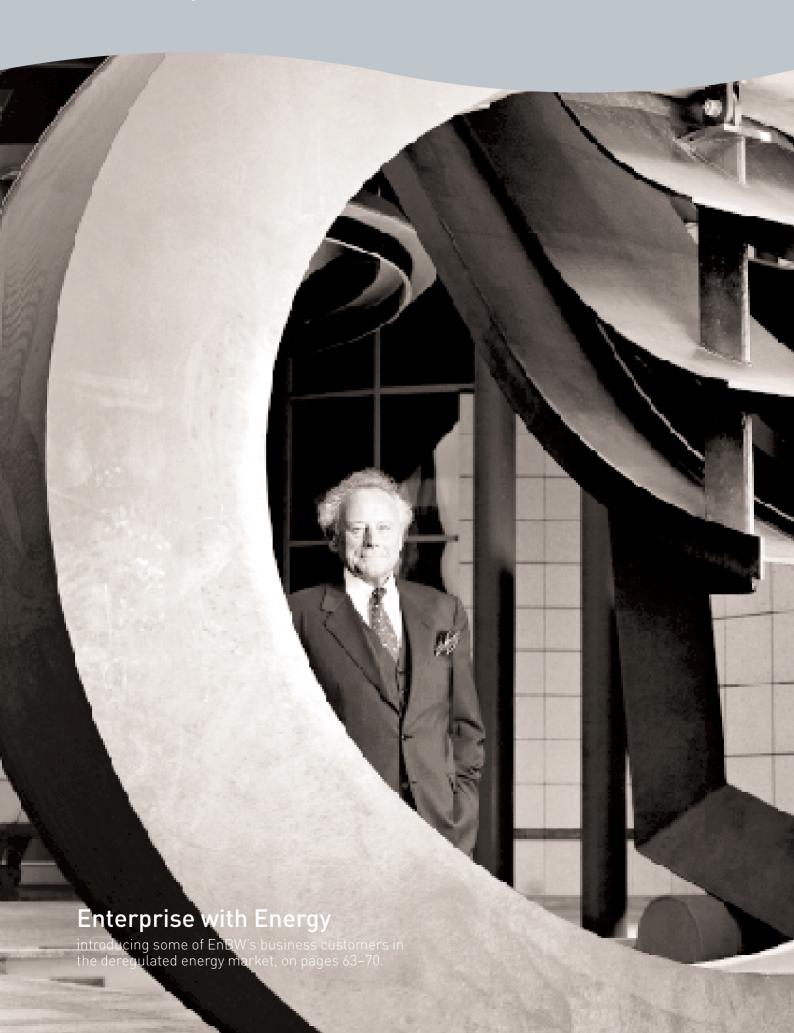
Energie Baden-Württemberg AG Annual Report 2000





Prof. Dr. h. c. Reinhold Würth

Chairman of the Advisory Council of Würth Group

At a glance

EnBW Group		2000	1999	1998	1997
External sales revenue Energy* Waste Disposal Industry and Services	DM mill. DM mill. DM mill.	8,983 507 1,910	7,256 461 102	7,700 393 57	7,901 414 12
	DM mill.	11,400	7,819	8,150	8,327
Net income for the year	DM mill.	351	271	718	298
Cash flow (as defined by DVFA/SG)	DM mill.	1,431	1,795	2,309	2,768
Investments Tangible and intangible assets Financial assets	DM mill. DM mill.	2,167 1,603 3,770	792 1,099 1,891	1,326 2,612 3,938	1,323 1,074 2,397
Fixed assets	DM mill.	23,341	14,376	14,199	12,596
Current assets	DM mill.	10,012	7,755	7,277	7,428
Shareholders' equity	DM mill.	4,761	3,375	3,367	3,088
Number of employees on an annual average	Number	27,327	12,581	12,605	12,769
EnBW AG					
Subscribed capital	DM mill.	1,252	1,252	1,250	1,250
Investment income	DM mill.	614	973	1,640	1,024
Interest income	DM mill.	- 16	- 167	105	145
Net income for the year	DM mill.	217	218	762	323
Distribution	DM mill.	219	217	217	225
Dividends per share	DM	0.90	0.90	0.90	0.90
Tax credit per share	DM	0.39	0.39	0.39	0.39

^{*} Since 2000, the electricity tax is not included in "Other taxes", but deducted from sales revenue. The previous year's figures have been adjusted accordingly.

EnBW Group energy sales in 2000

Electricity	77.9 billion kWh
Gas	10.6 billion kWh
District heat kWh _{th}	2.6 billion

EnBW Group electricity sales in 2000 by customer category

Private customers	19.0 %
Industrial clients	29.7 %
Downline electricity supply companies	26.9 %
Interconnected power companies	24.4 %

EnBW Group electricity production in 2000 by primary energy sources

Coal, oil, gas	22.2%
Nuclear energy	41.3%
Hydroelectric power and other renewable energies	10.6%
Primary energy, unknown	25.9%

Energie Baden-Württemberg AG Group¹⁾

Energy			
Energy Generation	Electricity Distribution	Electricity Trading	Gas
EnBW Kraftwerke AG	EnBW Regional AG	EnBW Gesellschaft für Stromhandel mbH	EnBW Gas GmbH
Heizkraftwerk Neckar GmbH	EnBW Ostwürttemberg DonauRies AG	Skandinavisk Kraftmegling AS	EVS-Gasversorgung Nord GmbH
Kernkraftwerk Obrigheim GmbH	Elektrizitätswerk Mittelbaden AG	Energy Marketing	Badenwerk Gas GmbH
Neckar AG	Albwerk GmbH & Co. KG	EnBW Energie-Vertriebs- gesellschaft mbH	EVS-Gasversorgung Süd GmbH
Gemeinschaftskraftwerk Neckar GmbH	Energie- und Wasser- versorgung Bruchsal GmbH	Yello Strom GmbH	Gasversorgung Süddeutschland GmbH
Kraftwerk Bexbach Verwaltungsgesellschaft mbH	ENRW Energieversorgung Rottweil GmbH & Co. KG	EnBW Austria Energie- Vertriebsgesellschaft mbH	District Heat
Centrale Electrique Rhénane de Gambsheim SA	Stadtwerke Freudenstadt GmbH & Co. KG	EnBW Benelux B.V.	Fernwärme Unterland GmbH
Kraftwerk Reckingen AG	Stadtwerke Sindelfingen GmbH	EnBW Energia Espana S.L.	Heizkraftwerk Stuttgart GmbH
Rheinkraftwerk Iffezheim GmbH	Stadtwerke Stockach GmbH & Co. KG	EnBW Italia S.p.A	Fernwärme Ulm GmbH
Obere Donau Kraftwerke AG	Stadtwerke Weinheim GmbH	EnBW Polska Sp.z.o.o.	Fernwärme Rhein-Neckar GmbH
Rheinkraftwerk Säckingen AG	Stadtwerke Karlsruhe GmbH	ESC Energy Solutions GmbH	Contact
Schluchseewerk AG	Neckarwerke Stuttgart AG		EnBW International GmbH
Grosskraftwerk Mannheim AG	Stadtwerke Esslingen am Neckar GmbH		
Mátrai Erömü Rt. (MATRA)	GESO Beteiligungs- und Beratungs-AG		
Rojana Power Company Ltd.	ESAG Energieversorgung Sachsen Ost AG		
AMATA Power Company Ltd.	DREWAG-Stadtwerke Dresden GmbH		
Electricity Transport	Budapesti Elektromos Müvek Rt. (ELMÜ)		
EnBW Transportnetze AG	Eszak-Magyarországi Áramszolgáltáto Rt. (FMAS7)		

Waste Management	Industry and Services		
Non-thermal Disposal	Industry	Telecommunication	
U-plus Umweltservice AG	Salamander AG	EnBW Telekommunikation GmbH	
Bautrans Umweltservice GmbH	Rheinmetall Elektronik AG	tesion Communicationsnetze Südwest GmbH & Co. KG	
R-plus Recycling GmbH	Servicing	DiTRA Gesellschaft für Kabelnetze und Telekommu- nikation mbH	
S-plus Umweltservice GmbH	EnBW Service GmbH	NOVACOM Távközlési Kft.	
Thermal Disposal	EnBW Ingenieure GmbH	Innovation	
Thermoselect Südwest GmbH Thermische Abfallbehand- lungsanlagen	EnBW Gesellschaft für Messung und Abrechnung GmbH	EnBW Venture Capital Beteiligungsgesellschaft mbH	
T-plus GmbH	EnBW Akademie GmbH	innotech Beteiligungs- gesellschaft mbH & Co. KG	
TAE Thermische Abfall- entsorgung Ansbach GmbH	TDL Gesellschaft für anlagentechn. Dienste u. kaufm. Leistungen mbH	Property and Real Estate Management	
	TEWERATIO Unternehmensberatung GmbH	EnBW Immobilien GmbH	
	regelmatic Instumentierung Automation Elektroanlagen GmbH & Co. KG	Facilma Grundbesitz- management und -service GmbH	
	APCOA Parking AG	Senergi Immobilien GmbH	
	DIW Deutsche Industriewartung AG	Water	
	Euro SourceLine GmbH	Zweckverband Bodensee- Wasserversorgung	
	Würth Solar GmbH & Co. KG	Zweckverband Landes- wasserversorgung	

 $^{^{\}rm 11}$ Reference to deposit with a public authority of the composition of the shareholding in accordance with § 313 HGB (German Commercial Code). Status: 31 December 2000

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Imprint

Foreword from the Board of Management

In accordance with our expectations, the 2000 business year was marked, in operational terms, by the advent of competition following deregulation of the electricity market. An additional stumbling block for our end-user-oriented company were the arbitrary transit restrictions imposed by a significant number of market participants. Both these elements are reflected in the annual profit.

As a result of the discernible return to awareness of the importance of margins and the necessary intervention of the cartel authorities to ensure discrimination-free electricity transit, we can expect an improvement in the earnings situation, not least for our company.

Irrespective of the difficulties mentioned, our company has set important pointers for the future during the reporting year. The success of these measures will become apparent in the coming business year:

- Modification of the shareholder structure at Salamander and tesion has created a basis for a forward-looking strategy for these businesses. Completion of the shareholder agreements at NWS and ZEAG has rounded off our regional electricity business and secured the entry of our Group into a large-volume gas and water market. Several equity holdings in municipal utilities are a stabilizing factor in our partnership with downline power suppliers.
- 2. The end-user focus of our business has reached a high degree of optimization, giving us a lasting competitive edge. We are a long way ahead of our nearest rivals as the number one choice for private customers willing to switch suppliers.
- 3. Our national and European presence in all relevant marketplaces ensures that we have a significant say in the development of the deregulated national electricity markets as well as being active participants in the European electricity market.
- 4. The partnership with EDF ensures that we can compete in the European arena on equal terms with much larger rivals.
- 5. The completed sale of the EnBW shares previously held by the state of Baden-Württemberg has set the process of reorganizing the shareholder structure in motion. A large number of municipal shareholders will relinquish their holdings in an agreed procedure, paving the way for an appropriate increase in the stock market liquidity of our shares. The reorganization of the shareholder structure will enable EnBW to finance the necessary growth of the company in the years ahead.

The Board of Management will continue to develop the Group along these lines during the 2001 business year.

Board of Management

Board of Management

Gerhard Goll, Karlsruhe Chairman

Hans-Jürgen Arndt, Gerlingen

Dr. Hartmut Bilger, Ettlingen (until 31 August 2000)

Dr. Klaus J. Kasper, Stuttgart

Pierre Lederer, Karlsruhe (since 1 June 2000)

Dr. Reinhard Volk, Karlsruhe (since 1 January 2001)

Report of the Supervisory Board

During the 2000 business year, the Supervisory Board performed the tasks prescribed by the law and the Articles of Association and supervised the work of the Board of Management and supported it in an advisory capacity. The Board of Management reported to us regularly and at length about the course of business, the economic situation and the development of the EnBW Group and EnBW AG. At eight meetings, we discussed in detail the oral reports from the Board of Management and written documentation presented for decision.

The main points dealt with at these meetings were:

- the economic plan for the 2001 business year
- the Board of Management's report on the course of business
- medium-term planning for the period from 2001 to 2005, comprising the business, investment and financial plans
- regular and topical reporting in accordance with the law on Control and Transparency in Business (KonTraG)
- changes in the portfolio of equity holdings
- the acquisition of Salamander AG
- the purchase of holdings in various municipal utilities and in particular the option relating to Zementwerk Lauffen Elektrizitätswerk Heilbronn AG (ZEAG)
- involvement in divestment processes of European energy suppliers, particularly in Spain, Italy, the Netherlands and Poland

In addition to these meetings, the Chairman of the Supervisory Board had detailed one-to-one discussions with members of the Board of Management on questions of business orientation, strategic goals and specific matters of importance.

The Staff Advisory Committee met four times; the Financial Policy and Audit Committee met twice.

The annual financial statements of EnBW AG and of the EnBW Group as of 31 December 2000, and the summarized management report were prepared by the Board of Management. These were submitted to the auditors, PwC Deutsche Revision Aktiengesellschaft, Frankfurt, who were selected by the Shareholders' Meeting on 12 July 2000 and instructed in writing by the Supervisory Board. The auditors have approved both statements without limitations.

With regard to the system for early detection of risks, the auditors declare that the Board of Management has adopted the measures required under the terms of § 91 para. 2 AktG, in particular the setting up of a monitoring system, and that these measures are

sufficient to ensure early detection of developments which could endanger the future of the company.

The auditors' report on the annual financial statements and consolidated financial statements was presented to all the members of the Supervisory Board; it was included in the exposition and audit of the annual financial statements. The auditors took part in the deliberations of the Supervisory Board on the annual financial statements, presented the main conclusions of their audit and were at the Board's disposal to provide detailed explanations.

The Supervisory Board acknowleged the auditors' report. We verified and endorsed the annual financial statements of EnBW AG and the EnBW Group, as well as the summarized management report, prepared by the Board of Management. The annual financial statements of EnBW AG as of 31 December 2000 are thereby established as final.

The Supervisory Board examined the proposal of the Board of Management regarding the appropriation of profits and gave its approval.

Günter Scheck retired from the Supervisory Board with effect from 29 June 2000, and Gerhard Widder with effect from the end of the Shareholders' Meeting on 12 July 2000. The Shareholders' Meeting held on 12 July 2000 voted to replace them with Loïc Caperan of Electricité de France and Dr. Wolfgang Schuster, Lord Mayor of Stuttgart, as new members of the Supervisory Board.

We would like to thank the retiring officers of the Supervisory Board for their support.

At the meeting held on 11 May 2000, the Supervisory Board voted to appoint Pierre Lederer and Dr. Reinhard Volk as members of the Board of Management with effect from 1 June 2000 and 1 January 2001 respectively. At the meeting held on 7 December 2000, the Supervisory Board voted to appoint Gerhard Jochum as a member of the Board of Management with effect from 1 April 2001.

Dr. Hartmut Bilger has left the Board of Management on 31 August 2000. We would like to thank him for his valuable contribution.

The Supervisory Board wishes to express its thanks to the Board of Management, the Works Councils and all employees for their efforts on behalf of the company in the past year, and to the shareholders for their confidence in the company.

Karlsruhe, April 2001
On behalf of the Supervisory Board

Dr. Wolfgang Schürle Chairman

Supervisory Board

Supervisory Board

Dr. Wolfgang Schürle, Ulm Landrat (Chief Administrative County Officer) Chairman

Adolf Dinkel, Karlsruhe Chairman of the Central Works Council of EnBW Service GmbH Vice-Chairman since 30 March 2000

Manfred Autenrieth, Zimmern o. R. Landrat (Chief Administrative County Officer)

Gisela Beller, Karlsruhe Vice-Chairwoman of the Central Works Council of EnBW Service GmbH

Loïc Caperan, Paris Directeur Général Délégué "Clients" at Electricité de France (since 12 July 2000)

Manfred Eichkorn, Bad Dürrheim Divisional Manager, Baden-Württemberg District Administration of ÖTV (Public Services and Transport Workers' Union)

Dr. Karl Epple, Stuttgart Permanent Secretary in the Ministry of Economics, Baden-Württemberg

Franz Fischer, Berg Chief Executive of District Administration of ÖTV, Oberschwaben

Gisela Gräber, Weinsberg Regional Director of Deutsche Angestellten-Gewerkschaft (Salaried Employee Union)

Rolf Koch, Maselheim Vice-Chairman of the Central Works Council of EnBW Regional AG

Peter Neubrand, Winnenden Chairman of the Central Works Council of EnBW Regional AG (since 1 March 2000)

Wolfgang Rückert, Leonberg Permanent Secretary in the Ministry of Finance of Baden-Württemberg

Günter Scheck, Steinenbronn Chairman of the Board of Management and Employee Relations Director of Neckarwerke Stuttgart AG (until 29 June 2000)

Dr. Wolfgang Schuster, Stuttgart Lord Mayor (since 12 July 2000) Ernst Spadinger, Deißlingen Mayor

Gerhard Stratthaus, Brühl Finance Minister of Baden-Württemberg

Ulrich Stückle, Schwäbisch Hall Landrat (Chief Administrative County Officer)

Siegfried Tann, Meckenbeuren Landrat (Chief Administrative County Officer)

Ernst Vetter, Erbach-Dellmensingen Chairman of the Works Council, Biberach Regional Centre, EnBW Regional AG Vice-Chairman (until 29 February 2000)

Günther Vogelbacher, Stutensee Chairman of the Central Works Council of EnBW Kraftwerke AG

Christoph Walther, Dresden-Langebrück Team Leader at ESAG Energieversorgung Sachsen Ost AG

Klaus-Michael Weber, Ludwigsburg Lawyer at EnBW Service GmbH

Gerhard Widder, Mannheim Lord Mayor (until 12 July 2000)

Management Report

General economic conditions

German economy on course for growth

In the summer and autumn of 2000, the German economy continued to grow, despite some areas of concern. The real adjusted gross domestic product rose by 3.3 % in comparison with the previous year.

This upturn is due mainly to the high level of revenue from exports, as a result of the favourable economic situation in North America and the EU countries. In addition, exchange rate effects caused by the weak euro contributed to a pick-up of demand in American export markets. The favourable export climate also galvanized the German domestic market. Investment in plant and equipment was far higher than in 1999.

The key figures for the labour market were encouraging: the number of people in work rose, unemployment fell and the number of job vacancies grew.

Industry situation

Power generation and consumption up again

In the year 2000, weather conditions led to a slight fall in primary energy consumption in Germany of 0.2 % to 484 million tonnes of coal equivalent. If temperatures had been nearer normal, it is estimated that consumption would have increased by 0.6 %.

Domestic gross power production rose in 2000 by 9 billion kWh or 1.6 % to around 564 billion kWh. Once again, the most important source of energy for power generation in Germany was nuclear energy, which accounted for about 30 % of the total. Brown coal and hard coal followed which each accounted for about 25 %.

High rates of growth were achieved in buying and selling electricity outside Germany: both imports and exports of electricity rose by about 10 %, resulting in a total import surplus of 2.0 billion kWh.

Gross power consumption increased by 1.8 %, reaching a new high of 566 billion kWh. However, when compared with the growth in the gross domestic product, utilization of electricity in the overall economy continued to decline. This echoed the long-term trend towards a decline in electricity utilization.

Increased deregulation leads to fiercer competition

Competition, which showed signs of emerging in the deregulated German electricity market in 1999, began to intensify in 2000. The result was a sharp fall in prices, particularly for commercial clients. Since 1998, electricity prices have plummeted by up to 40 % for industrial clients and by up to 20 % for private customers. The fall in prices for private customers has been partly compensated for by price-bolstring governmental measures.

In Germany, electricity exchanges were set up in Frankfurt and Leipzig. A part of the network operators published their network user charges in 2000 in accordance with the Federation Agreement II.

However, excessive transmission charges in some cases and other restrictions on third-party-access continue to hinder free competition.

Political and statutory background

Conclusion of the nuclear energy agreement

On 14 June 2000, the so-called consensus talks between the Federal Government and the companies EnBW, RWE, VEBA and VIAG (now known as E.on) about the abandonment of nuclear power in the long term were concluded. A framework of rules was agreed for the continued operation of the nuclear power stations in Germany.

The period of operation of the nuclear power stations has been limited by laying down the amounts of electricity to be generated, which in future will also in principle be transferable to other power station operators. As from mid-2005, the disposal of radioactive waste will be restricted to direct final storage. The transportation of fuel elements will recommence until intermediate storage depots – and where necessary for a preliminary period so-called interim storage depots – are available near the sites and existing agreements with the reprocessing companies have been complied with.

Energy subsidy laws

Energy law is subject to two conflicting tendencies. On the one hand, efforts are being made to increase competition in Germany and Europe with the aim of achieving low energy prices for customers. The ever-rising numbers of domestic customers who are willing to change supplier is an indication that competition in the energy market is fierce.

On the other hand, the price reductions arising from increased competition are being offset by legislative measures which have led to significant additional charges for the power supply companies and their customers.

On 1 April 2000, the German Renewable Energies Law (REL) came into force. At the same time, the previously applicable Electricity Supply Law was repealed. The aim of the REL is to increase the proportion of renewable energies in the generation of electricity. The law obliges all network operators to accept renewable energy generated in its network area and to pay the minimum prices set out in the law. Ultimately, if this burden were spread evenly throughout Germany, the power companies which will bear the cost will be those who supply the end consumers.

On 18 May 2000, the Protection of Electricity Generation from Combined Heat and Power law (interim CHP law) came into force. The aim of the law is to protect existing combined heat and power plants until

the end of 2004 from the economic disadvantages arising from the deregulation of the power industry. The interim CHP law obliges the operators of supply networks to accept and pay for electricity from combined heat and power plants. As compensation for this, they are entitled to make a claim to the upstream supply network operators. Any imbalances in charges made to individual supply network operators should be settled among all the operators of supply networks.

The two laws referred to above have resulted in marked increases in the network. However, it has not yet been possible to pass on all the price rises to customers. Industrial clients in particular are opposed to any requests for price rises as a result of the REL and the interim CHP law.

We are opposed to such interventions in the market, as they affect suppliers in competition with each other and, in the end, their customers. The subsidies required have to be paid out of the government's budget. We have lodged an appeal with the European Commission in respect of the interim CHP law.

In 2001, there is the threat of further charges as a result of the final CHP law. We are active at all levels in an effort to prevent inefficient new subsidies.

Natural gas consumption down

As a result of mild weather, natural gas consumption fell in 2000 by 1.2 % to about 102 million tonnes of coal equivalent, whereas if winter temperatures had been normal consumption would have risen by 0.8 %. As expected, natural gas consumption declined both for private households and for trading and service companies. Only in the industrial sector was there an increase of around 3 % due to the favourable economic situation. About 7 % less natural gas was used in power stations. The proportion of electricity generated by natural gas fell to 8.5 %.

Deregulation of the gas market

Competition in the energy sector is expected to extend to the gas market in future. It is assumed that prices will fall slightly as a result of existing competition with light heating oil in comparison with electricity. In July 2000, the Federation Agreement for gas transport was signed. The EU Gas Directive had to be incorporated into national law by 10 August 2000. At the end of 2000, the German legislative process was not yet complete. Since then, a draft proposal to amend the Energy Industry Law has been published.

Marked rise in EnBW's sales revenue and volumes

In the year 2000, the sales revenue of the Group rose considerably by 45.8 % from DM 7,819.2 million to DM 11,400.4 million. The significant increase was mainly due to the first-time consolidation of Neckarwerke Stuttgart AG (NWS) and Salamander AG, with effect from 1 July 2000 and 1 April 2000 respectively.

If these companies had not been included in the consolidation for the first time, the increase in sales revenue would have been approximately 4.4 %.

EnBW Group sales by business segment (in DM million)

	2000	2000	1999	1999
Energy				
Electricity	8,682		7,203	
Electricity tax	- 498		- 222	
Gas	619		183	
District heat	180	8,983	92	7,256
Waste Management		507		461
Industry and Services		1,910		102
Total		11,400		7,819

Energy

Electricity sales revenue, net of electricity tax, rose by 17.2 % or in absolute terms by DM 1,203 million. Even after adjusting for the effects of consolidation, electricity sales revenue rose by 2.9 %, despite price falls as a result of competition. While there were significant increases in sales in percentage terms to private customers and special contract customers, there was a fall in sales to downline suppliers.

Gas sales revenue in the energy business segment rose by about 28.8 % net. The reason was that, in addition to gaining new customers, the gas purchase price which is linked to the price of light heating oil increased, and it was possible to pass this increase on to customers.

EnBW Group electricity sales volume by customer category (in billion kWh)

	2000	1999
Private Customers	14.8	11.5
Industrial clients	23.1	14.7
Downline electricity supply companies	19.0	17.1
Interconnected power companies	21.0	11.4
Total	77.9	54.7

Sales volumes were also significantly affected by the fact that Neckarwerke Stuttgart AG was consolidated for the first time. In addition, there was considerable growth in the private customer and industrial client segments. Our subsidiary Yello Strom GmbH had over 600,000 customers at 31 December 2000.

The amounts of electricity sold include amounts in respect of the NWS Group from 1 July 2000, when this group was first included in the consolidation.

The amounts of gas sold rose in 2000 to 10.6 billion kWh; net of the effects of including companies in the consolidation for the first time this represented an increase of around 3 %.

Waste Management

The regional waste management companies managed by U-plus Umweltservice AG increased sales by about 9 %, thereby exceeding their revenue targets. Contributory factors were the expansion of the regional area of action, the increased range of services on offer and the strengthening of the sales structures.

Industry and Services

The strong increase in sales in the Industry and Services segment is mainly due to the fact that the Salamander Group and tesion Communikationsnetze Südwest GmbH & Co. KG were consolidated for the first time.

The Salamander Group increased its consolidated sales by about 44 % through internal growth and acquisitions. First-time consolidation of the APCOA Group and good progress by the DIW Group and EuroSourceLine GmbH also contributed to the increase in sales.

In the 2000 business year, the earnings situation of the EnBW Group was substantially influenced by the performance of its Energy business.

The profit on ordinary activities fell by DM 378.5 million to DM 488.1 million. Net income for the year rose by DM 80.6 million to DM 351.2 million, as a result of a lower tax ratio in comparison with the previous year.

Energy

The operating result in the Energy segment fell during the year under review to DM 207 million. There were two main reasons for this. First, transmission problems in the form of excessive third-party-access charges led to cost burdens on which we had no direct influence. Secondly, in the 2000 financial statements, extensive provisions have been made for anticipated future charges.

The measures introduced in 1999 to cut operating costs have been further pursued in 2000. However, they were insufficient to compensate fully for the considerable fall in prices and the rise in expenditure as a result of restrictions on transmission.

Waste Management

The revenue targets of the regional disposal companies were exceeded in respect of non-thermal disposal. Investment made in the modernization of the sorting facility has resulted in a significant increase in productivity.

Poor results due to competition

However, the operating result of the segment as a whole has continued to be affected by the delays in the putting into operation of the Thermoselect plant in Karlsruhe.

Industry and Services

Positive developments in the Salamander Group have significantly influenced the economic situation in the Industry and Services segment. The operating result has risen by around one-third in each of the divisions. The Service division, where the figures of the APCOA Group have been included for the first time, has been particularly successful. The Brand Shoes and Retail Shoes divisions also contributed in 2000 to an improvement in the operating result. In the Industry division, the percentage return on sales was at respectable 6 %.

Net earnings

Earnings before interest, tax, depreciation and amortization (EBITDA) amounted in 2000 to DM 1.2 billion (1999: DM 1.7 billion).

Of the net Group income for the year, DM 149.8 million are related to other shareholders. After transferring revenue reserves of DM 23.6 million, the balance-sheet profit is DM 225.0 million. The balance-sheet profit for the Group is the same as the balance-sheet profit for EnBW AG.

Dividend

We will recommend to the Shareholders' Annual Meeting on 11 July 2001 to distribute a dividend of DM 0.90 per share. Shareholders who are entitled to tax credits will receive a gross dividend of DM 1.29 per share, including the tax credit of 3/7.

Number of shares (in millions, 31.12) 250.0 250.0 2
114111201 01 014100 (1111111110110) 01112)
Highest market price per share (in euro) 35.50 42.90
Lowest market price per share (in euro) 29.00 32.00 2
Year-end market price (in euro) 35.50 36.50 3
Dividend per share (in euro) 0.46 0.46
Tax credit per share (in euro) 0.20 0.20
Market capitalization at 31.12 (in billion euro)* 8.9 9.1

^{*} Number of shares x year-end price in euro

Financing and investment

During the year under review, cash flow (as defined by DVFA/SG) failed to rise to the same high levels as in the previous year. However, at around DM 1.4 billion, the cash flow figures are still very high. The decrease is mainly due to the income figures in the electricity business.

The following summary cash flow statement shows the movement of funds. A detailed cash flow statement is included in the group financial statements.

Cash flow statement EnBW Group (in million DM) - Summary -

•	2000	1999
Cash inflow/outflow (–)		
from operating activities	116	1,634
from investing activities	- 743	- 1,277
from financing activities	772	- 225
Items not involving the movement of cash	0	- 9
Increase in cash and cash equivalents	145	123
Cash and cash equivalents at 31.12	1,656	1,511
Cash flow (as defined by DVFA/SG)	1,431	1,795

Cash and cash equivalents rose in 2000 by around DM 145 million to around DM 1.7 billion.

The decrease in the net cash inflow from operating activities is mainly due to the increase in short-term accounts receivable at the balance sheet date, in particular tax refund claims as a result of measures in connection with the Tax Reduction Law and accounts receivable arising from the new energy industry subsidy laws.

Standard & Poor's give EnBW a long-term A+ rating

In December 2000, EnBW received from Standard & Poor's, one of the leading rating agencies, a long-term issuer rating of A+. This rating, which puts a very positive value on the economic prospects and creditworthiness of the EnBW Group, and places us amongst a small élite within the energy industry.

In its justification for the high rating, Standard & Poor's cites in particular the financial strength, solid earnings and good market position of EnBW in Germany. Standard & Poor's strengtens the market leadership of EnBW in Baden-Württemberg, economically one of the strongest regions at the heart of Europe. In this region, EnBW has a very strong customer base among end-users, a base which will be further extended and secured through acquisition of a controlling stake in NWS and further holdings in municipal utilities. Further strengths of EnBW reflected in this rating are competitive production and the strong earnings basis of its network.

The long-term A+ issuer rating acknowledges the strength and reliability of EnBW for national and international investors. It also confirms the systematic customer focus adopted by the Group at an early stage. It is an important milestone on the way to making EnBW a successful company also on the capital market.

Investments

Group investment was significantly down on the previous year, mainly due to companies consolidated for the first time. Investment in fixed assets focussed on the electricity and gas networks, the Lippendorf power station and the development of information technology.

Intangible assets increased substantially as a result of goodwill shown under this heading.

Investment activities by business segment were as follows:

Investment by the EnBW Group (in DM million)

- intangible assets and tangible fixed assets -

	2000	1999
Energy	564	588
Waste Management	70	118
Industry and Services	578	85
Holding company/Consolidation	955	1
Total	2,167	792

Investments in financial assets consisted mainly of the increase in our securities held as fixed assets. At 31 December 2000, these amounted to around DM 8.0 billion.

Asset and capital structure

The total assets of the Group rose in comparison with the previous year by around 50.6 %, as a result of Neckarwerke Stuttgart AG and Salamander AG being consolidated for the first time, while the total assets of EnBW AG rose by around 4.8 %.

Group fixed assets rose in 2000 by around 62.4 %, mainly as a result of the companies consolidated for the first time.

Within fixed assets, the most significant increase was in intangible assets. The intangible assets include the goodwill arising on the acquisition and first consolidation of Salamander AG, Neckarwerke Stuttgart AG, tesion Communikationsnetze Südwest GmbH & Co. KG and APCOA AG.

Within current assets, the greatest percentage rises related to inventories and accounts receivable and other assets. Securities held as current assets have decreased by about 26.5 %, while cash at bank and in hand has increased by around 10 %.

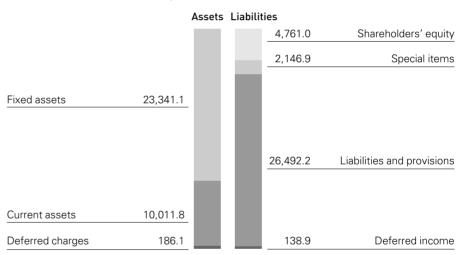
The Group's capital-to-assets ratio, including minority interests, fell from 15.2 % to 14.2 %. In EnBW AG, the proportion of equity decreased from 19.4 % to 18.5 %. This does not take account of the special items which relate to operations included in shareholders' equity of DM 2,146.9 million (1999: DM 1,584.9 million). Fixed assets are covered more than 100 % by our own resources and long-term liabilities.

The long-term liabilities of the Group consist mainly of long-term provisions relating to decommissioning and disposal.

The EnBW Group is once again able to demonstrate a satisfactory financial structure. The net surplus of securities held as fixed and current assets plus cash at bank and in hand over the financial liabilities is around DM 8.6 billion.

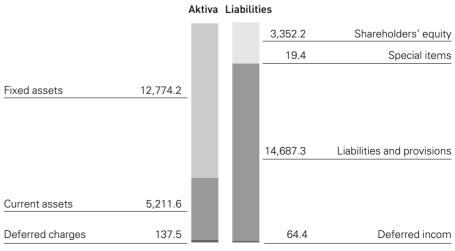
The asset and capital structures of the EnBW Group and of EnBW AG are solid.

Balance sheet of the EnBW Group (in DM million)



Shareholders' equity and liabilities: 33,539.0

Balance sheet of EnBW AG (in DM million)



Shareholders' equity and liabilitis: 18,123.3

Cooperation with NWS

Our strategy, which is to secure and develop our dominant position in Baden-Württemberg and to grow nationally and internationally from this base, has continued to be successful throughout the 2000 financial year.

In our core market in Baden-Württemberg, we have taken an important step forward by linking up with Neckarwerke Stuttgart AG (NWS). In the summer, an extensive set of agreements was approved at the Shareholders' meetings of EnBW and NWS, the aim of which is to ensure close cooperation between the two companies. In the documents, EnBW undertakes to acquire from the City of Stuttgart and the Neckar Elektrizitätsverband their shares in NWS by 31 December 2005 (option model). In addition, a co-operation agreement was made, according to which NWS will continue to exist as an independent company, and efforts will be made to achieve the closest possible co-operation and integration with EnBW under its own management. A control agreement ensures that the business management of NWS is subordinate to EnBW.

Looking at the power supply situation in Baden-Württemberg, one might conclude that "what belongs together comes together". Both companies complement one another in many areas – from power stations to overlapping electricity and gas networks. One of the main tasks of management in the years to come will be to exploit the potential for synergy in this partnership.

Striving for growth in national and international markets

In the electricity business segment, we have continued to develop our position in Germany, particularly with industrial clients and private customers. As the market leader in national electricity brands, our subsidiary Yello Strom GmbH significantly expanded its customer base at the end of the year.

EnBW intends to play an active part in Europe in establishing markets and nurturing competition. We see Spain and Italy as the main focus of our European strategy. Both countries are remarkable in that they have substantial bottlenecks in their supply networks. We have therefore become involved in bidding processes, which, if we were successful, would give us access to domestic production capacity.

In Spain, our interest is directed towards the energy company Hidro-cantabrico. We have decided to form a partnership with the Spanish company Ferroatlantica, which is seeking to acquire a majority share in Hidrocantabrico and which has, with our agreement, submitted an offer for Hidrocantabrico.

In Italy, we are endeavouring to acquire Enel power stations which are due to be sold. For this purpose, we have set up a company together with Merloni Progetto Energia (MPE), Foster Wheeler and the municipal power supply businesses AMGA and META. The main aim of the company is to acquire the Interpower power station.

Partnership with Electricité de France

In January 2000, an agreement was signed for the sale of the shares held by the state of Baden-Württemberg in EnBW to Electricité de France (EDF). As expected, the EU Commission in Brussels approved the sale of the 25.01 % shareholding in February 2001. EDF and the special-purpose association Oberschwäbische Elektrizitätswerke (OEW) both now hold 34.5 % of the EnBW shares. A consortium agreement made in the summer between OEW and EDF guarantees the capacity to act and safeguards the operational independence of EnBW.

The strengthening of the partnership with EDF, which has proved its worth over decades and is now based on a capital relationship, will reinforce the competitiveness and independence of EnBW. For both partners it opens up a vista of opportunities for cooperation, e.g. sales to major international customers, power station and network maintenance and purchasing and materials management.

In addition, the economy of EnBW's home territory, Baden-Württemberg, will benefit from the strengthening of the Group's position in the market.

Outlook

Slowdown in economic growth

Economic forecasts for 2001 in the euro zone assume economic growth of around 2.0 %. In the German market, business analysts are anticipating an increase in the gross domestic product of between 1.9 % and 2.5 %.

The most important stimuli for economic activity in 2001 will be exports and investments. Exports are, however, expected to increase at a slower rate than in 2000 due to a slowdown in the growth of world trade.

Private consumption will benefit in 2001 from substantial tax relief and continuing high growth in employment.

After the accelerated increase in the inflation rate in 2000, it is becoming apparent that price increases will slow down in 2001, partly as a result of oil prices becoming more stable.

Evaluation of the future of the industry

The European Commission is currently working on proposals to speed up the deregulation of both the electricity and gas markets, in order to create uniform trading conditions and market access without discrimination for all competitors. These proposals go far beyond the single market directives which have applied until now. By 2003, the European market should be fully open for industrial clients and by 2005 for domestic customers. Germany opened up its energy markets 100 % in 1998. However, on average, the extent to which markets had been opened up in the EU by 1 January 2001 was only 65 %. Given that the Commission is aiming to ensure equality for all, even if this has been delayed, we fully support the Commission's plans.

The proposals have triggered further debate about the regulation of the energy market in Germany. Until now, regulation has been moderate under the federation agreements for gas and electricity. The Commission is now seeking to establish a regulatory authority in Germany, in common with all the other EU member states.

EnBW, with its reasonable third-party-access charges and its fair network access conditions, has nothing to fear from such regulation. On the contrary, this development might lend support to our market offensive.

Pressure from the EU Commission on national governments to appoint electricity and gas regulators will make the transmission of energy much easier than it is now. In addition, the major market players, which have been selling non-core businesses, will have greater opportunities to invest, while government divestment from national monopolies will result in further buying in Europe and eventually to greater concentration.

Whether the electricity and energy exchanges continue to develop as expected economically, will depend on the willingness of the major market-players to deal in energy through the exchanges. Only if these developments are successful, genuine market prices will emerge and deregulation achieve its objective.

Companies will seek to differentiate themselves by offering different services.

Movements in energy prices will be significantly influenced by political performance targets in relation to the generation facilities.

Deregulation of the gas market will become increasingly important in energy pricing.

Anticipated development of the business segments

Energy

We expect the economic upturn in Germany to have a positive effect on the demand for energy.

The price falls in previous years will continue to affect income in 2001, despite the measures taken to counteract such falls. However, our assumption is that electricity prices will enjoy a steady recovery and we anticipate an increase in operating profit for the 2001 financial year.

With intelligent product policies, increased business in energy-related products and rigorous cost management we aim to ensure a significant rise in our profitability of our core business in the medium term. In this way, we will remain a reliable partner for our customers on all energy issues. Together with the NWS Group, we will standardize and accelerate processes in all operational areas and thereby give new momentum to increases in profitability.

We will continue to increase sales revenue both within and outside Germany through partnerships and acquisitions of equity holdings, both national and international, and through internal growth of all customer groups. An increase in sales revenue will also result from the anticipated expansion of the commercial business of EnBW Gesellschaft für Stromhandel mbH and from the first full-year consolidation of NWS Group.

In our view, the heating oil price, which determines the price of natural gas and had already fallen at the end of 2000, is likely to remain at this reduced level. As a result, natural gas revenue, net of surplus, will fall in the second half of the year to the same extent as the purchase price. However, we will significantly increase our gas sales revenue and the amounts of gas sold, given that the NWS Group will be included in the consolidation for the whole year and the fact that demand is expected to increase. The EnBW Group has prepared itself for the imminent deregulation of the gas market. Already in 2000, our main gas companies were publishing their network user charges and establishing the basis of the gas sector unbundling which legislators are expected to demand in 2001. We are looking forward with confidence and optimism to the expected customer movement which will follow the opening up of the gas market.

Capital expenditure in the energy business segment will rise slightly in comparison with the previous year as a result of consolidating companies for the first time. Investment in fixed assets will focus on small generation plants and electricity networks and will be fully financed out of operating cash flows.

Waste Management

The U-plus Group will continue to strengthen its market position as a leading company in the field of industrial waste disposal in Southwest Germany by developing new areas of business and by making targeted acquisitions. Joint ventures with local authorities in the course of privatisation may also be of primary importance here. U-plus is seeking to achieve reliable long-term partnerships in this area. The internationalisation process already initiated will continue through projects outside Germany in other European countries.

The completion on schedule of the refitting work on the closed combustion chamber system of the Karlsruhe Thermoselect plant in 2001 will make it possible to resume continuous operations in the near future. However, the delays that have occurred will mean that the financial year to come will also be affected by the start-up losses arising from this new technology.

Capital expenditure at U-plus will be concentrated in the areas of disposal logistics and thermal waste disposal.

Industry and Services

As regards our activities in the Industry and Services division, we anticipate that sales revenue and income will continue in the same positive vein. At the Salamander Group particularly, we expect significant increases in sales revenue in all divisions. Profitability in this business segment is continuing to improve as planned.

Capital expenditure will be increased in comparison with the previous year in the most promising areas of the segment.

Dividend

We will ensure that dividend payments continue to be at an adequate level in future by continuing with our customer-oriented strategy and cost management. Our medium-term objective is to increase the dividend yield for our shareholders.

RD&D - first tasks completed

The Research, Development, Demonstration and Renewable Energies department (RD&D) commenced work as a strategic unit of EnBW Holding in January 2000 with five employees. In its first year it has completed an important task: structuring the procedure for development projects, from their inception through to Group-wide utilisation. An expert group led by the unit and comprising specialists from relevant EnBW companies deliberates on project proposals for the Group's research programme, which has an annual budget of DM 15 million, in addition to the ongoing expenditure. According to the new arrangement, a part of the revenue or savings achieved by successful projects is ploughed back into the research budget. The aim is to show that the prospect of economic viability is an important selection criterion. The experts also carry the innovation philosophy into the EnBW companies.

Through its far-sighted monitoring of technology trends, the RD&D department contributes to developing corporate technology strategy and introduces changes at the appropriate time. By this means, EnBW can participate actively in all the promising areas of development in energy technology.

Building Europe's biggest fuel-cell power station

One example is EnBW's 1998 decision to play an active role in shaping the emerging market for fuel cells by joining with EDF, Siemens and other consortium partners to build Europe's biggest fuel-cell power station, with an output of 1 MW, at EnBW's Marbach/Neckar site. All the contracts were signed by the end of 2000, allowing work to get under way on manufacturing the plant components. EnBW's share in the DM 50 million project amounts to an investment of over DM 7 million. The installation uses SOFC (Solid Oxide Fuel Cell) high-temperature fuel cells. Besides electricity, the plant also produces heat which will be utilised by other companies at EnBW's energy and technology park at the site, providing a real test of combined heat and power generation. The fuel cell plant is coupled with a downstream micro gas turbine, which will increase the electrical efficiency of the plant to 60 %. The overall efficiency rating for combined heat and power production is 85 %.

Fuel cell development to continue

In our view, small-output SOFCs also have a future as suppliers of household energy. To explore this potential it was decided in December 2000 to start a demonstration project, initially with 55 Sulzer-Hexis type installations. The agreement with the Swiss technology company Sulzer-Hexis AG foresees units with an electrical output of 1 kW and a thermal output of 3 kW (with an additional burner, up to 25 kW) offered in collaboration with contract installers to EnBW customers, as well as to our partners in the municipal utilities. An option on a total of 220 units is in prospect.

EnBW is also pushing forward the development of low-temperature polymer electrolyte membrane (PEM) fuel cells. As part of this effort, EnBW is participating in two new projects sponsored by the German Federal Ministry of Economics and Technology that were launched in 2000. In the EDISON project, an Alstom 250-kW generating system will be tested on EnBW's grid. The NEGEV project will study how a 5-kW PEM fuel cell can be used to supply power and heat to a single home.

These initiatives are helping us to prepare for changes in energy management that some experts believe may move in the direction of decentralized generation structures.

Support for research projects

Other development projects initiated as part of the EnBW research programme in previous years were completed in 2000 or are approaching completion.

- Novel thin-layer photovoltaic modules utilizing CIS (copper indium diselenide) technology have been manufactured in a pilot plant since mid-2000. The plant's annual capacity will be increased from several kW to about 1.2 MW. The manufacturer is Würth Solar GmbH & Co. KG in Marbach/Neckar, 20 % of whose stock is held by EnBW. The manufacturing technology being used was developed by the Centre for Solar Energy and Hydrogen Research in Stuttgart with principal funding from the Stiftung Energieforschung Baden-Württemberg, a foundation that is jointly supported by EnBW (74 %) and NWS (26 %). This technology reduces costs by saving energy and material.
- Our U-plus Umweltservice AG has developed ISKA®, an integrated customer-oriented waste management concept for local governments. The Technical Guidelines for Municipal Waste stipulate that, beginning in 2005, local governments will no longer be allowed to dispose of unprocessed unrecyclable solid waste in landfills. Part of the ISKA(r) system is a percolation process for mechanical-biological processing of solid waste. EnBW funds are being used to validate the operation of the process at a pilot plant in Buchen/ Odenwald that went into service in August 2000.

 In the year under review, EnBW Ingenieure GmbH successfully marketed its flue gas catalyst regeneration process, a technology that was developed in-house. The company plans to sell the system internationally in future. In 2000 the process was enhanced with funds from the EnBW research budget to include the regeneration of speciality catalysts.

Competition in the energy market spurred our employees to even greater heights of creativity in 2000. A total of twenty-one new RD&D projects focusing on the innovation-driven areas of information technology and environmental engineering were launched.

Development of new power application technologies

The current power and gas price structure has led the RD&D division to place new strategic emphasis on developing innovative power application technologies. Working together closely with EnBW Energie-Vertriebsgesellschaft mbH, the division identified new product ideas for contracting cross-section technologies, ideas that will be explored further in 2001. At the same time, the exchange of ideas with EDF was intensified. EDF has a broad range of relevant applications-related know-how that will help EnBW to expand its product portfolio in the area of near-energy services and strengthen customer loyalty.

RD&D also provided conceptual support to EDF in helping to found an institute for "21st Century Energy Management" at the University of Karlsruhe.

Overall, we are coming closer to our goal of becoming one of the most innovative companies in the entire industry. The Group's continued growth is a vindication of the decision to give management responsibility to a corporate RD&D unit located in the holding company.

Systematic risk management: foundation for decision-making

We define risk as the possibility that the result of our business activities will diverge in an adverse way from our plans. Seen in this light, the concept of risk not only involves the possibility that something negative will occur, but also that something positive will not occur, in other words that opportunities will be lost.

As part of the process of implementing the law on Control and Transparency in Business (KonTraG), we have standardized and expanded ongoing activities in the area of risk management. We have established a specially focused risk management system for our commercial activities. We can now look back on a full year of integrated operational risk management.

By dividing the responsibility for risk management amongst decentralized units located within Group companies and – at holding-company level – a corporate risk management unit, we are able to ensure that risks are assessed and managed comprehensively. Our risk management specialists have the responsibility of continuously carrying out the risk management process. This process comprises risk identification and risk analysis, as well as evaluation, documentation and independent risk control. Decision-makers are regularly informed as to the current status of existing risks. In addition, if significant changes occur, a system of ad-hoc reporting is in place. The relevant structures, processes and responsibilities are documented in a Group risk management handbook.

We evaluate risks based on the monetary value of potential damage and the probability of occurrence. At Group level, we consolidate similar individual risks to arrive at an overall risk assessment. The evaluation is further augmented by defining and monitoring appropriate early-warning indicators. Early-warning indicators are causal factors that can affect risk. These factors must be identified and evaluated at regular intervals. If risk is to be assessed accurately and if adequate control measures are to be selected, such factors must be taken into account.

The reliability of our risk management and early-warning system is verified through system and function audits conducted at irregular intervals by our in-house auditors, as well as annually by the accounting firm that prepares our annual financial statements.

Political and legal risks

We carry out our business activities in an ever-changing social environment. We seek to have an impact on changes in the political and legal domains by engaging in an intense and constructive dialogue and through our professional competence. In this way, we hope to achieve the planning reliability we require to operate successfully.

Following negotiations with the federal government regarding withdrawal from the nuclear energy business, we anticipate that the agreement reached will allow continuing operation of our power stations without disruption. In light of the political exigencies, the economic consequences arising from the new situation will be an acceptable compromise, in particular since optimal usage of our power stations was the basis for determining the remaining service life.

We do not yet have a way to dispose of spent fuel elements, given our limited on-site storage capacities, the lack of transportation and expected restraints on transportation, as well as the current debate about constructing temporary storage facilities close to sites. We are responding to these issues through comprehensive information to the public and technical discussions with local government representatives; however, we must also rely on the federal government to show resolve in meeting its obligations pursuant to the nuclear energy agreement.

Uncertainty continues about the extent to which the provisions we have made – mainly to cover the costs of operating final storage facilities – will be taxable. While it is our position that provisions in these amounts are necessary, the 1999/2000/2002 Tax Relief Act regards only smaller provisions as justified. The energy industry is attempting to uphold its position through current tax audits and pending test cases.

The situation with non-discriminatory third-party-access was not improved significantly through Federation Agreement II. This is particularly true in the area of power distribution. In our opinion, if we continue to raise the awareness of decision-makers in government and the public at large about this restraint on competition, the monopoly that the grid naturally creates of its own accord will be neutralized – either through self-regulation within the energy industry or government action. We therefore believe that the current earnings-side risks for the EnBW marketing companies (EnBW Energie Vertriebsgesellschaft mbH and Yello Strom GmbH) that arise when they supply customers in third-party grid areas should be of short duration. Our grid usage charges are competitive.

During the past year, our power customers and the Group itself were adversely affected by further government interventions arising from the Prioritization of Renewable Energies Law and the Combined Heat and Power Law. Additional risks involve possible further legislation on combined heat and power and the pending cabinet decision on an executive order pertaining to energy conservation.

Market risks and contractor risks

The performance of our power trading activities is based on market prices and on the given risk situation. At the end of the reporting year, unrealized profits exceeded market risks relating to open trading positions. We intend to further expand risk management in the electrical power sector in 2001.

We have implemented various methods of measuring market risk exposures (the value-at-risk method, for example) relating to financial activities at EnBW AG. Inventories are valued daily at market prices.

We place a strong emphasis on credit standing when selecting trading partners. We also use a system of credit limits.

Operating risks

As a result of our business activities, we are exposed to substantial risks relating to the operation of our production facilities. In order to meet this responsibility, we take extensive measures to minimize risk.

In the Waste Management business segment, the Group is currently exposed to risks arising from the initial use of the Thermoselect technology. Our goal is to be able to go online with an innovative concept for the thermal processing of solid waste on an industrial scale. Extremely ambitious limit values – far below the legally mandated emissions standards – have thus far prevented us from receiving a permit for continuous operation. We expect to be granted such a permit on the basis of validation tests that have now been performed following a successful trial operation phase.

Employees

Number of employees more than doubled

As a result of numerous acquisitions and changes in the scope of consolidation, the number of employees has more than doubled since last year. At the end of 2000, the EnBW Group had 33,940 employees – 20,957 more than at the end of the previous year. The acquisition of the Salamander Group (15,010 employees) and the first-time inclusion of Neckarwerke Stuttgart AG (4,398 employees) in this year's figures were the largest contributors to this growth. Both figures include trainees.

A total of 392 new jobs were created relative to the 1999 consolidation group. The sales, information technology and power billing departments continued their strong growth. At the same time, the power generation and supply sectors continued the previous year's trend and had fewer employees than at the end of 1999 as a result of the continuation of early retirement programmes and part-time working of older employees.

EnBW Group employees as of 31 December 2000

Energy	14,034
Waste management	1,762
Industry and Services	18,049
Holding	95
Total	33,940

EnBW Akademie begins work

In August 2000 we founded the EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH. This is the first company to be jointly established by EnBW and NWS. It was created out of the professional development areas of EnBW Service GmbH and NWS AG.

EnBW Akademie provides needs-based professional development programmes for all the Group companies. It helps all Group employees prepare for future challenges, and by serving all the companies in the Group it has an integrating effect. Moving human resource and management development into a separate company underscores the special importance of our training and development efforts.

Professional development opportunities were broadened substantially in 2000. The new "Profile" programme to develop managerial talent made the transition from pilot phase to full implementation. To provide optimal preparation for positions abroad, EnBW Akademie offers new courses ranging from applied languages to the history, economy and culture of destination countries. All programmes offered by the EnBW Akademie are subject to continual quality management and designed to make a sustained contribution to creating added value within the Group.

Training goal surpassed

In 1999 the Energy division launched a training initiative that reflects our social commitment to the younger generation. Our goal was to provide 700 trainee positions by 2001, a goal which we already surpassed in 2000. Moreover, the EnBW Group remains committed to the goal of keeping the number of trainees at this high level.

2000 collective bargaining: new rules for new recruits

The 2000 pay agreement covers two individual payments over a period of 24 months and, from 1 August 2001, a 2.4 % pay increase. Under a new ruling, employees who joined the company after 31 December 2000 entered at reduced salaries. The agreement stipulates that these new recruits initially receive 84 % of the previous starting pay. In addition, they are classed one pay grade lower than in the past. These changes will make a major contribution to keeping the Group competitive.

In-house job market a success

EnBW Service GmbH and EnBW Akademie have jointly developed a programme to help employees switch to new positions for which they are qualified in the Group. The so-called "turntable" will improve the transparency and effectiveness of the internal job market.

Active human resources marketing required

The competition for outstanding professional and management talent has intensified greatly. As a consequence, we have intensified our contacts with colleges and universities. The EnBW Group has participated in numerous "recruitment fairs" to present itself to potential new talent as an attractive employer. We are using the latest human resources marketing instruments to ensure that we are able to attract top talent graduating from colleges and universities.

Management extends thanks to employees

During 2000, the dedication and performance of our employees have once again kept EnBW ahead of its competitors. We can be proud of this accomplishment. We wish to extend our sincerest thanks to our employees, to the members of our works councils, to our speaker committees and to our youth representatives.

Environmental Protection

Higher percentage of CO₂-free power production

Environmental protection is important to EnBW. Our commitment is evinced by a comprehensive range of activities in the area of environmental protection across the Group, undertaken by the corporate staff Environmental Protection, which is based in EnBW Kraftwerke AG.

The utilization of nuclear energy and hydroelectric power is making a significant contribution to climate protection. In 2000 the nuclear energy component of EnBW's power generation and procurement balance sheet was 41.3 %, that of hydroelectric 10.6 %. This very high percentage of CO₂-free power generation was achieved by raising the hydroelectric share of the mix. In Germany as a whole, the average contribution of hydroelectric power to total power generation is currently only about 5 %.

In most cases, emissions from power stations operated by EnBW Kraftwerke AG were well below the statutory minimum. There were no significant problems in the area of environmental protection in 2000.

In 2000 EnBW AG generated about 9.9 % more power than in 1999. Since the generation of some 31.7 million metric tonnes of carbon dioxide was avoided by utilizing nuclear energy and hydroelectric power, CO_2 emissions did not increase to a comparable degree. In order to meet sales demand, power generated from fossil fuels was increased by about 19 % compared with the previous year. This was accomplished by the first full-year operation of the Lippendorf lignitefired station. Likewise, the generation of hydroelectric power increased 30 %.

RDK receives eco audit

The implementation of our environmental management systems continued. EnBW's Rhine Harbour Steam Power Station in Karlsruhe (RDK) was the first coal- and gas-fired power plant in Germany to be certified as having passed the ecology audit promulgated under EC Directive 1836/93. In summer 2000 this station also received DIN ISO 14001 certification.

The environmental audit of the Heilbronn cogeneration station has begun and will be completed at the start of 2002. We continued with the implementation of a comprehensive environmental management system in accordance with ISO 14001 at the Philippsburg nuclear power station (KKP) together with the Obrigheim nuclear power station (KWO) and the Neckar jointly operated nuclear power station (GKN), in close consultation with the Baden-Württemberg Ministry of the Environment.

Environmental tariff contributes to climate protection

In addition, EnBW contributed actively to environmental protection through its energy conservation services, assistance for passive solar houses, heat pumps and solar thermal energy, and through the EnBW environmental tariff. In the case of the environmental tariff, EnBW customers are able to purchase power generated from renewable energy sources. This eco surcharge is then invested exclusively in the construction of corresponding energy systems. The environmental tariff, which has been offered since the end of 1999 has been awarded a seal of quality from the Technical Inspection Association (TÜV), South Germany.

The environmental tariff has thus far led to the operation of two hydroelectric stations, 15 photovoltaic plants, and a wind power plant at the Westerheim site. A second, even larger wind power plant will be built soon.

Environmental activities are documented in detail in the Environmental Report. The current report can be downloaded from EnBW's website.

Energy

ENERGY – EnBW's core business

Energy is EnBW's core business. EnBW is active at all levels of the value-added chain: energy generation, energy transmission, energy distribution, energy trading and energy sales. Moreover, EnBW's energy activities also include the natural gas and district heating sectors. As a result, industrial and domestic customers in Germany and Europe benefit greatly from EnBW's broad-based energy knowhow. EnBW sales offices extend from the Mediterranean to the Baltic – concrete evidence of the Group's commitment to staying close to customers throughout Europe and its ability to provide individualized customer support in various cultures.

DM million	2000	1999	Change in %
External	8,983	7,256	+ 23.8
of which			
Electricity	8,682	7,203	+ 20.5
./. less electricity tax	<i>–</i> 498	– 222	+ 124.3
Gas	619	183	+ 238.3
District heat	180	92	+ 95.7
Operating result	207	861	- 76.0
EBITDA	982	1,565	- 37.3

Despite low price levels in the electrical power market and regulatory interventions coming from the political arena, EnBW continued to post satisfactory results in the energy business. As a result of the firsttime consolidation of NWS and the expansion of EnBW's distribution network throughout Europe, strong customer loyalty, the successful acquisition of new industrial customers and the continued growth in the number of Yello customers, electrical power sales increased 42.4 % to 77.9 billion kWh in 2000. However, this increase in power sales did not completely offset lower prices, since the additional charges associated with the regulatory interventions could not be completely or immediately passed on to customers. Furthermore, the ongoing successful efficiency improvement programme and process optimization did not fully cushion the company from price declines. However, a modest price increase is expected in 2001. Additional improved efficiencies and cost savings in combination with a successful Europe-wide customer loyalty, acquisition and equity participation policy will help to improve the bottom line.

EnBW Kraftwerke AG: a major energy producer in Germany

Power generation capacities, equity participation in power utilities, and power procurement agreements all come together at EnBW Kraftwerke AG. This wholly owned subsidiary of EnBW, which supplies over 49 billion kWh per year, is one of the leading energy producers in Germany. The company has a total power production capacity, including purchases from outside companies, of over 10,000 megawatts. A portion of this output comes from the company's six own power plants, with a total output of about 4700 megawatts.

Generating capacity of EnBW power plants

Own plants	Electrical output
Philippsburg nuclear power station (KKP)	2,282 MW
Heilbronn combined heat and power station (HLB)	1,150 MW
Rheinhafen steam power station Karlsruhe (RDK)	832 MW
Rudolf-Fettweis station Forbach (RFW)	66 MW
Illerkraftwerke (IKW)	46 MW
Marbach power station (MAR) (cold reserve)	402 MW
Total	4,778 MW

Nuclear energy, coal, gas, oil and hydroelectric power plants provide an efficient, environmentally sound power generation mix.

Plants, partially-owned power stations and electricity purchased

Nuclear power stations (incl. EDF contracts)	3,674 MW
Conventional power stations	3,861 MW
Run-of-river and storage power stations	2,676 MW
Total	10,211 MW

By optimizing its power plant utilization and entering into long-term purchase and supply agreements, EnBW Kraftwerke AG supplies power and district heat to the EnBW Group and its customers at acceptable market prices.

Important participating interests and purchase contracts	Proportional output
Mannheim power station (GKM)	550 MW
Bexbach power station (KBV)	476 MW
Lippendorf power station	432 MW
Neckar joint power station (GKN)	259 MW
Obrigheim power station (KWO)	215 MW
Leibstadt power station	84 MW
Purchase contract with EDF	835 MW
Schluchsee stations	955 MW
Illwerke, Vorarlberg, Zemm-Ziller and Sellrain-Silz	1,346 MW

Strong rise in power sales

Volume sales of electrical power by EnBW Kraftwerke AG increased over the previous year by 7.8 % to 46.5 billion kWh. Despite this increase, sales revenue decreased 20.2 % to DM 2,750 million at EnBW Kraftwerke AG.

This divergence of the figures for sales volume and revenue shows that the company was forced to cut its prices drastically as a consequence of the low levels of wholesale electricity prices.

During 2000, 49.2 billion kWh was generated by EnBW Kraftwerke AG or purchased from partner utilities. This was 4.4 billion kWh more than in the previous year. Nuclear energy remains the most important source of power for EnBW Kraftwerke AG, accounting for 55.5 % of the total. Power plants burning fossil fuels accounted for 22.6 % of power output; run-of-river and storage-type hydro stations accounted for 13.9 %. The remaining 8.0 % was gained from power purchases in which the primary energy type cannot be identified.

At the end of last year EnBW Kraftwerke AG employed 1,661 persons, 46 fewer than in the previous year.

Power prices at low point

Even though the wholesale prices for power became more transparent as the new power exchanges in Frankfurt and Leipzig began operations in mid-year, and even though prices moved up again during the course of the year, they are still very low. The unsatisfactory level of sales prices was exacerbated by a marked rise in primary energy prices for coal and gas.

Increased efficiency achieved through synergistic effects

EnBW Kraftwerke AG is a lot closer to reaching its goal of becoming a "best-practice" power generator. A joint venture with Neckarwerke Stuttgart AG was established, and cooperation has already started in the areas of power generation management, fuel purchasing, power plant utilization and energy planning. The goal is to have a standard pool of power plants able to supply about 60 TWh and to achieve substantial cost savings for both parties.

An important step toward even greater efficiency was the founding of a "Multi-Site Maintenance Unit" for the purpose of optimizing maintenance and scheduled outage at the power plants. Synergies can be achieved through multi-site coordination in the procurement of outside services and material. Cost reduction will continue to be a central task at EnBW Kraftwerke AG.

EnBW Ingenieure GmbH: concentration of engineering know-how

EnBW Ingenieure GmbH is EnBW's centre of excellence in the fields of power-station engineering, and energy, process and environmental technology. EnBW Ingenieure GmbH offers a wide range of services: from classic engineering services such as concept development and planning of energy conversion systems, as well as planning and management of construction projects in the area of power-station technology, to consultancy services in such areas as due diligence reports or expertise to back energy contracting projects.

The customer-centred organizational structure and use of uniform standards for order processing have helped consolidate the reputation of EnBW Ingenieure GmbH over the past year as problem-solvers in highly demanding technical fields. A recertification audit conducted by TÜV CERT GmbH confirmed the DIN ISO 9001 status of the company's quality management system.

Expansion of industrial services: acquisition of regelmatic

Through its acquisition of the industrial services provider regelmatic Instrumentierung Automation Elektroanlagen GmbH & Co KG (Rödermark), EnBW Kraftwerke AG also obtained know-how in the area of industrial services. Initially, regelmatic will offer its services to companies outside the Group. In the medium term, however, it is planned to put regelmatic's experience to work optimizing maintenance processes in power plants and helping industrial customers involved with energy and large-scale industrial production to maintain their own facilities. In the 2000 business year, regelmatic – whose average payroll is 230-strong – generated sales of approximately DM 32.9 million.

Outlook

In addition to energy generation, the new "Services" division, which includes contract work as well as the operation, repair and maintenance of industrial plants, will make an additional contribution to the success of the company and offer new professional opportunities for employees of EnBW Kraftwerke AG.

Since low power prices are also likely next year, the company's paramount task be further cost-cutting.

EnBW Transportnetze AG: Emphasis on network management

In February 2000 the new main system control centre for EnBW's maximum voltage network in Wendlingen was dedicated. This gives EnBW Transportnetze AG one of Europe's most modern control and monitoring facilities for transregional power networks.

On 1 December 2000, the Daxlanden main system control centre was officially decommissioned. Since that time, management of the transmission grid in Baden-Württemberg has been consolidated at a single location.

The declines in sales and earnings obtained from providing access to the transmission grid compared with 1999, which resulted from the implementation of Federation Agreement II of 13 December 1999, were within the expected range.

The current Federation Agreement II, which expires on 31 December 2001, does not meet the needs of the deregulated market. EnBW Transportnetze AG expects that these regulations will be reviewed beginning in 2002.

Network user charges based on the provisions of Federation Agreement II were recalculated for 2001. Our Group will continue to be one of the lowest-cost providers of network services in Germany. Overall, earnings will stabilize at the level of 2000.

EnBW Regional AG: Baden-Württemberg's biggest network operator EnBW Regional AG is the largest network operator in Baden-Württemberg. It owns and operates EnBW's distribution grid in the high, medium and low voltage ranges (110 kV, 20 kV, 0.4 kV) as well as the EnBW long-distance transmission network, which is mostly fibre-optic cables. As a service provider, it also has responsibility for the network equipment at EnBW Transportnetze AG. It is additionally responsible for the planning, construction and maintenance of telecommunications and data networks within the EnBW Group. EnBW Regional AG also offers network-related services to customers outside the Group.

Earnings were significantly improved through cost-cutting and special effects.

As part of the planned cutback of the workforce, the number of employees was reduced during the past year from about 2800 to 2540. The agreement between the company and the union to avoid any job losses because of operational factors or mergers continued to be observed.

Competitive structures following restructuring of the network area

In the past year, EnBW Regional AG decided to restructure its field organization. Some of this restructuring was carried out during the course of the year. As part of this programme, which will be completed by mid-2001, decentralized administrative structures will be consolidated, operating procedures optimized, and other cost-cutting potentials exploited to ensure that the company remains competitive in the years ahead. Instead of the previous nine regional offices, the company will in future operate six regional centres. The number of district centres was reduced from 100 to about 60. The presence in the field will be maintained by two central sites in each region – a technical/administrative office and a logistics centre – and by the district centres. In this way, our quality of service, closeness to customers, speed of response and supply reliability in the network area will be maintained.

Successful equity holdings policy

As of the balance sheet date, EnBW Regional AG had 37 subsidiaries, which were active mainly as downline electricity supply companies. They include major subsidiaries in industrial centres or areas of relatively high population density in rural areas, such as EnBW Ostwürttemberg DonauRies AG, Stadtwerke Karlsruhe GmbH, Elektrizitätswerk Mittelbaden AG, Energie- und Wasserversorgung Bruchsal GmbH, Stadtwerke Sindelfingen GmbH and ENRW Energieversorgung Rott-

weil GmbH & Co. KG. EnBW Regional successfully continued its acquisition of equity holdings in municipal utilities and downline electricity supply companies in the reporting year with its acquisition of Albwerk GmbH & Co. KG in Geislingen/Steige, Stadtwerken Stockach GmbH, as well as Stadtwerken Weinheim GmbH.

The economy in the network area of EnBW Regional AG is expected to improve further in 2001. The company expects modest growth in transmission volumes and a modest increase in sales. In 2001 EnBW Regional AG will systematically pursue ongoing cost-cutting measures in order to strengthen its competitiveness in the future and preserve jobs over the long term. In order to realize its cost-saving potential,

the company will continue its strategy of status-oriented maintenance and further optimize its maintenance cycles. It will also continue to simplify and standardize its operating resources.

Structural measures that have already been agreed upon and partially implemented will be completed in the first half of 2001, leading to a further reduction in headcount.

EnBW Regional AG will continue to expand its co-operation with downline electricity supply companies in its network area, and will extend its range of services. Additional acquisitions are planned in this context.

Further synergies will be achieved through increased co-operation

with Neckarwerke Stuttgart AG and Zementwerk Lauffen - Elektrizitätswerk Heilbronn AG through business supply agreements for the regional centres Schwarzwald-Neckar and Neckar-Franken.

During the reporting year, trading in electrical power played a key role in the deregulated energy market. As the main energy supply manager in the EnBW Group, EnBW Gesellschaft für Stromhandel mbH purchases power for EnBW customers within and outside Germany on a daily basis. The company sees its focus on trading as an opportunity to bundle and continually expand its know-how in order to play an active role in the dynamic shaping of the wholesale power market.

EnBW Gesellschaft für Stromhandel mbH once again substantially increased its trading volume compared with the previous year, more than compensating for the decline in trading margins, which has persisted this year. The volume managed in the company's portfolio was 58.6 billion kWh. Continued growth in the trading volume in Europe as well as the company's substantial participation in various power exchanges necessitated a systematic increase in the number of personnel. The number of employees nearly doubled to around 50, making it necessary to modify the company's organizational structure and further optimize procedures. These measures will ensure that the company is well-equipped to meet future market needs.

Outlook

EnBW Gesellschaft für Stromhandel mbH: a dynamic force in a deregulated market

Substantial gains in trading volume

Founding member of the energy exchange in Frankfurt

On 8 August 2000 the European Energy Exchange (EEX) successfully began operations in Frankfurt, Germany. EnBW Gesellschaft für Stromhandel mbH has made major contributions to conceptual planning for the spot market and to its implementation. As one of the founders of the EEX, EnBW Gesellschaft für Stromhandel mbH has a 3 % stake in the exchange's capital and, since the Exchange began its operations, the company has been one of the EEX's three largest trading partners. Its share in the EEX's total trading volume increased steadily over the course of the .

Since 2000 the company has also been engaged in trading on the Leipzig Power Exchange (LPX) and the Amsterdam Power Exchange (APX), as well as on the EEX. Trading volume in these exchanges also increased markedly. The company is preparing to apply for admission to trading at other energy exchanges in Europe. The company is being successfully represented on the Nordpool Scandinavian power exchange through its trading subsidiary Skandinavisk Kraftmegling (SKM).

Outlook

EnBW Gesellschaft für Stromhandel mbH expects a further increase in trading volume in 2001. In particular, futures trading on the EEX in Frankfurt, which is scheduled to begin at the start of 2001, will further stimulate the market and give the company new trading opportunities in derivatives. The company is well-prepared for these developments and will take full advantage of these new business opportunities.

EnBW Energie-Vertriebsgesellschaft mbH: a complete portfolio of energy products and services EnBW Energie-Vertriebsgesellschaft mbH, a wholly-owned subsidiary of EnBW, works hard to stay ahead of the competition in its sales activities and to remain focused on customer needs. It sells all the Group's energy products and services to EnBW customers.

In 2000, our electrical power requirements were mainly covered by EnBW Gesellschaft für Stromhandel mbH (about 91 %). The remaining power was purchased through co-operative agreements with grid operators through transfers, or it consisted of power fed into the system from our customers' industrial power generation plants.

Another sharp increase in sales and sales volume

Despite intense competition, sales volume increased by 23 % compared with the previous year on the increased acquisition of new customers. Thus, EnBW Energie-Vertriebsgesellschaft mbH was able to gain a greater market share amongst industrial clients and municipal utilities and local distribution companies.

Sales volume was also increased greatly through intensive sales activities in the segment of large industrial customers, chains and municipal utilities outside Baden-Württemberg.

As the result of an intelligent product policy and sales strategy in the segment comprising private customers inside Baden-Württemberg, customer losses were significantly lower than those of comparable competitors.

Intense competition in power sales

In the 2000 business year, marketing activities continued to battle against intense competition for industrial customers, municipal utilities, and local downline energy supply companies. In particular, sharp drops in prices occurred amongst medium-sized to small industrial customers.

At the end of the reporting year, higher procurement prices and the effects of the laws on subsidies for renewable energies and the combined heat and power led to an increase in selling prices and proved a clear burden on customers.

As in the past, the deregulation of the energy market will be hindered by refusals to allow transit through grid sections and excessive transit charges.

Continuation of the first-mover strategy

Our marketing activities systematically pursued the company's strategic goals of acting in the marketplace as an innovative first-mover oriented toward customer needs and committed to being ineffective competitor, of gaining market shares, and systematically improving margins. The company's strategy, organization and corporate culture were integrated, continually fine-tuned to one another, and developed further through an ongoing process of improvement.

Activities in the area of power sales were characterized primarily by active shaping of the competitive environment in the industrial customers segment in Germany and in Europe. These efforts included a clearly defined segment-approach, systematic key account management, and a customer-centred approach through an extensive network of branch offices. Focus on the customer in EnBW's home area continued to be prioritized. The home area was and will be approached in the future as a stable value base, in particular through the proactive acquisition of customers in the industrial customer sector, new energy partnerships with municipal utilities and local energy distribution companies in Baden-Württemberg, and through additional products in the private and commercial customers segments.

Process optimization on all levels

In addition to sales activities, another focus in 2000 was the optimization of corporate processes and the creation of an effective service organization for the order-to-cash process.

Systematic continuation of European strategy

In the context of its European branch office concept and greater customer focus, EnBW Energie-Vertriebsgesellschaft mbH now has sales companies in Austria, Italy, Spain, the Benelux countries and Poland. In addition to setting up these organizations and gaining a foothold in the markets of individual countries, a series of successful customer acquisitions has already been carried out – depending on the state of deregulation, in individual countries – mainly in Italy, Austria, and the Benelux countries. Further progress will be depend largely on how fast the deregulation of the energy market proceeds and on procurement possibilities.

As a consequence of the further expansion of all our sales units and of an effective service organization for the order-to-cash process (Customer Care Center, Contract Management, Energy Procurement and Logistics), the number of employees increased during the reporting year from 632 to 1095 (excluding offices outside Germany/ subsidiaries).

Outlook

In the area of network utilization in conjunction with the implementation of Federation Agreement II, problems are still being encountered in implementation and operating procedures. These problems will also have to be overcome in the industry in year 2001.

We will counter the pressure on earnings resulting from intense competition by implementing an intelligent product policy and increasing our activities in the area of energy-related services to benefit the customer.

Yello Strom GmbH: no. 1 among the newcomers

With over 600,000 customers, Yello Strom GmbH is number one amongst new power suppliers in the German power market. The company is well ahead of its competitors. A key to Yello Strom's success was that it has been able to increase its market share, being the choice of about 60 % of all consumers switching services. Surprisingly enough, this occurred even though the willingness of customers to change providers was generally stagnating in the first half of 2000. In the last quarter, the average number of new customers acquired per week more than tripled. One of the main contributing factors was a new advertising campaign that was successfully launched in mid-October, featuring Franz Beckenbauer and Ingolf Lück.

The number of employees remained constant at about 300, even though annual sales increased to about DM 300 million.

Optimization of sales channels

In year 2000, Yello devoted itself almost exclusively to optimizing its sales channels. In addition to mail-order sales and retail shops, which now number about 10,000, a comprehensive sales mix was achieved through the systematic expansion of direct sales (to commercial customers), direct marketing, and an e-commerce channel.

Through its strength in sales, Yello made a major contribution to creating lasting competition in the electrical power market, despite initial monopolistic resistance.

The general willingness of customers to switch providers increased in 2000. With this in mind, Yello is in a good position to utilize the know-how acquired during the past year along with its efficiency advantage to acquire additional sales.

A promising formula: "19/19 plus"

With a tighter cost situation prevailing in the entire power market, the end of the year saw the Yello Strom brand adjust its prices and introduce the new formula "19/19 plus". This new product passes the eco tax and the resulting reduced value-added tax on to the customer. Even following the prior round of price increases amongst its main competitors, Yello held on to its position as a power supplier with attractive prices.

Yello keeps its finger on the competition's pulse

At the same time, Yello is performing an important function for the EnBW Group on the direct end-user front line. In addition to expanding the customer base and gaining new market shares, Yello is serving the Group as a seismograph that detects customer needs before others do.

Our engagement in the fields of telecommunications (prepaid phone card) and the Internet (Internet-by-Call) at the same time means that we will be entering new business areas.

Outlook

In addition to the ongoing, scheduled expansion of the power business in 2001, we shall continue our efforts to maximize the potential of the Yello brand. By the end of 2000, the brand had an excellent 90 % recognition rate.

Based on the strong interest in Yello amongst institutional and strategic investors, an initial public offering cannot be ruled out. However, it is still too early to set a date.

EnBW International GmbH: internationalization with focus on Europe

EnBW International GmbH, a wholly owned subsidiary of EnBW AG is systematically pursuing internationalization in order to follow industrial clients into other countries in Europe and to achieve growth by acquiring new customers in newly emerging markets. It is acquiring equity stakes in energy companies, with the focus on selected markets in Europe. In order to support the newly established direct sales structure in countries such as Poland, Italy and Spain, partnerships and opportunities for equity participations are being investigated and pursued intensively in these countries.

Successful equity participation policy in Europe

In Poland, EnBW International GmbH acquired a 15.6 % share in the ZEC co-generation plant in Wroclaw. Working together with EDF, which holds approximately 28.1% of the equity, the company is seeking to gain strategic control of the utility's management.

In Italy, an industrial partnership was established with the Merloni Group. Merloni is the market leader in the household appliances sector. Working together with other partners, the two companies want to acquire generating capacity when the ENEL power plants are sold, thus strengthening their sales and trading activities in Italy.

In the rapidly growing Spanish power market, in which EnBW International GmbH thus far has had a purely sales-oriented position, the company wants to improve its position through equity holdings in the generation and distribution sector.

In other important markets in Central, Eastern and Southeastern Europe, opportunities for adding to equity holdings that fit into the company's overall strategic concept will be selectively identified and assessed.

Together with existing equity holdings in Hungary and the Czech Republic, the company has been able, through GESO Beteiligungs-und Beratungs-AG, to supply its customers efficiently throughout its various locations in Europe, and thereby exploit the opportunities for growth in these locations.

Development of Thai utility holdings on target

Business is proceeding on target at EnBW's utility holdings in Thailand. Two gas-fired steam turbine power plants that went online in 1998 and 1999 have since been operating at high availability levels and – now that the Asian economic crisis is past – high capacity utilization as well. An additional power plant is being constructed and will come online in 2001. As a result of positive developments, our Thai subsidiary, Rojana Power Ltd., was able to pay its first dividends in 2000.

Outlook

The company's activities will primarily be directed in 2001 at equity participation projects in Central, Eastern and Southeastern Europe. The main focus will be on Italy, Spain and Poland. In Italy and Spain, the emphasis will be on generation. In Poland, the emphasis will be on entering the market through participation in equity holdings, and on power generation.

EnBW Gas GmbH: making the most of competitive opportunities

Like all companies in the natural gas business, EnBW Gas GmbH will be greatly affected by the deregulation of the natural gas market. The signing of the Federation Agreement for Gas in 2000 was a first step in the direction of greater competition, although the agreement still needs improvement.

Improving results through customer acquisitions

All the same, EnBW Gas GmbH was able to improve the earnings of its consolidated subsidiaries in the natural gas sector. Despite mild weather, the company was able to achieve a gas sales volume of 3,668 million kWh. At the end of the reporting year, EnBW Gas GmbH had 80 employees.

Cooperation with Neckarwerke Stuttgart AG

The cooperation agreement between EnBW AG and Neckarwerke Stuttgart AG at the beginning of 2000 allowed the company to focus on the gas business. With its long experience and extensive knowhow in this business, NWS constitutes an important asset for EnBW. A multitude of planning activities were launched this year for the purpose of exploiting synergies, in particular in the gas sector. EnBW Gas GmbH's market position will be greatly strengthened – even in the face of more intense competition – by its co-operation with NWS.

Neckarwerke Stuttgart AG: a strong partner with many facets

EnBW Gas GmbH plans to assume a first-mover role in the gas business in order to be able to offer its customers competitive products in the future. The company will use its core market in Baden-Württemberg as the command centre for its active entry into the competitive German and European gas business in 2001, since this is where its gas transmission lines join together in a nexus from which EnBW Gas GmbH will be able to transport gas to the whole of Europe.

Neckarwerke Stuttgart AG (NWS), which is headquartered in Stuttgart, resulted in 1997 from the merger of Technische Werke der Stadt Stuttgart AG and Neckarwerke Elektrizitätsversorgungs-AG, Esslingen. Its activities include the generation, distribution and sale of electrical power (55 % share of sales), gas (23 %), water (5 %) and district heat (4 %) as well as a broad range of services in areas like solid waste incineration, telecommunications, and consulting services for pipeline operators. NWS's network covers 2500 km². Its grid serves about 3 million people.

Following a period of intense price competition in the electrical power market, the decline in power prices levelled out at the end of 2000. The resulting low price level does not permit any further significant price reductions. In accordance with the intentions of the laws on renewable energies (EEG) and on combined heat and power, NWS passed the resulting charges on to its customers.

Overall, the sales volume was satisfactory. While in the area of electrical power, NWS achieved 4.2 % growth as a result of the improved economy and its power trading activities, sales volumes in gas and district heating decreased by 3.3 and 4.7 % respectively as a result of mild weather. In the case of water, conservation efforts by customers led to a 1.0 % decline in sales volume.

At the end of 2000, NWS had 4150 employees.

In addition its participation in power price reductions, NWS concentrated primarily on other ways to differentiate itself through quality, service and strategic alliances. These efforts at greater customer and market orientation were well received by customers. Thus far, no significant losses of customers have occurred.

NWS is establishing a solid foundation for future performance through its already successful measures to reduce costs and increase efficiency and through its close, sustained co-operation with EnBW.

EnBW Ostwürttemberg DonauRies AG: successful year following merger Neckarwerke Stuttgart AG expects 2001 to be another successful business year, and the dividend is likely to be of the same order of magnitude as in the previous year.

EnBW Ostwürttemberg DonauRies AG (ODR), which is domiciled in Ellwangen, enjoyed a successful year in 2000 thanks to its increased competitiveness.

ODR focused its marketing activities on customer support and the development of new energy services.

At the end of the year, ODR had 206,323 power customers and 11,397 network customers in the household, commercial and agricultural sectors. In the area of private customers, more than 40 % of the company's customer accounts are contractually secured until 2004. The number of directly supplied industrial accounts is 1728, and the number of natural gas customers is 9770.

As a result of price declines stemming from intensified competition, sales revenues less the electrical power tax fell in 2000 by 20.3 % to DM 412 million. At the same time, gas sales increased 24.5 % to DM 31.2 million on stronger prices. The net income for the year in 2000 was DM 44.4 million. In 2000 ODR had around 340 employees.

With effect from 1 January 2001, ODR held a 25.1% stake in Stadtwerken Schwäbisch Gmünd GmbH. Negotiations were already underway on additional equity stakes or joint ventures with municipal utilities in ODR's supply region. Business relationships with municipalities were intensified further through such co-operative agreements and additional services.

Outlook

By adding further municipalities to the gas network, EnBW Ost-württemberg DonauRies AG expects to see substantial growth in the number of customers it serves during 2001. It will focus on expanding its equity holdings and on opening up new business areas. Additions will be made to parts of the power grid for pilot tests to be performed for the EnBW Group on the use of the Powerline technology.

Positive performance by GESO subsidiaries

Die GESO Beteiligungs- und Beratungs-AG acquires and manages equity holdings in the utility and waste management businesses, as well as in telecommunications. It provides consulting services to such companies within and outside Germany. The company has holdings in 14 different energy utilities in Eastern Saxony, Prague and Wroclaw. The range of these holdings extends from regional utilities to single- or multi-sector companies operated by local governments, with the main business being power supply.

In 2000, the companies in the GESO Group, which employs more than 8000 people, achieved sales revenues of over DM 3.2 billion.

GESO's most important holdings in Saxony are Energieversorgung Sachsen Ost AG (ESAG), and, as in the past, Stadtwerke Dresden GmbH (DREWAG), GASO, and in the Czech Republic, Prazska energetika a.s. (PRE) and Prazska teplarenska a.s. (PT). GESO has built a bridge between the regional energy supplier ESAG and the utilities operated by local governments in the supply area. In all of its holdings, GESO's main focus will be to continue its customer-and cost-oriented business strategy.

GESO's business performance is mainly governed by the size of its holdings in its regional and local utilities and by their own business performance per se. Thus, positive performance on the part of these equity holdings has a direct influence on GESO's own earnings, which more than doubled compared with the previous year.

GESO and its holdings in Eastern Saxony continued to improve their corporate earnings in 2000 compared with the previous year. Thanks to the rapid introduction of restructuring and cost-cutting measures, the company was able to respond in a timely manner to changes in the market. Holdings in the Czech Republic and in Poland can also look back on positive business performance in year 2000.

In 2001, GESO will remain focussed on providing support and assistance to its holdings in the deregulated electrical power market in Eastern Saxony and will continue its intense preparations for the coming deregulation of the gas market.

In Prague, the task for the current year is to breathe life into newly founded holding companies and systematically carry through the ongoing restructuring of the operating companies PRE and PT into strong free-market players.

GESO plans to optimize energy policies in Wroclaw, Poland – along the same lines as in Prague – to make its utilities competitive, and use an environmentally-friendly, economical district heating system which will make Wroclaw an attractive location in the future.

ZEAG: joining forces with EnBW for future success

Following the realignment of its energy-related interests in the context of the deregulated energy market, the city of Heilbronn decided at the end of 2000 to choose EnBW as its future energy partner and to arrange for EnBW to acquire a holding in ZEAG Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG. Bundling the competences and strengths of EnBW and ZEAG through an option agreement and a site-guarantee agreement will serve the future interests of both companies and enhance the region's economic power.

Outlook

ZEAG AG will supply power to the city of Heilbronn and to three other municipalities in the Heilbronn district. Since 1986, EnBW and ZEAG have been jointly operating the Unterland gas company, which supplies natural gas to six municipalities. ZEAG produces cement at its plant in Lauffen. Working together with partners in the cement industry, it recycles REA calcium sulphate, fly ash and firebox ash waste products from the EnBW coal-fired power station at Heilbronn.

At year-end, some 75,000 customers were being supplied with electricity. Cement sales volume was 272,000 tonnes. At the end of 2000, the company had around 240 employees and total sales of approximately DM 165 million.

At the beginning of 2001, ZEAG will take over the responsibility for supplying power to businesses in the neighbouring EnBW regional centre of Neckar-Franconia. This will allow both partners to optimize their business processes and achieve synergies. ZEAG will continue to be active as a regional electrical power brand in the Heilbronn economic area. Because of a slowdown in the construction industry, a modest decline in sales volume is expected in the cement sector. Over the long term, ZEAG expects to achieve stable results in coming years.

Outlook

Waste Management

WASTE MANAGEMENT – A business with growth potential

Through its subsidiaries EnBW provides services in the areas of waste disposal, waste recycling and thermal processing of solid waste. Most of the subsidiaries concerned are already achieving market success and are well-positioned for to realize their potential in the future.

Nevertheless, developments in the waste management market will create major challenges for companies active in this sector. The Technical Guidelines for Municipal Waste stipulate that by 1 June 2005 at the latest solid waste in Germany may no longer be sent to landfills without first being processed. Disputes with municipal bodies as to the distinction between "waste for recycling" and "waste for disposal" set forth in the Recycling Act have intensified. However, the position of the private waste management industry was strengthened by the "Berlin judgement" issued in the summer of 2000. In this decision, municipalities are not entitled to exercise their broad claims to commercially valuable waste streams.

DM million	2000	1999	Change in %
External sales	507	461	+ 10.0
Operating result	-78	- 64	- 21.9
EBITDA	-3	42	- 107.1

Despite the difficult political situation and intense price competition, the Waste Management business unit turned in a positive performance in the non-thermal disposal segment in 2000. Sales in the segment increased by around 10 % to DM 50 million. Owing to the start-up losses incurred by Thermoselect Südwest GmbH Thermische Abfallbehandlungsanlagen the operating result was down by 21.9 %

U-plus Umweltservice AG: expertise in logistics, recycling and disposal

U-plus Umweltservice AG has special competences in the areas of logistics, recycling and waste disposal. In the field of supraregional waste management, the company has strong sales structures and offers innovative, competitive solutions to its customers – industry and municipalities – based on a broad portfolio of logistics, sorting and processing capacities.

Sales and revenues up

In 2000, U-plus was able to continue the previous year's successes and further increase its sales and earnings. U-plus reported an annual profit of DM 13 million. With external sales of DM 494 million, U-plus reported annual net income of DM 16.8 million, compared with DM 14.2 million for the previous year. On average, U-plus had 1748 employees during the course of the year.

Positive development in individual business areas

The U-plus Group's regional waste management companies exceeded their ambitious sales and earnings goals in 2000. The expansion of regional service coverage, and thus the acquisition of new customers, contributed to this growth, as did a broadening of the range of services offered. The good price situation in the recycled paper market also had a positive effect on earnings. In addition, we are already seeing that capital spending dedicated to modernizing sorting equipment has had the expected impact on productivity.

The process of merging the regional companies active in the Stutt-gart region was successfully concluded with the start-up of new production facilities and the move to the new S-plus Umweltservice GmbH office building in Waiblingen.

Despite the strong price pressure produced by inexpensive waste disposal channels available in the marketplace, R-plus Recycling GmbH, which specializes in metal and electronics recycling, was able to expand its position in the waste management market in southern Germany and score initial sales successes in neighbouring countries. For the first time since start-up of its recycling plant in 1999, the company topped the one-million mark in recycled refrigerators. A pilot plant to process the shredder light fraction from the automotive recycling plant was put into operation at the Eppingen site.

Die MSE Mobile Schlammentwässerung GmbH has expanded U-plus's position in the sewage sludge recycling market. Synergies resulting from the burning of sewage sludge as part of the fuels used in EnBW coal-fired power plants, along with sales successes in France and Britain have contributed to this improved position.

Modernization of the Stuttgart-Münster waste incineration plant with NWS A cooperation agreement between the city of Stuttgart, Neckarwerke Stuttgart AG and the U-plus company T-plus GmbH to modernizing the solid waste incineration plant in Stuttgart-Münster now gives U-plus its own thermal waste processing capacity. Renovating the 40-tonne/hour incinerator will ensure that Stuttgart will have an adequate waste handling capability in the future. Beginning in 2005, T-plus will utilize the full plant capacity to fulfil its waste disposal contracts with local district governments in Baden-Württemberg.

Start-up of the ISKA mechanical-biological waste

Any remaining unused capacity will be available for the thermal processing of commercial and industrial waste.

With the start-up of the mechanical-biological ISKA® solid waste processing plant in Buchen (Neckar-Odenwald district) U-plus will offer a promising and competitive alternative to the thermal processing of non-recyclable municipal solid waste. After completion of the demonstration phase no later than June 2005, the plant will go into continuous commercial operation and will process non-recyclable waste from a number of districts. The project will serve as a benchmark in U-plus efforts to acquire projects within and outside Germany.

In its efforts to achieve effective recycling, U-plus will continue to expand the facilities for recycling solid waste to make usable materials or energy sources.

U-plus will continue to strengthen its market position as a leading commercial waste management company in southwestern Germany through the development of new business areas and strategic acquisitions. The equity participation in joint companies established by local governmental bodies as part of privatization efforts may also be extremely important. In this arena U-plus is seeking long-term, reliable partnerships.

The internationalization process already begun will be continued through projects in various parts of Europe.

Thermoselect Südwest GmbH: Karlsruhe plant on the way to continuous operation During 2000, Thermoselect Südwest GmbH continued to work with great commitment to get its Karlsruhe plant into continuous operation.

Based on previous operating experience, new insights and potential improvements were gleaned from the initial large-scale industrial use of the new technology and were systematically implemented.

Working closely together with the plant supplier, Thermoselect Südwest came much closer to its goal of achieving continuous, environmentally sound disposal of non-recyclable solid waste for the four affiliated local governments.

Measurements to verify environmental compatibility

Results from operations to date show that the Thermoselect plant will be able to meet customers' requirements for environmental compatibility and functional performance. This conclusion was fully confirmed over the course of the reporting year. A number of test programmes conducted by government agencies once again confirmed that the Thermoselect plant will operate within the set values that are much lower than the statutory limits, and in most cases will actually operate well below these values.

Outlook

processing plant

The need for optimization work on the emergency operation mode – whose use is limited in time – led in summer 2000 to the decision to replace the previously used open combustion chamber by a closed system. The new concept will ensure that the Thermoselect plant will continue to meet the extremely stringent specifications under which it was approved, even when it is not operating normally.

Modification permit granted

Following intense planning work, the Baden-Württemberg Regional Government Offices in Karlsruhe granted a permit for the proposed modifications in September 2000. The key feature of the application was a combustion chamber that in the future will be closed off and in which the synthesis gas will be burned in the event of unavoidable technical malfunction. The resulting flue gas will then be passed through downstream purification equipment and discharged from the same stack that is used in normal operation.

The granting of this engineering modification permit in February 2001 clears the way for the next steps needed to get the plant back in operation using the new combustion chamber design. Modification work, which began in November 2000 has progressed so well that TÜV specialists will be able to begin the acceptance process soon. After completion of extensive functional tests and testing by the TÜV specialists, the Thermoselect plant will be put back into operation and once again be fully functional and comply with the approved limits when operating in the combustion-chamber mode.

Progress at the Thermoselect plant in Ansbach

The fund of experience and know-how gained from the start-up in Karlsruhe will also benefit further implementation of the Thermoselect plant in Ansbach. The construction phase at this plant is nearly completed. The second stage of construction – equipment installation – has already begun.

It will also be necessary to go through an engineering modification approval process in order to integrate the optimization implemented in Karlsruhe into the Ansbach plant design. This process is currently underway.

Outlook

The market potential for thermal solid waste processing plants continues to stagnate. Decisions on the construction of such plans are rendered more difficult by discussions as to whether there are legal foundations that will be reliable over the long term and regarding whether there are reliable prognoses of the amount of waste that will need to be subjected to thermal treatment in coming years.

The opportunities for utilizing the Thermoselect process in this very narrow market will very much depend on getting the Karlsruhe plant into continuous operation as soon as possible.

Industry and Services

INDUSTRIE UND SERVICES – Market-oriented special services for internal and external customers Besides the core business of Energy and the Waste Management segment, EnBW – through its operating subsidiaries in the Industry and Services business segment – offers market-oriented products and services for customers inside and outside the Group. While EnBW Service GmbH, as the service provider for central corporate functions, deals primarily with internal customers, the other companies operate successfully in the market and cover the areas of metering and billing, telecommunications, venture capital and building management. Through the takeover of Salamander AG in the 2000 business year, EnBW further strengthened its competences in the area of industrial services.

DM million	2000	1999	Change in %
External sales	1,910	102	not relevant
Operating results	93	94	-1.1
EBITDA	403	374	+ 7.8

The first-time consolidation of Salamander AG on 1 April 2000 had a positive impact on the economic situation of the business segment. The Salamander Group developed successfully in all four divisions, thereby contributing to the marked rise in sales in the Industry and Services business segment.

Salamander AG: a company with four facets

Through its four divisions, Service, Brand Shoes, Retail Shoes and Industrial Products, Salamander AG, which is headquartered in Kornwestheim, is pursuing a strategy of profitable growth. EnBW AG has a 94.98 % stake in this group.

Group sales increased about 44 % to DM 2,264 million on internal growth and the acquisition of the new Service division (1999: DM 1,576 million). During the same period, the operating result increased to DM 92.1 million compared with DM 69.6 million in the previous year. At year-end, Salamander had 15,000 employees, about 3300 employees more than at the same point in the previous year.

Sales in the Service division, which for years has been one of the most important growth engines in the Salamander Group, more than doubled in 2000 on internal growth and the acquisition of a 98.5 % stake in APCOA Parking AG, Stuttgart. APCOA is Europe's biggest parking company, currently managing approximately 530,000 parking spaces at 1200 locations in airports, exhibition centres, stores, hotels and hospitals.

DIW Euro SourceLine GmbH, which was founded in 1998 by DIW Deutsche Industriewartung AG, a member of the Salamander Group, and Freudenberg & Co., Weinheim, also made a disproportionately large contribution to the increase in sales. Salamander holds a 50.1 % stake in this company.

The Brand Shoes division came a step closer to its goal of becoming a profitable leading shoe manufacturer offering a range of high-quality brand products. Thanks to the top quality and highly fashioned brands – Salamander, Sioux, Apollo, Betty Barclay – sales were maintained at nearly the previous year's level and earnings were improved compared with the previous year. Another appealing and promising new brand was created: YELLOMILES, which replaces the discontinued CamelBoots brand. The new collection met with great interest in the retail trade, promising to be equally successful with consumers.

The Retail Shoes division, operates the Group's retail business through a total of 232 Group-owned shops in major cities in Germany and Europe. Despite the fact that the European shoe market is engaged in a rigorous selection process, the division was able to increase its market share and become an internationally leading supplier.

The Industrial Products division operates three business areas, Plastics Technology, Leather Fibre Materials, and Sealing and Adhesive Bonding Technology in highly competitive markets. The strength of these products in markets outside Germany and in some cases substantial increases in sales produced sales and earnings that, on the whole, were satisfactory.

In the 2001 business year, the Salamander Group expects to achieve sales of DM 2.5 billion, which amounts to approximately 11 % overall growth. The Group's profitability will continue to improve, although in 2001 its growth in earnings will not maintain the same pace as in the previous year due to the "APCOA effect". Each division is expected to contribute to the improved earnings.

EnBW Service GmbH: services from a single source

EnBW Service GmbH is the central, integrating service provider in the EnBW Group. The company's strength lies in its growing knowhow and knowledge of internal processes within the Group and, therefore, the needs of the other companies belonging to the Group.

EnBW Service GmbH currently serves about 70 different companies in all areas pertaining to general corporate functions such as Finance, Accounting and Taxes, Legal and Insurance, Controlling, Organization and Project Consulting, Public Relations, Information Technology, Purchasing and Logistics, Building Management, and General Services, Property and Real Estate Management, as well as Human Resources. The company provides added value to its customers in the form of services that are tailored to their needs, and are always delivered efficiently and at customary market prices. In this way the company makes an effective contribution to the success of the EnBW Group. At the end of 2000 the number of employees in the company had increased to about 1230, mainly as a result of significant growth in the Information Technology area.

Outlook

EnBW Service GmbH will also generate savings in 2001 through systematic increases in efficiency – without diminishing the quality of service and the broad-based consulting competence offered by the company.

EnBW Gesellschaft für Messung und Abrechnung: optimized energy billing

EnBW Gesellschaft für Messung und Abrechnung mbH (GMA) is responsible for metering, measuring, data preparation and billing for deliveries and electricity consumption, as well as the billing of transit charges, services and other products offered by the EnBW Group and by third parties.

During the reporting year, the company responded to the heightened demands on energy billing stemming from the deregulation of the energy market by successfully introducing SAP/R3 IS-U billing software for Yello and for special-contract customers. In 2001–2002 the SAP/R3 IS-U billing software will be implemented for the remaining customers. In the future, this much more flexible accounting system will also allow billing services to be provided to energy utilities outside the Group.

In December 2000 the ZEBIS meter reading and account billing system was put into service on schedule. In the future, ZEBIS will be used to acquire meter readings for billing network usage, energy supplied and energy used for control purposes, either directly or by exchanging data with other network operators.

Marketing activities increased

During the past year, a market organization was introduced to extend the company's services to external energy providers such as municipal utilities. Sales activities in this area began to generate actual orders.

Outlook

Beginning in 2001, increasing numbers of customers as well as the newly installed flexible accounting systems will reduce the cost per billing and thus make the company even more competitive.

EnBW Telekommunikation GmbH

EnBW Telekommunikation GmbH manages the telecommunications interests of tesion Communikationsnetze Südwest GmbH & Co. KG and Novacom Kft, Budapest. It also provides telecommunications services such as Powerline. It was created on 10 May 2000 through the renaming of the Telekommunikationsholding Südwest GmbH. In August 2000, the company acquired Swisscom AG's 50 % share in tesion with effect from 1 July 2000. As a result, EnBW Telekommunikation GmbH is now the sole shareholder in tesion.

EnBW Powerline: Internet from the power socket

The EnBW Powerline project, which entered into a more active operational phase in 2000, was transferred to EnBW Telekommunikation GmbH.

Using powerline communications technology (PLC), EnBW Powerline offers data and voice communication over power distribution networks. The advantages of Powerline compared with conventional transmission technologies are its speed (up to 20 times faster than ISDN), a permanent online connect and access from any ordinary electrical socket.

In addition to previous pilot projects, in 2000 a pilot project was initiated using the new, more powerful Powerline technology in Ellwangen/Jagst. In this project, high-speed Internet access was provided to two schools using the Powerline technology.

As a result of the positive experience with over 150 pilot customers, the next step is market launch of EnBW Powerline. From summer 2001, 7500 electricity customers in the Ellwangen area will be offered Internet access from power sockets.

The focus of EnBW Powerline is initially on step-by-step development of the system through the distribution grid offering Internet access via power sockets. This transitional technology will also open up a new market for innovative services and products. In the so-called "Inhouse" segment – i.e. via the mains power network in houses – Powerline allows communication from socket to socket. By this means PCs can be connected with each other and with printers. Electric window blinds, lights and heating can be operated by remote control. Other electrical appliances – refrigerators or washing machines, and all appliances in business premises – can be operated, maintained and repaired remotely, as long as the Inhouse Powerline systems and Powerline are linked with each other via the distribution network. Services such as these, which go beyond Internet access, will be developed and introduced where there is demand.

DiTRA Gesellschaft für Kabelnetze und Telekommunikation mbH: more than TV DiTRA, a subsidiary of EnBW Regional AG, has been operating up to 38 cable television channels and 35 radio transmitters for many years in 36 municipalities in Baden. The wide range of on offer has attracted over 40,000 subscribers. Customers are enhancing their basic service with valuable products utilizing the capabilities of broadband cable. High-speed Internet access at up to 2 Mbps has been available in the initial networks, which have been in place since August 2000. A lively exchange of information between the Powerline project and the partner company Est Vidéocommunication in Alsace, France on similar problems being encountered by both companies has proved to be extremely useful.

Outlook

A joint project with tesion for ISDN telephony utilizing the broadband network will perform initial field tests in September 2001. At the same time, Internet customers will be able to try out the interactive television offerings of DiTRA's partner Bertelsmann Broadband Group on networks enhanced for this purpose. During the test phase, over 500 hours of movies, videos, music and information will be accessible via PC on the DiTRA network. However, customers will soon have a wider range of choices, as they will be able to access these products using their television sets.

tesion Communikationsnetze Südwest GmbH & Co. KG Since its commercial start-up in 1998, tesion Communikationsnetze Südwest GmbH & Co. KG, a wholly-owned subsidiary of EnBW, has established itself as an alternative telecommunications provider in Baden-Württemberg in the still young and highly competitive deregulated telecommunications market. In addition to voice and data services, the services offered by the company include Internet access for business and private customers. tesion has established a very good image in the marketplace due to its high quality and strong customer orientation.

Development of a state college network

tesion scored a particular success by once beating off Europe-wide competition in the bidding to upgrade the university network in Baden-Württemberg into a 10-gigabyte system. This, together with other major contracts, documents tesion's strong position in the business customer market.

tesion's 4-pillar concept

tesion is pursuing a strictly market-oriented business area strategy with four pillars – the Business Communications, Private Communications, Carrier and eBusiness segments. The strategy is securely anchored in tesion's internal organization with the aid of a profit-cent-re-based approach.

- Business customers, who are primarily located in southwestern Germany, are served by the Business Communications business segment. If requested to do so, tesion is also prepared to serve its customers throughout Germany (branch-office concept) in other words through the web-based interconnection of a number of customer sites ("virtual private networks"). This is accomplished in part by the company's own fibre-optic network its so-called "backbone" which is in place throughout Germany. Through attractive value-added services like toll-free/freephone numbers ("0800-/0190-") the company has been able to expand its relationships with business customers.
- Small businesses (up to 10 employees) and private customers are handled in the Private Communications business area. An expanded sales network allows customers to be served nationwide through cooperation with partners such as debitel and the EnBW Group company Yello. At the end of 2000, tesion acquired WorldLine GmbH, and thus a major mass-market business – prepaid telephone cards – that should allow it to gain customers as well as additional sales channels
- tesion's wholesale business is centred on the Carrier business segment. This unit sells capacity on tesion's nationwide advanced communications network to other carriers.
- tesion's newest and most promising business area is that of
 e-business, in which innovative, Internet-based products are bundled together. Attractive, needs-based, value-added services (VASs)
 are offered to private and business customers. The most forward
 looking amongst them are Application Service Providing (ASP)
 solutions, which depending on their design and customer focus –
 can offer enormous potential for improving efficiency on the customer side. Utilizing an innovative VAS product mix, tesion is significantly expanding its customer relationships.

Staying competitive through a nationwide communications network

With the expansion and successful operation of an approximately 7600 km-long communications network (3600 km of which is located in Baden-Württemberg), tesion has laid an important foundation stone for maintaining competitiveness and for the Group's further growth beyond the boundaries of Baden-Württemberg. This is one of Germany's most modern communications networks.

Strong sales growth in Germany

An approximately 22 % increase in sales, and an increase in manpower from around 300 to nearly 400 as the end of the year approached, are evidence of the company's above-average growth within the telecommunications sector. The number of customers passed the 250,000 mark in the reporting year.

With the closing of the "last mile" – direct connection of customers to the tesion network – even greater customer-orientation and customer loyalty will be possible. For example, tesion is pushing ahead with its strategically important efforts to reach customers across nearly the whole of Germany via Deutsche Telekom's main distribution centres (HVT) and an innovative point-to-multipoint (PMP) wireless technology in southwestern Germany. In 2001 tesion will be able to connect clients at more that 90 HVT sites. Furthermore, the company already has more than 21 PMP licences. Mobile telephony is also being expanded through partnership with two leading mobile telephone providers – ePlus and debitel.

In addition to portfolio-oriented growth, tesion has a clear vision of the geographical expansion it will pursue beyond the boundaries of Baden-Württemberg. By acquiring selected strong partners in the sales and access area, tesion will be able to extend its core competences throughout Germany.

innotech Beteiligungsgesellschaft mbH und Co. KG

innotech Beteiligungsgesellschaft mbH und Co. KG is a venture capital company that invests in IT and communications as well as energy and environmental technology. EnBW holds an equity stake in innotech through its subsidiary EnBW Venture Capital Beteiligungsgesell-schaft mbH.

In addition to providing seed capital, innotech offers young start-ups that are technologically ahead of the competition the support, knowhow and experience in corporate organization necessary to develop products offering high customer benefits, present a convincing business model and face all kinds of entrepreneurial challenges. innotech supports its equity holdings with strategic planning, marketing, and auditing, the goal being to turn innovative ideas and technologies into successful businesses. To accomplish this, innotech has built up an external network that is constantly being expanded.

The value added generated by these equity holdings as a result of the support provided by innotech is used by the company to generate additional liquid assets through the sale of its stock.

In 2001 innotech expects to receive about 1000 requests for equity participation, which means that the demand for venture capital should be as strong as in 2000.

In the years ahead, the company anticipates that its equity holdings will grow and, over the medium term, generate revenues that can flow back to innotech.

Facilma Grundbesitzmanagement und -service GmbH: focus on customers and facilities

EnBW's facility management subsidiary supports customers within the Group in all areas relating to building management such as relocation, event and energy management, thereby ensuring optimal usage of the facility. Facilma is increasingly extending its property-related services to external customers.

Outlook

In order to focus more clearly on customer needs, Facilma has established an on-site management system, in which the property manager serves as the customer's direct contact person on the spot, providing unlimited access to the processes needed to optimize the service.

At the end of 2000, Facilma had nearly 160 employees.

Following a marked improvement in internal customer satisfaction, the company will increasingly shift its focus to external customers during 2001. The optimization process already set in motion will be continued in order to develop additional innovative technologies and services and improve quality. Quality standards will be met through ISO 9001 certification, laying the groundwork for a more intensive focus on external customers.

Cooperation agreements and mergers with companies that are successful in the marketplace will increasingly contribute to the development of products and services delivering solid customer benefits.

Outlook

Enterprise with Energy

Since the deregulation of the energy market in 1998, EnBW Energie Baden-Württemberg AG has seen itself as an enterprising partner to business and industry in all aspects of energy supply – a perception that underlies all its thinking and actions. From the outset, the company has played a crucial role in shaping the development of the free market with innovative concepts.

Energy is a vital economic resource without national characteristics. All over Europe it is consumed and utilized in the same way. That is why EnBW is steadily building its network of branches in many European countries.

From the start we have geared our branch concept to the specific requirements of companies from many different economic sectors. The tailor-made solutions offered by our specialists in diverse sectors of industry have prompted numerous well-known companies to choose EnBW as their energy partner. We would like to present a small selection of those companies on the following pages.

Dipl.-Math. Klaus Eberhardt Member of Executive Board, Rheinmetall AG



Jürgen Keipp Manager Director, Engineering/Production, Friesisches Brauhaus zu Jever GmbH & Co. KG



Jean van Daalen Managing Director of the Hotel Adlon, Berlin



Rolf-Uwe Becker Head of Central Buying, Strategic Buying Management, Voith Group of Companies



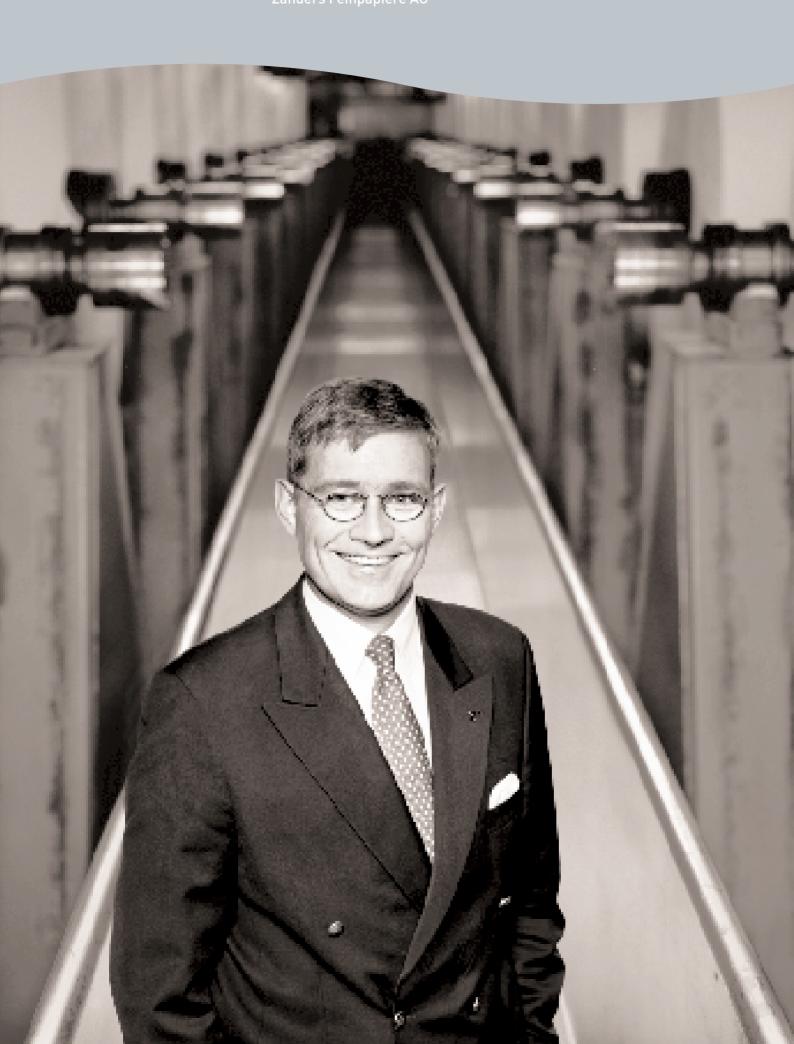
Ulrich Peters Head Buyer, Materials and Supplies, Iveco Magirus AG



Dr. Monika Gommolla Chairman of the Board, Maritim Hotelgesellschaft mbH



Benno Hundgeburt Vice Chairman, Zanders Feinpapiere AG



Financial Statements of EnBW Group and EnBW AG as at 31 December 2000

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EnBW Group Balance Sheet as at 31 December 2000

		Note	31.12.2000 DM m	31.12.1999 DM m
ASSETS	Fixed assets	(1)		
	Intangible assets		1,755.8	199.9
	Tangible assets		10,152.3	5,988.6
	Financial assets		11,433.0	8,187.1
			23,341.1	14,375.6
	Current assets			
	Inventories	(2)	1,398.5	617.7
	Accounts receivable and other assets	(3)	5,059.0	3,042.9
	Securities	(4)	1,897.9	2,582.9
	Cash at bank and in hand	(5)	1,656.4	1,511.4
			10,011.8	7,754.9
	Deferred charges	(6)	186.1	141.3
			33,539.0	22,271.8
SHAREHOLDERS'	Shareholders' equity	(7)		
EQUITY AND LIABILITIES	Subscribed capital		1,251.8	1,251.8
	Capital reserve		1,239.9	1,239.9
	Revenue reserves		317.2	313.5
	Minority interests		1,727.1	345.1
	Group net income		225.0	225.0
			4,761.0	3,375.3
	Special items	(8)	2,146.9	1,584.9
	Provisions	(9)	20,719.3	14,348.6
	Liabilities	(10)	5,772.9	2,800.4
	Deferred income		138.9	162.6
			33,539.0	22,271.8

Notes to the consolidated financial statements of EnBW Group Fixed Asset Movement Schedule in DM m

	Note	2000 DM m	1999 DM m
Sales revenue	(11)	11,898.1	8,041.2
Electricity tax		- 497.7	- 222.0
Sales revenue net of electricity tax		11,400.4	7,819.2
Changes in inventories		49.0	4.0
Own work capitalized		90.4	37.4
Other operating income	(12)	1,156.1	846.2
Cost of materials	(13)	- 6,750.0	-3,877.2
Personnel costs	(14)	- 2,765.1	- 1,743.8
Depreciation	(15)	- 1,115.7	- 1,097.1
Other operating expenses	(16)	- 2,139.2	- 1,423.8
Financial result	(17)	562.2	301.7
Profit on ordinary activities before tax and minority interests		488.1	866.6
Taxes	(18)	- 136.9	- 596.0
Net income for the year	(19)	351.2	270.6
Minority interests	(20)	- 149.8	- 22.7
Transfer from/to revenue reserves		23.6	- 22.9
Group net income for the year		225.0	225.0

Annex EnBW Group Fixed Assets Movement Schedule 2000 in DM million

	Acquisition or production cost						
	1.1.2000	Changes in scope of consolidation	Addi- tions	Dis- posals	Re- classifi- cations	31.12.2000	
Intangible assets							
Concessions, industrial property rights and similar rights and assets	418.5	185.8	48.1	32.9	4.9	624.4	
Goodwill	115.0	517.7	955.3	0.0	0.0	1,588.0	
Payments on account	0.0	1.0	3.2	0.2	-0.6	3.4	
	533.5	704.5	1,006.6	33.1	4.3	2,215.8	
Tangible fixed assets							
Land and leasehold rights and buildings, including buildings on third-party land	3,414.7	2,309.2	224.4	39.0	31.4	5,940.7	
Factory and office equipment	234.8	4,723.4	118.4	11.3	32.0	5,097.3	
Generating plants/gas feed and regulation stations	10,553.7	3,791.1	100.6	65.0	39.0	14,419.4	
Distribution facilities	12,177.6	6,053.5	397.3	190.3	368.5	18,806.6	
Thermal disposal facilities	235.7	0.0	15.5	0.0	1.2	252.4	
Other installations, operating and office equipment	1,670.1	812.6	157.7	149.5	- 334.9	2,156.0	
Payments on account and assets under construction	172.7	187.5	146.1	42.2	- 141.3	322.8	
	28,459.3	17,877.3	1,160.0	497.3	- 4.1	46,995.2	
Financial assets							
Shares in affiliated companies	8.5	-2.3	5.5	1.7	0.0	10.0	
Loans to affiliated companies	0.0	0.3	1.2	0.0	- 0.3	1.2	
Equity holdings in associated companies	1,575.5	224.5	191.7	454.6	22.7	1,559.8	
Other participating interests	2,010.8	67.5	74.6	808.0	- 20.7	1,324.2	
Loans to companies in which there is a participating interest	11.0	25.1	10.6	9.2	0.3	37.8	
Securities held as fixed assets	3,999.0	3,100.1	1,365.0	402.9	16.6	8,077.8	
Other loans	828.7	48.3	55.2	185.8	- 18.6	727.8	
	8,433.5	3,463.5	1,703.8	1,862.2	0.0	11,738.6	
	37,426.3	22,045.3	3,870.4	2,392.6	0.2	60,949.6	

	Depreciation/write-ups						Net book	value
1.1.2000	Changes in scope of consolidation	Add- itions	Dis- posals	Re- classifi- cation	Write- ups	31.12.2000	31.12.2000	31.12.1999
269.2	94.8	51.4	29.7	0.0	0.0	385.7	238.7	149.3
64.4	- 2.9	12.8	0.0	0.0	0.0	74.3	1,513.7	50.6
0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.4	0.0
333.6	91.9	64.2	29.7	0.0	0.0	460.0	1,755.8	199.9
1,681.8	1,257.1	165.2	19.8	0.5	0.5	3,084.3	2,856.4	1,732.9
154.5	4,114.4	115.8	9.8	0.1	0.0	4,375.0	722.3	80.3
9,345.5	2,896.5	273.3	63.6	6.1	0.0	12,457.8	1,961.6	1,208.2
9,829.3	4,863.7	333.9	165.0	308.4	0.5	15,169.8	3,636.8	2,348.3
62.9	0.0	17.5	0.0	0.0	0.0	80.4	172.0	172.8
1,375.0	600.0	146.9	143.3	-307.6	0.5	1,670.5	485.5	295.1
21.7	- 4.5	0.0	0.0	- 7.5	4.6	5.1	317.7	151.0
22,470.7	13,727.2	1,052.6	401.5	0.0	6.1	38,842.9	10,152.3	5,988.6
0.3	- 0.3	0.0	0.0	0.0	0.0	0.0	10.0	8.2
0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0
201.6	9.9	9.6	0.0	0.0	0.0	221.1	1,338.7	1,373.9
15.5	0.6	2.6	2.7	0.0	0.0	16.0	1,308.2	1,995.3
2.8	0.0	0.8	2.8	0.0	0.0	0.8	37.0	8.2
1.6	0.1	38.7	0.0	0.0	0.0	40.4	8,037.4	3,997.4
24.6	0.4	14.6	3.2	0.0	9.1	27.3	700.5	804.1
246.4	10.7	66.3	8.7	0.0	9.1	305.6	11,433.0	8,187.1
23,050.7	13,829.8	1,183.1	439.9	0.0	15.2	37,608.5	23,341.1	14,375.6

Notes to the consolidated financial statements of EnBW Group Cash Flow Statement

1. Operations

	2000 DM m	1999 DM m
Net income for the year	351.2	270.6
Depreciation/	001.2	270.0
write-up of fixed asset	1,167.9	1,079.1
Changes in long-term provisions	- 45.8	389.9
Other items not involving the movement of cash	- 42.3	55.6
Cash flow (as defined by DVFA/SG)	1,431.0	1,795.2
Drafit on diamond of fixed accets	- 98.4	– 119.9
Profit on disposal of fixed assets		
Changes in inventories	40.0	39.8
Changes in receivables and other assets	- 1,219.9	- 273.7
Changes in short-term provisions	- 97.3	108.6
Changes in trade payables and other liabilities	60.4	84.5
Net cash inflow from operating activities	115.8	1,634.5
Investments in tangible and intangible fixed assets	- 1,211.3	- 770.2
Investments in financial assets	- 2,225.6	- 1,139.7
Proceeds on disposal of tangible		
fixed assets and financial assets	1,022.5	767.7
Amounts paid in/out relating to short-term financial investments	1,671.3	- 135.1
Net cash outflow from investing activities	- 743.1	- 1,277.3

2. Investments

3. Financing		2000 DM m	
	Dividends paid	- 306.9	- 229.5
	Amount paid in relating to the raising of long-term loans	1,058.2	<u> </u>
	Changes in other financial liabi	ilities 21.2	4.3
	Net cash inflow/-outflow from financing activities	772.5	- 225.2
4. Items not involving the movement of cash	Items not involving the movement of cash	- 0.2	- 8.8
	Increase in cash and cash eq (Sub-totals 1- 4)	juivalents 145.0	123.2
Increase in cash and cash equivalents	31.12. 	2000 31.12.1999 DM m DM m	
	Cash at bank and in hand 1,6	356.4	145.0

Notes to the consolidated financial statements of EnBW Group Segmental Report

Classes of business		Energy	Waste	e Management
DM m	2000	1999	2000	1999
External Sales	8,983	7,256	507	461
Internal Sales	49	12	8	3
Total Sales	9,032	7,268	515	464
Operating result	207	861	-78	- 64
Financial result	537	400	-22	– 18
Investments				
Tangible and intangible fixed assets	564	588	70	118
Financial assets	558	487	1	12
Depreciation	736	715	73	102
Assets	25,764	16,509	785	687
Liabilities	675	129	566	549
Cash flow as defined by DVFA/SG	762	1,134	90	14
Employees at 31.12. (No.)	14,034	8,663	1,762	1,842

ar			Holding Company/ Consolidation		Total
2000	1999	2000	1999	2000	1999
1,910	102	0	0	11,400	7,819
672	658	-729	-673	0	0
2,582	760	-729	-673	11,400	7,819
93	94	- 296	-326	-74	565
1	16	46	- 96	562	302
578	85	955	1	2,167	792
55	9	989	591	1,603	1,099
306	279	1	1	1,116	1,097
4,880	2,588	2,110	2,488	33,539	22,272
1,994	542	2,538	1,580	5,773	2,800
322	389	257	558	1,431	1,795
18,049	2,409	95	69	33,940	12,983

Notes to the consolidated financial statements of EnBW Group General Principles and Scope of Consolidation

General principles

The group financial statements of Energie Baden-Württemberg AG (EnBW) have been drawn up in accordance with the accounting regulations set out in German company law and the supplementary provisions of the German Stock Corporation Law, and the figures are given in millions of DM.

In accordance with § 297 (1) HGB (German Commercial Code), the financial statements include, in addition to the balance sheet and income statement, the cash flow statement and segmental report, as well as a statement of changes in equity, which is supplementary to the legal requirements.

To make the financial statements clearer to the reader, a number of items have been grouped together under a single heading in the balance sheet and income statement and then disclosed separately and explained in the notes to the financial statements.

This year, electricity tax is not disclosed under other taxes, but shown separately as a deduction from sales revenue. The prior year figures have been adjusted accordingly, so that it is possible to compare the figures for sales revenue and taxes for the two years.

The income statement has been prepared under the "type of expenditure format".

The consolidated financial statements have been drawn up as at the same accounting reference date as the financial statements of the parent company.

Scope of consolidation

The companies included in the consolidation are EnBW and all its German and foreign subsidiaries, where these are managed on a unified basis, directly or indirectly, or over which EnBW exercises a dominant influence. Joint ventures are consolidated on a basis proportionate to the share of capital held. Associates are accounted for under the equity method.

Investments in subsidiaries, joint ventures and associates which are not material in the context of the group as a whole are shown at updated cost in the balance sheet. This applies particularly to subsidiaries which do not have their own business establishment or which have low volumes of business.

Companies acquired and consolidated for the first time are included in the consolidation with effect from their date of acquisition, while companies sold are excluded from the consolidation with effect from the date of their disposal.

The companies included in the consolidation alongside EnBW are 188 German and foreign subsidiaries (1999: 109), 2 joint ventures (1999: 26) and 58 associated companies (1999: 49). The joint venture disposals relate to the DEGV Group.

27 subsidiaries (1999: 17) and 44 associated companies (1999: 41) have not been included in the consolidation. These are shown as affiliated companies or companies in which there is a participating interest. This is either because these companies are not material to the net assets, financial position and the results of operations of the group, or because it can be shown that the parent company did not have a significant influence on the operating and financial policies of the company.

A complete list of companies included in the EnBW consolidation is given in the list of shareholdings in accordance with § 313 HGB, which is deposited with the Commercial Register of the municipal court in Karlsruhe (Dept. B, No. HRB 7956).

The companies included in the consolidation increased considerably in the 2000 financial year. The significant changes in fully-consolidated companies were as follows:

Company	Share holding in %	Date first consolidated	Reason for inclusion according to HGB
Salamander AG, Kornwestheim*)	95.44	1.4.2000	§ 290 (2) No. 1
Neckarwerke Stuttgart AG, Stuttga	art*) 31.31	1.7.2000	§ 290 (2) No.1 and (3)
regelmatic Instrumentierung Automation Elektroanlagen GmbH & Co. KG, Rödermark	100.00	1.7.2000	§ 290 (2) No. 1
tesion Communikationsnetze Südwest GmbH & Co. KG, Stuttga		1.7.2000	§ 290 (2) No. 1
EnBW Akademie Gesellschaft für Personal und Management- entwicklung, Stuttgart	100.00	1.8.2000	§ 290 (2) No. 1
EnBW Omega Verwaltungsgesellschaft, Karlsruhe	e 100.00	1.1.2000	§ 290 (2) No. 1
EnBW Benelux B. V., Amersfoort	100.00	1.1.2000	§ 290 (2) No. 1
EnBW Polska Sp.z.o.o., Warsaw	100.00	1.1.2000	§ 290 (2) No. 1
innotech Beteiligungsgesellschaft mbH & Co. KG, Karlsruhe	61.59	1.1.2000	§ 290 (2) No. 1
S-plus GmbH & Co Grundstücksverwaltung KG, Stuttgart	100.00	1.1.2000	§ 290 (2) No. 1
TAE Thermische Abfallentsorgung Ansbach GmbH, Ansbach	51.00	1.1.2000	§ 290 (2) No. 1
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^{*)} including their subsidiaries

Salamander AG, Kornwestheim, and tesion Communikationsnetze Südwest GmbH & Co. KG were included in the consolidation under the equity method in 1999. A significant disposal among companies consolidated on a proportionate basis was the DEGV Group.

Changes in the companies included in the consolidation as compared with the previous year had the following effect on the balance sheet and income statement:

	31.12.2000 DM m
Effect on the balance sheet	
Fixed assets	7,652.5
Current assets and deferred charges	2,506.4
Assets	+ 10,158.9
Shareholders' equity and special items	1,867.1
Provisions	6,698.1
Liabilities and deferred income	1,593.7
Shareholders' equity and liabilities	+ 10,158.9
Effect on the income statement	
Sales revenue	+ 3,238.4
Financial result	+ 37.1
Profit on ordinary activities	+ 64.2
Net income for the year	+ 44.4

Consolidation principles

The financial statements of German and foreign subsidiaries and joint ventures included in the consolidation have been drawn up on the basis of accounting and valuation policies which are consistent throughout the group, as required by law. Different valuation policies have been retained in the financial statements of associated companies, due to considerations of materiality.

The consolidation of capital is carried out according to the book value method, by offsetting the acquisition cost of the subsidiary against the appropriate proportion of the subsidiary's equity as at the date of its acquisition or when it is first consolidated. Positive differences arising are allocated to the appropriate group balance sheet account, where possible, and depreciated; any remaining amounts are treated as goodwill and amortized on a scheduled basis. Negative differences are taken to revenue reserves to the extent that they relate to realized profits, or shown as provisions.

Receivables, liabilities and provisions between consolidated companies are set off against each other. Intra-group income is set off against the corresponding expenses. Intra-group profits and losses are eliminated, unless they are immaterial. Tax accruals and deferrals have been made.

Joint ventures are consolidated according to the same principles.

Differences arising from the inclusion of companies under the equity method are treated in the same way as differences arising on the consolidation of subsidiaries, whereby goodwill is included in the valuation of the holding in the associated company and the corresponding amortization is set off against the profit from the associated company. A separate record is kept, outside the accounting records, of negative differences arising on companies acquired.

Associated companies not brought into the consolidation are disclosed under participating interests.

Transactions in foreign currency in the financial statements of the individual companies are translated at the exchange rate ruling on the date of the transaction (posting date), while accounts receivable are translated at the year-end rate, if lower, and accounts payable at the year-end rate, if higher.

The subsidiaries and associated companies included in the consolidated financial statements generally run their own businesses independently. For this reason, balance sheet items in all the foreign companies and the share of net assets of the foreign associates valued under the equity method are translated at the middle rate ruling on the balance sheet date (closing rate method). Differences arising in comparison with the prior year are taken to reserves and therefore have no effect on income. Items in the income statement including the net income for the year are translated at the average rate for the year. The group accounts do not include any financial statements relating to group companies in countries of high inflation. The companies in the EnBW group carry out their business activities mainly in the euro zone.

Currency translation

Accounting and valuation policies

Fixed assets

Intangible fixed assets acquired are stated at cost and amortized over their estimated useful life on a straight-line basis. Goodwill arising on consolidation is amortized over a period of between 4 and 20 years, to the extent that it is the result of group expansion. Goodwill arising on acquisition is amortized with effect from the financial year following the acquisition. Goodwill arising as a result of the restructuring of the group is set off in the revenue reserves.

Notes to the consolidated financial statements of EnBW Group General Principles and Scope of Consolidation

Tangible fixed assets are shown at acquisition or production cost and movable property is now uniformly depreciated on a straight-line basis within the group, starting in the 2000 financial year. In our view, the straight-line method gives a better representation of the net assets, financial position and results of operations of the Group and improves the comparability of our financial statements.

Repair and maintenance costs are expensed. Replacement and maintenance costs which prolong the life of an asset are capitalized.

Advantage is taken of special rates of depreciation allowed under tax law. Factory and office equipment acquired in the first half of the year is fully depreciated, while additions in the second half of the year are depreciated at half the annual rate. Unscheduled depreciation occurs when assets have to be written down to their lower attributable value. Low-value assets are written off immediately.

The official tax depreciation tables for the energy and water supply sector are used to establish the estimated useful life of an asset, especially in the energy division. The estimated useful life of buildings is between 20 and 50 years. Power stations are depreciated over a period between 19 and 60 years. The estimated useful life of factory and office equipment is between 3 and 10 years.

Loan costs have not been capitalized.

The investments included in financial assets, i.e. affiliated companies not included in the consolidation, associated companies not accounted for under the equity method and other investments, are valued at cost or, in certain cases, their lower attributable value. If the reasons for unscheduled write-downs no longer apply, the investments are revalued.

Shares held in associated companies are valued under the equity method, the so-called book value method.

Investments and other financial assets are stated at the lower of cost and market value.

Loans at market interest rates are stated at face value, low-interest and non-interest-bearing loans are stated at present value, based on an assumed interest rate of 6 %.

Securities held as fixed assets are valued at the lower of cost and stock market value. If the reasons for unscheduled write-downs no longer apply, the investments are written up again.

Current assets

Inventories are valued at the lower of cost and net realizable value. Fuel inventories are valued on a LIFO basis at the lower of cost and net realizable value. Supplies are valued at average cost and stated at the lower of cost and market value. Appropriate deductions are made for inventory risks.

Nuclear fuel elements included in inventories are valued at cost less depreciation, the rate of which is dependent both on the level of consumption and on the estimated useful life of the reactor.

Work-in-progress and finished goods are stated at production cost. In addition to directly attributable costs, production cost also includes indirect manufacturing and material costs and depreciation. Work-in-progress is valued based on its state of completion. It is valued at the lower of cost and net realizable value, providing for any known losses. Specific write-downs are made in respect of any inventory and sales risks.

Appropriate provisions for doubtful accounts and for the diminution in value of other assets have been made to take account of the risk of losses. An assumed interest rate of 6 % is applied to non-interest-bearing long-term loans. A general provision for doubtful accounts of 1% of accounts receivable is made.

Securities held as current assets are valued at the lower of cost and stock market value or bid value.

Loan discounts and other similar financing costs are carried forward as deferred charges and written off over the term of the individual loans.

Shareholders' equity and liabilities

Subscribed capital is stated at nominal value.

Investment cost subsidies and investment grants are treated as deferred income and credited to the income statement over the expected useful economic life of the 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 %.

Provisions for pensions and similar obligations are calculated at the actuarial "going concern" value using an interest rate of 6 %. 25 % of the effect of changing to the new 1998 Heubeck mortality tables has been accounted for in the 2000 financial year. 75 % of the total adjustment has now been made.

Notes to the consolidated financial statements of EnBW Group General Principles and Scope of Consolidation

Tax provisions and other provisions have been determined on the basis of prudent commercial judgement. Deferred taxation is provided at the rates applicable or anticipated on the date of the transaction.

Other provisions comprise all obligations known at the balance sheet date which relate to past transactions or events, where the amount or due date is not certain.

Liabilities are stated at the amounts repayable.

Derivative financial instruments are used exclusively for hedging purposes. In the case of each derivative, there is an underlying transaction. The underlying transactions are valued together with the hedging transactions concluded. The derivatives relate mainly to forward exchange deals to hedge against long-term continuous purchase contracts. Financial instruments in use are not material to the Group.

Notes to the consolidated financial statements of EnBW Group Notes to the consolidated balance sheet

(1) Fixed assets

The figure stated in the balance sheet for fixed assets is analysed by category in a separate schedule, the fixed asset movement schedule, which also shows movements in fixed assets during the year.

Goodwill arising on consolidation and goodwill shown in the individual financial statements of the subsidiaries and joint ventures included in the consolidation are disclosed under the goodwill heading in the consolidated balance sheet. Amortization of goodwill in the year of acquisition amounted to around DM 45 million.

Shares in affiliated companies shown as investments under the financial assets heading relate to companies which have not been included in the consolidation.

Additions to financial assets relate mainly to investments in securities held as fixed assets. Securities held as fixed assets are mainly restricted funds and long-term fixed-interest securities.

31.12.2000

650.0

31.12.1999

397.2

(2) Inventories

	DM m	DM m
Raw materials and supplies	415.3	178.3
Nuclear fuel elements (including payments on account)	650.0	397.2
Work in progress: goods and services	102.1	41.9
Finished goods and goods purchased for resale	221.6	_
Payments on account	9.5	0.3
Total	1,398.5	617.7
Analysis of nuclear fuel elements:		
	31.12.2000 DM m	31.12.1999 DM m
Fuel elements in reactors	179.1	89.8
Inventories of fuel elements	408.5	295.0
Payments on account	62.4	12.4

Total

(3) Accounts receivable and other assets

	31.12.2000 DM m	of which due in more than one year DM m	31.12.1999 DM m
Trade accounts receivable	3,437.9	18.1	1,006.4
Due from affiliated companies	8.7	3.0	13.0
Due from companies in which there is a participating interest	92.5	3.9	119.9
Payments on account for electricity procurem agreements	ent 78.4	55.5	82.2
Other assets	1,441.5	76.8	1,821.4
Total	5,059.0	157.3	3,042.9

Other assets consists mainly of loans against promissory notes, tax refund claims and deferred interest.

(4) Securities

	31.12.2000 DM m	31.12.1999 DM m
Own shares	608.0	616.8
Other securities	1,289.9	1,966.1
Total	1,897.9	2,582.9

It was resolved at the annual general meeting that EnBW be authorized to purchase up to ten per cent of its own shares.

As a result of this resolution passed at the general meeting on 12 July 2000, EnBW held at 31 December 2000 8,741,815 of its own ordinary bearer shares which were acquired at an average price of 35.99 €. In total, EnBW AG holds 3.5% of its own shares at 31 December 2000.

The purchases of own shares were made with a view to proposed partnerships with energy suppliers within and outside Germany and with industrial clients, which would be based on reciprocal equity participation.

The Company has not acquired any rights with its own shares; in particular, it is not entitled to any dividend payments. Included in the balance sheet are not only own shares in EnBW AG but also own shares in an affiliated company.

The own shares held were written down by DM 8.6 million during the year under review due to the fall in share price at the year-end. A corresponding amount was transferred from the reserve for own shares.

Other securities consists mainly of shares, bonds and mortgage bonds.

(5) Cash at bank and in hand

Cash at bank and in hand consists almost exclusively of cash at banks, largely invested as fixed-term deposits and overnight money.

(6) Deferred charges

Included in Deferred charges is a deferred tax asset of approximately DM 4.0 million (1999: DM 7.9 million) arising from consolidation adjustments with an effect on net income. The discount amounts to DM 1.1 million (1999: DM 0.6 million).

(7) Shareholders' equity

Movements in shareholders' equity are as follows:

Movements in shareholders' equity	As at 1.1.2000 DM m	Dividend payments DM m	Currency adjustments DM m	Net income for the year DM m	Other DM m	As at 31.12.2000 DM m
<u>oquity</u>	DIVITII	DIVITII	DIVITII	DIVITII	DIVITII	
Subscribed capital	1,251.8	-	-	-	-	1,251.8
Capital reserve	1,239.9	_	_	_	-	1,239.9
Revenue reserves	313.5	-	- 13.7	23.6	41.0	317.2
Minority interests	345.1	- 89.8	-	149.8	1,322.0	1,727.1
Group net income	225.0	- 217.1	-	225.0	- 7.9	225.0
Total	3,375.3	- 306.9	– 13.7	351.2	1,355.1	4,761.0

Subscribed capital

The capital stock of EnBW amounts to a 640,015,872.00 and consists of 250,006,200 individual shares, analysed as follows:

Total	250,006,200
Bearer shares	108,917,817
Registered shares	141,088,383
	No.

The mathematical value of the non-par-value shares in relation to the subscribed capital is 2.56 € per share.

OEW, the special-purpose association of the Oberschwäbische Elektrizitätswerke, holds 34.5 % of the voting capital of EnBW.

Landesbeteiligung Baden-Württemberg GmbH holds 25.01 % of the voting capital of EnBW. In November 1999, the state parliament of Baden-Württemberg decided to sell its share to Electricité de France International (EDF I). In a vote on 7 February 2001, the EU Commission approved the sale of the EnBW shares to EDF I, and with this decision the shares were legally transferred.

Until 22 October 2002, the Board of Management has the right to increase the capital stock, with the approval of the Supervisory Board:

- by DM 125 million (63,911,485.15 €) by issuing new shares in return for a contribution in cash (approved capital I)
- by DM 125 million (63,911,485.15 €) by issuing new shares in return for a contribution in cash or in kind (approved capital II).

Capital reserve

The capital reserve includes cash inflows from external sources in accordance with § 272 (2) HGB (German Commercial Code). The capital reserve relates to EnBW.

Revenue reserves

The revenue reserves consist of the reserve for own shares and the appropriate share of the revenue reserves of the parent company and of the other companies included in the consolidation from the date the companies are first consolidated. Consolidation adjustments with no effect on net income are set off against or credited to the revenue reserves and exchange differences are shown here. DM 8.6 million was transferred out of the reserve for own shares during the year under review, due to the shares being written down to the lower of cost and market value.

Minority interests

The minority interests figure relates to the shares in group companies held by third parties. The major part of the minority interests relates to the shares held by parties outside the Group in the following sub-groups: GESO Beteiligungs- und Beratungs-AG, Neckarwerke Stuttgart AG and Salamander AG.

Group net income for the year

The group net income for the year is the same as the unappropriated profit of EnBW.

(8) Special items

	31.12.2000 DM m	31.12.1999 DM m
Special items relating to investments in fixed assets		
investment grants	12.3	21.6
investment cost subsidies	10.8	12.6
Special tax-allowable reserves	121.5	145.2
Construction cost subsidies	2,002.3	1,405.5
Total	2,146.9	1,584.9

The investment grants are made in accordance with § 4a InvZulG (German Investment Grant Law).

The special tax-allowable reserves relate mainly to gains arising on disposal in accordance with § 6b EStG (German Income Tax Law) and transfers in accordance with § 273 HGB in conjunction with § 52(16) EStG.

The construction cost subsidies which have not yet been released to income were mainly paid for investment in the electricity sector, where the subsidized assets remain the property of the EnBW group companies. The subsidies are released to income on a straight-line basis.

(9) Provisions

	31.12.2000 DM m	31.12.1999 DM m
Provisions for pensions and similar obligations	4,566.9	2,875.1
Tax provisions	1,002.7	1,011.0
Provisions in the nuclear energy division less payments on account	12,594.8 - 828.9	8,909.6 - 462.1
	11,765.9	8,447.5
Other provisions	3,383.8	2,015.0
Total	20,719.3	14,348.6

The provisions for pensions and similar obligations are based on existing pension commitments for future benefits and current payments to eligible employees and former employees and their surviving dependants.

Tax provisions include provisions for income taxes and corporation sales taxes including the solidarity surcharge and trade income tax. The provisions in the nuclear energy sector are based on obligations under public law and operating licenses; they have been set up to provide for the reprocessing and disposal of spent fuel elements and radioactive waste and for decommissioning nuclear power stations.

The provisions for decommissioning nuclear power stations are accrued ratably, while the provisions for the disposal of fuel elements are made dependent on burn-off. The latter include, in particular, the costs of reprocessing on the basis of existing agreements and the costs of direct final storage.

For payments made on account between the issue of the special regulation on advance payment for safe storage (Endlagervoraus-leistungsverordnung) and the balance sheet date, entitlements to interest were included when calculating the level of the provisions.

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

(10) Liabilities

	of which falling due				
:	31.12.2000 DM m	within 1 year DM m	1 to 5 years DM m	over 5 years DM m	31.12.1999 DM m
Loans	128.4	_	128.4	-	123.4
Due to banks	2,883.6	964.6	1,042.8	876.2	1,268.8
of which secured by mortgages	(119.9)				(82.4)
Advance payments from customers	333.7	75.0	127.7	131.0	278.1
Trade accounts payable	946.7	943.0	3.7	-	476.4
Amounts due to affiliated companies	14.9	14.9	_	_	14.7
Amounts due to companies in which there is a participating interest	255.5	216.7	38.8	_	161.5
Other liabilities	1,210.1	759.7	345.2	105.2	477.5
			343.2	100.2	
of which taxes	(404.2)	(404.2)			(203.6)
of which social security	(45.6)	(45.6)			(17.1)
Total	5,772.9	2,973.9	1,686.6	1,112.4	2,800.4

The loans relate mainly to a Swiss franc loan. The term of the loan ends, unless it is repaid early, on 11 April 2005.

The amounts due to affiliated companies are in respect of affiliated companies not included in the consolidation.

Notes to the consolidated financial statements of EnBW Group Notes to the consolidated income statement

(11) Sales revenue

	2000 DM m	2000 DM m	1999 DM m	1999 DM m
Energy				
Electricity	8,681.9		7,202.8	
Electricity tax	- 497.7		- 222.0	
Gas	619.2		183.3	
District heat	179.7	8,983.1	91.4	7,255.5
Waste Management		506.8		461.5
Industry and Services		1,910.5		102.2
Total		11,400.4		7,819.2

Electricity tax was shown in the year under review as a deduction from sales revenue. In 1999, electricity tax was included both in sales revenue and in other taxes. The prior year figures have been adjusted in accordance with § 265 (2) HGB (German Commercial Code).

A separate segmental report shows an analysis of the group by division. In the year 2000, sales revenue from outside Germany amounted to DM 1,089.7 million. This relates mainly to the Industry and Services business segment. The effect on sales revenue of companies being consolidated for the first time was DM 3,238.4 million.

(12) Other operating income

Other operating income relates mainly to profits on the sale of fixed assets, transfers from provisions and rental income. Income from the transfers out of the special tax-allowable reserves was DM 52.0 million. Under this heading, DM 116.7 million in 2000 related to companies consolidated for the first time.

(13) Cost of materials

Total	6,750.0	3,877.2
Cost of external services	1,690.5	712.4
Cost of raw materials and supplies and of goods purchased for resale	5,059.5	3,164.8
	2000 DM m	1999 DM m

The cost of raw materials and supplies and of goods purchased for resale includes, inter alia, electricity procurement costs, transfers to provisions for decommissioning nuclear power stations, the disposal costs of spent fuel elements and radioactive waste, depreciation of nuclear fuel elements and nuclear fuel, fuel for conventional power stations and the cost of materials for industrial products in the Industry and Services business segment.

The cost of external services consists mainly of services provided for the operation and maintenance of plants and the costs of waste disposal and outsourced manufacture. In addition, other expenses directly attributable to the production of goods and services are shown under this heading.

Under this heading, DM 1,567.4 million in 2000 related to companies consolidated for the first time.

(14) Personnel expenses

	2000 DM m	1999 DM m
	4.044.5	4 400 0
Wages and salaries	1,941.5	1,136.6
Social security contributions, pension costs and staff welfare costs	823.6	607.2
of which pension costs	(467.6)	(395.9)
Total	2,765.1	1,743.8
A		
Average number of employees during the year:	2000	1999
White-collar	12,348	7,000
Blue-collar	13,836	4,761
Apprentices	1,143	820
Total	27,327	12,581

Where companies have been consolidated on a proportionate basis, the relevant proportion of the employees is included in the total. The separate segmental report shows an analysis of employees at 31 December 2000 by business segment.

Under this heading, DM 999.0 million in 2000 related to companies consolidated for the first time.

(15) Depreciation

	2000 DM m	1999 DM m
On intangible and tangible fixed assets	1,116.8	1,101.4
of which goodwill arising on consolidation	(11.2)	(15.4)
Transfer of investment cost subsidies	- 1.8	-4.9
On current assets	0.7	0.6
Total	1,115.7	1,097.1

Depreciation in accordance with tax regulations amounted to DM 4.2 million, while non-scheduled depreciation totalled DM 19.6 million.

To give a better representation of the net assets, financial position and results of operations of the group, depreciation on movable property has been calculated for the first time exclusively on a straight-line basis. This has reduced the total depreciation figure for the year under review by approximately DM 177.9 million.

Under the depreciation heading, DM 301.4 million in 2000 related to companies consolidated for the first time.

(16) Other operating expenses

Other operating expenses relate mainly to license fees, external administration and marketing services, other personnel costs and rental and leasing expenditure. The amount transferred to the special tax-allowable reserves was DM 8.9 million.

DM 533.5 million of other operating expenses relate to companies consolidated for the first time.

(17) Financial result

	2000 DM m	1999 DM m
Income from participating interests	27.6	42.7
Results of companies included under equity method	104.0	- 10.3
Income from the disposal of affiliated companies and participating interests	0.6	1.9
Income from profit and loss transfer agreements	-	0.6
Expenses from profit and loss transfer agreements	- 8.1	-8.4
Losses on disposal of affiliated companies and participating interests	_	-0.8
Other	- 8.8	3.6
Net investment income	115.3	29.3
Income from other securities and long-term financial investments	406.3	236.8
Other interest and similar income	223.9	187.4
of which from affiliated companies	(2.1)	(1.1)
Write-ups of financial assets	_	35.0
Profits on disposal of securities held as fixed assets and current assets	47.3	36.6
Interest and similar charges	- 161.1	- 190.8
of which from affiliated companies	(-0.1)	(-0.3)
Write-downs of securities held as fixed assets and current assets	- 67.8	-32.0
Losses on disposal of securities held as fixed assets and current assets	- 1.7	- 0.6
Net interest income	446.9	272.4
Financial result	562.2	301.7

Amortization of goodwill arising from valuation under the equity method, amounting to DM 31.7 million (1999: DM 53.9 million) has been set off in the "Results of companies included under the equity method".

(18) Taxes

	2000 DM m	1999 DM m
Current taxes on income	96.4	571.0
Deferred tax	3.0	9.1
Taxes on income	99.4	580.1
Other taxes	37.5	15.9
Total	136.9	596.0

Electricity tax was shown as a deduction from sales revenue in the year under review. In the previous year, electricity tax was included in Other taxes. The prior year figures have been adjusted in accordance with § 265 (2) HGB.

The figure for current taxes on income has declined substantially as a result of the mobilization of tax credits in heavily burdened equity interests in subsidiaries of EnBW AG.

(19) Group net income for the year

Due to movements on the special tax-allowable reserves, depreciation on fixed and current assets allowable for tax purposes and the resulting effect on tax expenditure, the group net income for the year is approximately 4.9 % higher than the amount which would otherwise have been posted. Significant future charges are therefore not expected. The group net income for the year has been substantially increased by amounts in operating income and expenses not relating to the current period.

(20) Minority interests

This item comprises the shares of profit and loss of the minority shareholders in the fully consolidated subsidiaries.

Notes to the consolidated financial statements of EnBW Group Additional Information

Contingent liabilities

Warranty obligations amounted to DM 90.0 million (1999: DM 103.5 million).

EnBW or one of its subsidiaries is jointly and severally liable in respect of participating interests in partnerships under the Civil Code and commercial partnerships.

There are guarantee obligations amounting to DM 9.4 million (1999: DM 79.5 million).

Other contingent liabilities amount to DM 531.1 million. They relate in particular to a guaranty bond for a pending offer procedure.

Other financial commitments

There are other financial commitments from rental and leasing agreements of DM 1,026.5 million (1999: DM 233.4 million).

Additional financial commitments exist in connection with an electricity purchase-option leasing agreement until the year 2015. The leasing instalments during the financial year were DM 217.2 million.

Order commitments of DM 191.1 million (1999: DM 274.2 million) exist in respect of various construction projects.

In the Group, there are capital expenditure commitments of DM 50.8 million (1999: DM 1.9 million).

Other financial commitments amounted to DM 377.2 million (1999: DM 185.6 million). Of this, DM 98.1 million (1999: DM 100.6 million) relates to the conditionally repayable loan of a subsidiary to finance a waterway, and DM 170 million relates to limited partners' contributions not yet fully paid.

Other information

The members of the Board of Management and the Supervisory Board are listed on pages 6 and 9.

The remuneration of the Board of Management for the financial year came to DM 6,509,727.12.

Former members of the Board of Management and their surviving dependants received DM 4,701,137.63.

EnBW has set aside DM 40,858,327.00 for pension obligations to former members of the Board of Management and their surviving dependants.

The members of the Supervisory Board received DM 771,181.30 in remuneration.

Notes to the consolidated financial statements of EnBW Group Notes to the Cash Flow Statement

Preliminary remarks

In the Cash Flow Statement, cash flows are separated into those derived from operating activities, investing activities and financing activities.

Within the Net cash inflow from operating activities, the cash flow as defined by DVFA/SG is also disclosed. The balance on the Cash Flow Statement represents the increase in cash and cash equivalents during the financial year.

The effects of changes in the companies included in the consolidation are eliminated under the respective headings in the three areas of activity.

Cash Flow Statement for the 2000 financial year

In the 2000 financial year, the cash flow as defined by DVFA/SG amounted to DM 1,431.0 million (1999: DM 1,795.2 million). The net cash inflow from operating activities was DM 115.8 million (1999: DM 1,634.5 million). The decrease in the net cash inflow from operating activities is mainly due to the increase in short-term accounts receivable at the balance sheet date, in particular tax refund claims as a result of measures in connection with the Tax Reduction Law and accounts receivable arising from the new energy industry subsidy laws.

There was a net cash outflow from investing activities of DM 743.1 million. The net cash inflow from financing activities was DM 772.5 million. Cash and cash equivalents increased by DM 145.0 million, which is represented by the sum of the net cash inflow from operating activities and the net cash inflow from investing and financing activities, taking account of items not involving the movement of cash.

Cash and cash equivalents consist of short-term cash at bank and in hand. Securities held as current assets are no longer included in cash and cash equivalents. The cash and cash equivalents figure for 1999 has been adjusted accordingly. Of the total cash and cash equivalents, DM 2.3 million (1999: DM 4.4 million) is attributable to proportionately consolidated companies. No other restrictions on the right of disposal apply. The items not involving the movement of cash relate to movements in exchange rates.

There are no significant cash flows from extraordinary items or major investment or financing transactions not affecting the movement of cash to be recorded.

The effect of companies included in the consolidation for the first time on the assets and liabilities of the group is disclosed in the section on the scope of the consolidation.

Notes to the consolidated financial statements of EnBW Group Notes to the Segmental Report

Preliminary remarks

The aim of the segmental report is to provide information about the major classes of business in the Group. It is also intended to present a view of the risk and opportunity structure of a diversified group. The segments in the EnBW Group correspond to the divisions used for internal reporting. The structure and content of the internal reporting systems also provide a view of the risk and opportunity structure of the various divisions.

The segment data has been determined in accordance with the valuation methods used in the consolidated financial statements.

Classes of business

The energy segment includes the following activities: production of electricity, buying and selling of electricity, and the transport, distribution and marketing of electricity. The gas and district heat divisions are also included here.

The waste management segment, under the management of U-plus Umweltservice AG, a 100 % subsidiary of EnBW, consists of waste disposal services and recycling services.

The industry and services segment relates to all other industrial activities not included in either of the above 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 and services relating to business accounting and administration. In comparison with the previous year, this segment now includes the activities of the Salamander Group.

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

Notes relating to the segment data

Internal sales consists of sales between group companies. Sales between segments are at market prices.

The operating result is the profit on ordinary activities before tax less the financial result. The prior year figure has been adjusted for the change in the disclosure of electricity tax.

Allocation of investments, assets and liabilities to segments has taken place within the EnBW Group itself.

There were no extraordinary items in the 2000 financial year.

EnBW Group Auditors' report

We have audited the consolidated financial statements of Energie Baden-Württemberg Aktiengesellschaft, Karlsruhe, and the management report of the Company and Group for the year ended 31 December 2000. The preparation of the consolidated financial statements and management report in accordance with German company law is the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and the management report of the Company and Group, based on our audit.

Our audit of the consolidated financial statements was conducted in accordance with § 317 HGB (German Commercial Code) and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that an audit be planned and performed so as to obtain reasonable assurance about whether the presentation of net assets, financial position and results of operations in the consolidated financial statements and the management report of the Company and Group is free from material misstatement and in compliance with accounting principles generally accepted in Germany. Knowledge of the Group's business activities and the economic and legal environment in which it operates and evaluations of possible misstatements are taken into account in determining audit procedures. The audit includes an examination, primarily on a test basis, of the effectiveness of the internal control system and of the supporting evidence for the figures and disclosures in the consolidated financial statements and in the management report of the Company and Group. It also includes an assessment of the financial statements of the companies included in the consolidated financial statements, the scope of the consolidation, the accounting policies and consolidation principles used, significant estimates made by the Board of Management and of the presentation of the consolidated financial statements and the management report of the Company and Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, in compliance with accounting principles generally accepted in Germany. The management report of the Company and Group properly reflects the position of the Group and includes an appropriate assessment of the risks to the future development of the Group.

Karlsruhe, 2 March 2001

PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Wagner Bäder

Wirtschaftsprüfer Wirtschaftsprüfer

Financial Statements of EnBW AG Extract

EnBW AG Balance Sheet as at 31 December 2000

		31.12.2000 DM m	31.12.1999 DM m
ASSETS	Fixed assets		
	Tangible fixed assets	5.0	2.5
	Financial assets	12,769.2	11,219.6
		12,774.2	11,222.1
	Current assets		
	Due from affiliated companies	1,855.7	982.4
	Other accounts receivable and other assets	746.2	1,349.3
	Securities	1,814.9	2,417.8
	Cash at bank and in hand	794.8	1,224.4
		5,211.6	5,973.9
	Deferred charges	137.5	104.3
		18,123.3	17,300.3
SHAREHOLDERS' EQUITY AND LIABILITIES	Shareholders' equity		
	Subscribed capital	1,251.8	1,251.8
	Capital reserve	1,239.9	1,239.9
	Revenue reserves	635.5	635.5
	Unappropriated profit	225.0	225.0
		3,352.2	3,352.2
	Special items	19.4	27.6
	Provisions	3,474.0	3,769.1
	Liabilities Due to affiliated companies	9,515.8	9,482.4
	Other liabilities	1,697.5	601.1
		11,213.3	10,083.5
	Deferred income	64.4	67.9
		18,123.3	17,300.3

EnBW AG Income Statement for the year ended 31 December 2000

	2000 DM m	1999 DM m
Net investment income	613.6	973.2
Net interest income	- 16.4	- 166.6
Other operating income	57.7	140.5
Personnel costs	- 209.9	- 206.7
Depreciation	-0.6	- 0.6
Other operating expenses	- 166.1	- 180.2
Profit on ordinary activities before tax	278.3	559.6
Taxes	- 61.2	-342.0
Net income for the year	217.1	217.6
Brought forward from prior year	7.9	7.9
Transfer from reserve for own shares	8.6	-
Transfer to reserve for own shares	_	- 0.5
Transfers to other reserves	-8.6	_
Unappropriated profit	225.0	225.0

The financial statements of EnBW AG, on which PwC Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, has expressed an unqualified opinion, will be published in the German Federal Official Gazette and deposited with the Commercial Register of the Karlsruhe municipal court, ref. HRB 7956. A copy of the full financial statements in German may also be requested directly from EnBW.

Annex EnBW AG Fixed Asset Movement Schedule in 2000 in DM million

Acquisition	or	production	cost
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		1	I			
			Transfers (Ü)			
	As at 1.1.2000	Addi- tions	Reclassi- fication	Dis- posals	As at 31.12.2000	
Tangible fixes assets						
Land and leasehold rights and buildings, including buildings on third-party land	4.7	0.3	0.0	0.0	5.0	
Factory and office equipment	0.5	0.3	(Ü) 2.8	0.0	3.6	
Payments on account and assets under construction	0.0	0.5	0.0	0.0	0.5	
	5.2	1.1	(Ü) 2.8	0.0	9.1	
Financial assets						
Share in affiliated companies	6,182.3	814.4	939.3	0.0	7,936.0	
Loans to affiliated companies	54.3	196.8	0.0	0.0	251.1	
Participations	2,742.2	16.2	(Ü) – 11.6 – 939.3	202.8	1,604.7	
Loans to companies in which there is a participating interest	4.0	0.0	0.0	4.0	0.0	
Securities held as fixed assets	2,171.4	933.0	0.0	203.0	2,901.4	
Other loans	107.3	9.4	0.0	11.7	105.0	
	11,261.5	1,969.8	(Ü) – 11.6	421.5	12,798.2	
	11,266.7	1,970.9	(Ü) –8.8	421.5	12,807.3	

	Accumulated depreciation/discounts			Net boo	Net book value		
As at 1.1.2000	Transfers (Ü) Depreciation for the year	Disposals Interest (A)	As at 31.12.2000	As at 31.12.2000	As at 31.12.1999		
2.6	0.5	0.0	3.1	1.9	2.1		
0.1	(Ü) 0.8 0.1	0.0	1.0	2.6	0.4		
0.0	0.0	0.0	0.0	0.5	0.0		
2.7	(Ü) 0.8 0.6	0.0	4.1	5.0	2.5		
7.5	0.0	0.0	7.5	7,928.5	6,174.8		
9.3	0.0	(A) 9.3	0.0	251.1	45.0		
15.4	0.0	4.4	11.0	1,593.7	2,726.8		
4.0	0.0	4.0	0.0	0.0	0.0		
0.0	3.9	0.0	3.9	2,897.5	2,171.4		
5.7	6.6	(A) 5.7	6.6	98.4	101.6		
41.9	10.5	(A) 15.0 8.4	29.0	12,769.2	11,219.6		
44.6	(Ü) 0.8 11.1	(A) 15.0 8.4	33.1	12,774.2	11,222.1		

EnBW AG Proposal for the Allocation of Profit

In the financial statements of EnBW AG at 31 December 2000, unappropriated profit amounts to DM 225,039,801.06. It will be proposed at the annual general meeting that this amount is allocated as follows:

<u>DM</u>

Distribution of a dividend of DM 0.90 DM per share entitled to dividend (243,765,005 shares)

219,388,504.50

Amount carried forward

5,651,296.56

Unappropriated profit

225,039,801.06

Karlsruhe, February 2001

Energie Baden-Württemberg Aktiengesellschaft The Board of Management

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EnBW AG Auditors' Report

We have audited the financial statements, accounting records and management report of Energie Baden-Württemberg Aktiengesellschaft, Karlsruhe, for the year ended 31 December 2000. The management report of the Company is integrated with the Group management report. The maintenance of the accounting records and the preparation of the financial statements and integrated management report in accordance with German company law and supplementary provisions in the articles of association are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the financial statements, accounting records and integrated management report, based on our audit.

Our audit of the financial statements was conducted in accordance with § 317 HGB (German Commercial Code) and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that an audit be planned and performed so as to obtain reasonable assurance about whether the presentation of net assets, financial position and results of operations in the financial statements and integrated management report is free from material misstatement and in compliance with accounting principles generally accepted in Germany. Knowledge of the Company's business activities and the economic and legal environment in which it operates and evaluations of possible misstatements are taken into account in determining audit procedures. The audit includes an examination, primarily on a test basis, of the effectiveness of the internal control system and of the supporting evidence for the figures and disclosures in the accounting records, financial statements and integrated management report. It also includes an assessment of the accounting policies used and of significant estimates made by the Board of Management. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the financial statements give a true and fair view of the net assets, financial position and results of operations of Energie Baden-Württemberg Aktiengesellschaft, Karlsruhe, in compliance with accounting principles generally accepted in Germany. The management report, which has been integrated with the Group management report, properly reflects the position of Energie Baden-Württemberg Aktiengesellschaft, Karlsruhe, and includes an appropriate assessment of the risks to the future development of the Company.

Karlsruhe, 2 March 2001

PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Wagner Kurz

Wirtschaftsprüfer Wirtschaftsprüfer

Information on the executive bodies

Other offices hald by members of the Board of Management*

Gerhard Goll

Chairman

(1) Karlsruher Lebensversicherung AG Stadtwerke Karlsruhe GmbH (until 18 May 2000) VEAG Vereinigte Energiewerke AG (from 8 October 2000)

(2) EnBW Kraftwerke AG
EnBW Regional AG (until 31 December 2000)
EnBW Service GmbH (until 31 December 2000)
Neckarwerke Stuttgart AG (Chairman; from 28 July 2000)
Salamander AG

(3) Baden-Württembergische Bank AG (Advisory Council) Baden-Württembergische Kapitalbeteiligung GmbH (until 31 December 2000)

Deutsche Bank AG (Advisory Council)

Elektrizäts-Gesellschaft Laufenburg AG (Board of Directors) EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (Board of Directors; from 17 August 2000) EnBW Gesellschaft für Stromhandel mbH (Board of Directors; until 31 December 2000)

EnBW Energie-Vertriebsgesellschaft mbH (Board of Directors) EnBW Gesellschaft für Messung und Abrechnung mbH

(Board of Directors; until 31 December 2000)

EnBW Telekommunikation GmbH (Board of Directors;

from 1 September 2000)

EnBW Venture Capital Beteiligungsgesellschaft mbH

(Board of Directors; until 12 January 2000)

Schluchseewerk AG (Advisory Council)

tesion Communikationsnetze Südwest GmbH & Co KG

(Chairman of the Board of Directors; from 1 September 2000)

WATT AG (Board of Directors)

Hans-Jürgen Arndt

(1) DIW Deutsche Industriewartung AG (until 25 September 2000)

Elektrizitätswerk Mittelbaden AG

Grosskraftwerk Mannheim AG

Heizkraftwerk Pforzheim GmbH (until 30 April 2000)

Kraftwerk Reckingen AG (Chairman)

RADAG Rheinkraftwerk Albbruck-Dogern AG

Reederei Schwaben GmbH

Rheinkraftwerk Säckingen AG (Chairman; until 11 April 2000)

Schluchseewerk AG

(2) EnBW Kraftwerke AG

EnBW Ostwürttemberg DonauRies AG (until 31 December 2000)

EnBW Regional AG (until 30 June 2000)

EnBW Service GmbH (Chairman)

EnBW Transportnetze AG (until 31 May 2000)

ESAG Energieversorgung Sachsen Ost

GESO Beteiligungs- und Beratungs-AG

^{* (1)} Office in accordance with § 100 I AktG

⁽²⁾ Office in accordance with § 100 II S 2 AktG

⁽³⁾ Office in accordance with § 125 I AktG

(3) Centrale Electrique Rhénane de Gambsheim SA DEG-Verkehrs-GmbH (until 31 May 2000) EnBW Energie-Vertriebsgesellschaft mbH (Board of Directors; until 3 May 2000) EnBW Gesellschaft für Stromhandel mbH (Board of Directors; until 31 August 2000) EnBW Gesellschaft für Messung und Abrechnung mbH (Chairman of the Board of Directors) Kraftwerk Ryburg-Schwörstadt AG (Board of Directors: until 16 February 2000) Kernkraftwerk Obrigheim GmbH (Board of Directors; until 31 December 2000) Rheinkraftwerk Iffezheim GmbH TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH (Chairman of the Board of Directors; until 31 December 2000)

Dr. Hartmut Bilger

(until 31 August 2000)

(1) Schluchseewerk AG (until 25 May 2000)

(2) EnBW Kraftwerke AG (Chairman; until 15 October 2000) EnBW Ostwürttemberg DonauRies AG (Chairman) EnBW Transportnetze AG (Chairman; until 31 August 2000) ESAG Energieversorgung Sachsen Ost AG (Chairman) GESO Beteiligungs- und Beratungs-AG (Chairman; until 31 August 2000)

U-plus Umweltservice AG (Chairman; until 31 December 2000)

(3) Amata Power Ltd (until 31 December 2000)
Budapesti Elektromos Müvek Rt. (until 31 December 2000)
Centrale Electrique Rhénane de Gambsheim SA
(until 29 June 2000)

EnBW Energie-Vertriebsgesellschaft mbH (Board of Directors; until 31 August 2000)

EnBW Gesellschaft für Messung und Abrechnung mbH (Board of Directors: until 31 August 2000)

EnBW Gesellschaft für Stromhandel mbH (Board of Directors; until 31 August 2000)

EnBW International GmbH (Board of Directors;

until 31 August 2000)

EnBW Telekommunikation GmbH (Board of Directors; until 31 August 2000)

Eszak Magyaroszág Aramszolgáltató Rt. (until 31 December 2000) Facilma Grundbesitzmanagement und -service GmbH

(Chairman of the Board of Directors; until 31 August 2000)

Fernwärme Ulm GmbH (until 31 August 2000)

Kernkraftwerk Obrigheim GmbH (Board of Directors;

until 2 March 2000)

Mátrai Erömü Rt. (until 31 December 2000)

Novacom Tàvközlési Kft. RWE-EnBW Mgyaroszág Kft. (until 31 December 2000)

Rheinkraftwerk Iffezheim GmbH (until 29 June 2000)

Rojana Power Company Ltd. (until 31 December 2000)

tesion Communikationsnetze Südwest GmbH & Co KG

(Board of Directors; until 31 August 2000)

Dr. Klaus J Kasper

(1) Deutsche Gesellschaft zum Bau und Betrieb von

Endlagern für Abfallstoffe mbH

Gemeinschaftskernkraftwerk Neckar GmbH

(Board of Directors; until 31 January 2000)

Grosskraftwerk Mannheim AG

Obere Donau Kraftwerke AG (Chairman; until 17 May 2000)

Rheinkraftwerk Säckingen AG

Rhein-Main-Donau AG

Schluchseewerk AG (Chairman)

Stadtwerke Karlsruhe GmbH

Vorarlberger Illwerke AG (from 1 January 2000)

(2) EnBW Kraftwerke AG (Chairman)

EnBW Ostwürttemberg DonauRies AG (from 1 January 2001)

EnBW Regional AG (Chairman; from 1 July 2000)

EnBW Transportnetze AG (Chariman)

ESAG Energieversorgung Sachsen Ost AG

GESO Beteiligungs- und Beratungs-AG (from 18 June 1999)

Neckar-AG

U-plus Umweltservice AG

Zementwerk Lauffen-Elektrizitätswerk Heilbronn AG (from 27 November 2000)

(3) Amata Power Ltd. (from 1 January 2001)

Centrale Electrique Rhénane de Gambsheim SA

Deutsche Ges. für Wiederaufarbeitung von Kernbrennst. mbH (Board of Directors; until 31 May 2000)

EnBW Energie-Vertriebsgesellschaft mbH

EnBW Gesellschaft für Stromhandel mbH (Board of Directors)

EnBW Gesellschaft für Messung und Abrechnung mbH

(Board of Directors)

EnBW Ingenieure GmbH (Chairman of the Board of Directors)

EnBW International GmbH (Board of Directors; from 1 January 2000)

EnBW Venture Capital Beteiligungsgesellschaft mbH

(Chairman of the Board of Directors)

Facilma Grundbesitzmanagement und -service GmbH

(Chairman of the Board of Directors; from 1 September 2000)

Fernwärme Ulm GmbH

innotech Innovationen und neue Technologien Beteiligungs GmbH

(Chairman of the Advisory Council)

Gasversorgung Pforzheim Land GmbH (until 1 July 2000)

Kernkraftwerk Leibstadt AG (Board of Directors; until 21 June 2000)

Kernkraftwerk Obrigheim GmbH

(Chairman of the Board of Directors)

Kraftwerk Ryburg-Schwörstadt AG (Vice-Chairman of the

Board of Directors)

Mátrai Erömü Rt.

Rheinkraftwerk Iffezheim GmbH (Chairman)

Rojana Power Co Ltd. (from 1 January 2001)

Skandinavisk Kraftmegling AS (Board Member)

TAE Thermische Abfallentsorgung Ansbach GmbH

(Board of Directors)

Wärmeverbundkraftwerk Freiburg GmbH (Board of Directors;

until 17 July 2000)

WATT AG (Board of Directors)

Pierre Lederer

(from 1 June 2000)

- (1) DREWAG Stadtwerke Dresden GmbH (from 2 December 2000)
- (2) EnBW Kraftwerke AG (from 15 January 2001) EnBW Transportnetze AG (from 1 September 2000) ESAG Energieversorgung Sachsen Ost AG (from 23 November 2000) GESO Beteiligungs- und Beratungs-AG (Chairman; from 9 November 2000)
- (3) EnBW Energie-Vertriebsgesellschaft mbH (Chairman; from 23 October 2000)

EnBW Gas GmbH (Chairman of the Board of Directors; from 15 July 2000)

EnBW Gesellschaft für Messung und Abrechnung mbH

(Board of Directors; from 1 September 2000)

EnBW Gesellschaft für Stromhandel mbH (Chairman of the Board of Directors; from 1 September 2000)

EnBW International GmbH (Chairman of the Board of Directors; from 1 September 2000)

RWE-EnBW Mgyaroszág Kft. (from 1 January 2001)

Dr. Reinhard Volk

(from 1 January 2001)

- (1) AGIV AG für Industrie- und Verkehrswesen (from 27 June 2000) Deutsch-Niederländische Handelskammer
- (2) EnBW Energie-Vertriebsgesellschaft mbH (from 1 February 2001) EnBW Regional AG (from 1 January 2001) EnBW Service GmbH (from 1 January 2001) GESO Beteiligungs- und Beratungs-AG (from 1 February 2001)
- (3) Baden-Württembergische Kapitalbeteiligung GmbH (from 1 January 2001)

EnBW Gesellschaft für Stromhandel mbH (Board of Directors; from 1 September 2000)

EnBW International GmbH (from 1 January 2001)

EnBW Venture Capital Beteiligungsgesellschaft mbH

(Board of Directors; from 1 January 2001)

innotech Innovationen und neue Technologien Beteiligungs GmbH (Board of Directors; from 1 January 2001)

tesion Communicationsnetze Südwest GmbH & Co KG

(Board of Directors from 5 February 2001)

Kernkraftwerk Obrigheim GmbH (Board of Directors; from 1 January 2001)

Other offices held by members of the Supervisory Board*

Dr. Wolfgang Schürle

Landrat (Chief Administrative County Officer) (Chairman)

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

Adolf Dinkel

Chairman of the Central Works Council of EnBW Service GmbH (Vice-Chairman from 30 March 2000)

- (1) EnBW Service GmbH EW Mittelbaden AG
- (3) TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistung mbH (Board of Directors) EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (Board of Directors; from July 2000)

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- * (1) Office in accordance with § 100 I AktG
 (2) Office in accordance with § 100 II S 2 AktG
 (3) Office in accordance with § 125 I AktG
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Published by:

EnBW Energie Baden-Württemberg AG Durlacher Allee 93 D-76131 Karlsruhe

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Edited by:

Corinna Salzer, EnBW

Design:

Kreutz & Partner Werbeagentur, Düsseldorf

Photography:

Dieter Eikelpoth, Düsseldorf

Printed by:

Kraft Druck und Verlag GmbH, Ettlingen-Oberweier

This report is also published in German.

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