
Financial assets	€ millions	4,548	2,744	820	562	1,335
	€ millions	5,152	3,445	1,928	967	2,013
Employees						
Employees (annual average)	Number	38,501	37,053	27,327	12,581	12,605

Contact

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This annual report is available in German, English and French and can also be downloaded from the internet.

Upon request, we would be pleased to send you additional copies of the annual report, the half-year report and other group publications such as the innovation report and the environmental report free of charge. Please contact our shareholder hotline.

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In case of discrepancies, the German version shall prevail.

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EnBW
Die Energie-AG.