EnBW

Annual Report 2003
„With energy into the future“

EnBW group		2003 IFRS/IAS	2002 IFRS/IAS	Variance in %
Sales				
Electricity	€ millions	7,404.8	6,139.1	+20.6
Gas	€ millions	1,429.3	533.7	+167.8
Energy and environmental services	€ millions	538.4	433.7	+24.1
Core business, total	€ millions	9,372.5	7,106.5	+31.9
Discontinuing operations	€ millions	1,236.6	1,382.1	-10.5
External sales, total	€ millions	10,609.1	8,488.6	+25.0
EBITDA	€ millions	1,013.6	1,140.5	-11.1
EBIT	€ millions	-190.4	393.9	-148.3
Net result	€ millions	-1,192.9	-44.5	-
Earnings per share	€	-5.40	-0.19	-
Net cash from operating activities	€ millions	885.4	517.4	+71.1
Capital expenditures on intangible assets and property, plant and equipment	€ millions	565.6	604.0	-6.4
Employees (annual average)	number	34,719	38,501	-9.8
Employees as of Dec. 31	number	24,589	38,721	-36.5

At a glance

Annual Report 2003

„With energy into the future“

Contents

Overview

Board of Management and Supervisory Board

Management report

Further information

Financial statements

Additional information

Brief portrait: Who we are

With some 5.4 million energy customers, Energy Baden-Württemberg AG is the third largest energy company in Germany. In 2003 we generated annual sales of approx. € 10.6 billion with just under 24,600 employees.

Our activities in the energy business extend beyond the boundaries of Baden-Württemberg and our ability to innovate at speed sets us apart from the competition. We also have operations in the markets in central and eastern Europe and will make use of the opportunities offered there.

The close proximity to our customers and their strong loyalty are ideal conditions to grow profitably in attractive segments of the final customer market, to market our products and to enhance our performance along the whole value added chain.

Our core activities in the electricity, gas and other energy-related areas are also reflected in the photo series in this annual report.

Vision: What we want

We have set ourselves ambitious targets for the next few years. A daunting task. But we are convinced that we will have achieved all ten goals in five years.

We want:

1. to be the market player in our industry with the strongest regional base and responsibility.
2. to reinforce, develop and expand our number three position in our industry in Germany, to pursue – compared to the competition – the most consistent synergetic multi-brand strategy and to achieve high levels of customer satisfaction.
3. to develop the existing perspectives for central and eastern Europe significantly.
4. to be the most focused market player in our industry that bundles its strenghs most effectively and does the important things the right way.
5. to develop the strategic alliance with EDF into a model and symbol of pan-European collaboration within the America-Europe-Asia triad.
6. to become the market player in our industry with the highest relative earning power.
7. to be the number one in terms of our ability to adapt rapidly to a dynamic business environment.
8. to be the market player which does greatest justice to its social and ecological responsibility.
9. to participate actively in the development of the future energy-mix and in the future development of energy policy and business in general and to intervene appropriately, clearly and constructively.
10. to be the number one in knowledge management to ensure the best possible support for and development of the potential of our people.

This vision was announced by Prof. Dr. Utz Claasen at a staff meeting in December 2003.

Top issues

January 2003
EnBW acquires a majority holding in the Swiss Kraftwerk Laufenburg AG, now Energiedienst Holding AG. With its successful brand “NaturEnergie”, the Energiedienst group assumes the supraregional role of eco-electricity provider within the EnBW group.

EnBW realigns its selling activities in Spain: EnBW España is integrated with Hidrocantábrico.

EnBW issues a bond of CHF 400 million on the Swiss capital market which can be placed long term with investors.

The future CEO of EnBW, Prof. Dr. Utz Claassen, becomes knowledge manager of the year.

February 2003
EnBW officially puts the world’s first fuel cell into operation at the Michelin tyre plant in Karlsruhe that, besides electricity, generates 200°C steam for an industrial production process.

In connection with the handover of the chair of EnBW from Gerhard Goll to Prof. Dr. Utz Claassen to take place on May 1, there are further changes in the company’s management team.

March 2003
Effective March 31, 2003 Gerhard Jochum leaves the Board of Management of EnBW at his own request.

May 2003
Prof. Dr. Utz Claassen becomes the new CEO of EnBW. In his first few days in office, the Board of Management already decides to realign it from a strategic to an operative holding.

Standard & Poor's reduces the long-term rating from A+ to A. EnBW thus retains a strong rating in the A category. The outlook is stable.

EnBW launches a Euro Commercial Paper programme with a volume of € 2 billion.

To effectively strengthen and accelerate the TOP FIT programme designed to improve results, the EnBW Board of Management appoints a new project manager.

June 2003
As part of the four-year TOP FIT Programme, the Board of Management imposes a groupwide freeze on capital expenditures and new service agreements. This does not apply to measures relating to security or legally required measures.

The rating agency Moody’s confirms its A2 rating, but changes the outlook from “stable” to “negative”.

EnBW renews the syndicated credit of € 3 billion entered into in April 2002.

July 2003

The survey of the situation and the strategic position of the company carried out after the new CEO took office, reveals new findings about significant potential burdens on results for 2003.

Dr. h.c. Detlef Schmidt assumes responsibility for the new portfolio of the Board of Management for marketing and sales.

CFO Dr. Bernd Balzereit retires from the Board of Management at his own request. For the time being, the finance portfolio will be managed by Prof. Dr. Utz Claassen.

EnBW suspends the general manager of the group subsidiary Yello. Just a few weeks before, the CEO, Prof. Dr. Utz Claassen, had given Yello until the end of 2005 to record positive results.

Two new general manager of Thermoselect Südwest GmbH are appointed to improve the economic efficiency of the Karlsruhe plant.

To simplify the group structure, the Board of Management passes a resolution to reduce the investment portfolio by almost 40%. The streamlining of the group is to be achieved by means of mergers, liquidations, sales (divestitures) and integration in partnerships.

With immediate effect, Dr. Kajo Neukirchen becomes the advisor of EnBW's CEO. As an external partner, he reinforces the group's own team that is responsible for the implementation of the TOP FIT programme and the restructuring of the EnBW group.

August 2003

Supply certainty is ensured despite the heat wave and extreme water situation. EnBW mobilises all its technical, economic and organisational reserves to prevent bottlenecks in electricity supply and to ensure supply certainty.

In the first half year, the EnBW pre-tax result is impacted by "legacy burdens" of more than € 1 billion. The half-year figures of EnBW Energie Baden-Württemberg AG confirm and specify the potential burdens on results already announced by Prof. Dr. Utz Claassen in July.

September 2003

EnBW continues to train more apprentices than required. In terms of the main core companies apprentices account for 7.9% of the workforce.

As a precautionary measure, EnBW terminates company agreements relating to cost-intensive social benefits.


October 2003

The merger of the operating subsidiaries of NWS with the EnBW companies takes effect. The merger allows better positioning in the market and the exploitation of further synergies.

EnBW contributes resources and ideas to the climate protection conference at Lake Como. In future, EnBW intends to intensify its involvement in international climate protection.

At Bad-Schönborn-Mingolsheim spa bath, EnBW's first 250 kW fuel cell ends its pilot operations. It supplies the baths with electricity and heat and supports the energy management in a local electricity network with variable output.

Garant Schuh + Mode AG takes over the specialist retail group of Salamander AG comprising 230 shoe shops from EnBW.

November 2003

Socially compatible personnel cuts and reorganisation measures to streamline the group are initiated.

EnBW retains its rating in the A category. The rating decision of Moody's reflects the successful consolidation course of EnBW.

The management board of the VRE (Association of Interconnected Energy Companies and Regional Energy Suppliers in Germany) appoints Prof. Dr. Utz Claassen deputy of the VRE president.

The recalculation of the network user charges is completed. EnBW is still one of the most favourably priced network operators.

December 2003

Salamander AG surrenders the majority to the Gegenbauer-Bosse group. The sale is a further step in the portfolio grooming initiated by the EnBW group.

EnBW sells the cable network operator DiTRA to Kabel Baden-Württemberg GmbH & Co. KG, as of January 1, 2004.

With the formation of EnBW Kernkraft GmbH (EnKK), EnBW combines the plant management of its nuclear power station in a single company leading to greater efficiency and the bundling of resources.

Germany's minister of the environment Jürgen Trittin gathers information about the planned reconstruction of the NaturEnergie power station of the EnBW subsidiary Energiedienst Holding AG. The reconstruction work at the oldest run-of-river power station in Europe is Germany's largest construction project in the field of renewable energies.

With the support of EnBW, the Bad Urach municipal utilities begin a second 4-km borehole to tap the 170°C hot dry rock to produce electricity and heat. The prerequisites are thus created for the construction of a geothermal power station to use the hot dry rock.

January 2004

On January 1, 2004, EnBW Regional AG introduces a standard network user charge throughout its network territory in Baden-Württemberg.

Effective January 1, 2004, EnBW sells the Salamander subsidiary Melvo GmbH – one of the leading shoe care and accessories companies – to financial investors and to the management.

A victory of good sense: in the fourth round of talks the collective bargaining partners for the energy industry in Baden-Württemberg reach an agreement. For EnBW's CEO parity has been preserved for both sides of an agreement in which the company has achieved its economic objectives and redundancies have been avoided for the workforce.

February 2004

The shares of EnBW Solutions GmbH are sold to SCR-Tech LLC including the corresponding right to use the regeneration method.

In the course of current project to reduce complexity, to date 86 companies and investments have been sold, merged, contributed to partnerships or closed down.

By eliminating marginal activities from the segments and focusing on the core business, EnBW systematically pursues its policy of structural realignment.

Board of Management and Supervisory Board

Letter to our shareholders

Dear Shareholders,

2003 was, as you are all well aware, a very difficult and extremely strenuous year for our company. Serious problems became apparent which had not been expected. But we also gained clarity of vision about the problems and have developed forward-looking solutions. Thus, although the fiscal year 2003 revealed an unacceptable earnings situation, on the other hand the foundation stone was laid for a sustainably successful and competitive EnBW.

Looking back at the whole year, the analogy to the climb of Lance Armstrong after Luz Ardiden in the last Tour de France drawn in my letter to you in the last interim report, is still applicable. I now believe even more strongly than before that, like a rush of adrenalin, the very difficult situation encountered in the fiscal year 2003 can and will have a positive effect on the future of EnBW. Lance Armstrong did not stay on the ground after his fall, but got up again immediately and eventually left his rivals behind him.

We have not yet got as far as Lance Armstrong at the end of the Tour. In a very short time we have, however, created the highest possible degree of transparency and on a broad basis defined the necessary structural and operative improvements which are now rapidly being implemented.

Prof. Dr. Utz Claassen, CEO

In the interim report, I reported to you that the survey carried out after I took office on May 1, 2003 had shed light on the problem areas originating from the past that now needed to be tackled on the earnings side and on the balance sheet. As regards the negative effects on earnings for the fiscal year 2003 from these “legacy burdens” on the pre-tax result, I had forecast that the burden on results of almost € 1.1 billion in the first half-year 2003 would be followed by a further burden on earnings of almost € 200 million in the second half-year 2003.

The results of this very quick analysis of the situation and the overall dimensions of the problems derived from this have been confirmed: the EBT of the fiscal year 2003 was negatively impacted by “legacy burdens” totalling € 1.33 billion. Although we made further findings in the second half-year 2003 and gathered information and acquired insights here and there, there were no more major shifts, an important fact which reflects the newly won robustness.

Hence, having undertaken the appropriate and necessary balance sheet adjustments, there is now also a robust basis for the sensible, future-oriented development of the group. For you, the pre-tax loss for the whole of 2003 of around € 1.1 billion is certainly a serious blow. But more important than this admittedly extremely problematic fiscal-year situation is the question of sustainable development and the prospects for the future from today’s perspective.

On various occasions we had already indicated that the adverse effects of the “legacy burdens” are largely non-recurring in nature without a permanent effect on operations in the core business and that on the whole they would not impact the liquidity situation. Moreover, the Board of Management, management and workforce have “rolled up their sleeves” as announced and made significant progress in the endeavour to fill the short-term “earnings hole” of 2003 as quickly as possible by substantially improving the operative performance of the group.

Very quickly, we have succeeded in perceptibly reducing costs and optimising investments. Target costing and target investment are to be entrenched in our group as processes geared towards competition and shareholder value. Significantly enhanced cost and investment efficiency and effectiveness must become important pillars of our future development.

In addition, we have succeeded in developing the TOP FIT programme to improve our cost structures from a good and important idea into a specific plan of action made up of individual measures. In terms of the operative earnings power, the systematic and strict implementation of the TOP FIT programme is our most important challenge. You may be pleased to hear that we were able to exceed the targets we have set ourselves in this respect in 2003. I am therefore thoroughly convinced that we can and must succeed in achieving the targeted cost reduction of € 1 billion by the year 2006. Compared to our competitors, this goal is extremely ambitious and demanding. If we achieve it, the group will be better positioned than ever before and its shareholders, customers and workforce will reap the benefits.

Based on the controllability of the various types of costs, the largest single block within the framework of the TOP FIT targets are personnel costs. It is a great success for our company and everyone involved that a consensus solution was found to this difficult issue at the end of January 2004. The package agreed with the trade union and employee representatives is a model win-win situation. The company has achieved its economic goals of cost cutting and greater flexibility and the workforce has also won by avoiding redundancies, a collectively-bargained Christmas bonus and the continuation of a modified pension scheme. That is the ideal combination of economics and social responsibility.

The understanding and constructive attitude of our workforce and collective-bargaining partners is motivating, encouraging and exemplary. For the Board of Management and management team, the consensus achieved represents a great obligation to lead the company into a successful future. We want to and will do justice to this obligation.

We have also made impressive progress with the necessary reduction of the structural complexity. When this annual report went into print, 86 companies and investments had been sold, liquidated, merged, contributed to partnerships and otherwise deconsolidated. Here too, the new management team has thus acted promptly, expediently and rigorously. I anticipate that our divestiture activities will be largely concluded in the 1st half-year 2004.

Besides the divestitures, a reorganisation in the core business processes should also help to reduce structural complexity. The necessary decisions have largely been taken or at least prepared. Key elements are the merger of companies with discernible synergy potential, for instance in sales and marketing, as well as the tightening and streamlining of the structural organisation of the group and decision-making processes.

As you can see, we are well on our way to systematically working through our homework and laying the foundation for the further strategic development of the group. May I therefore draw your attention to the visions for the future presented on page 5 of this annual report. We have three tasks: reorganisation, integration and visionary development. We want to and will give all three tasks appropriate attention. Our targets will always be extremely ambitious, but at the same time realistic.

Ladies and gentlemen, I would ask you to accompany us along this way with your support, encouragement and trust. Rest assured that our actions and decision-making will always be guided by credibility, continuity and reliability. With your support we will be successful.

Sustained value enhancement, an adequate return on capital and highly competitive value added chains are the mid- and long-term goals which you can rightly expect us to achieve. The whole EnBW team is using its best efforts to achieve an acceptable result in the current fiscal year 2004 with which you can again be more satisfied. The unpleasant word "legacy burdens" should then for ever be a thing of the past.

Very truly yours

Prof. Dr. Utz Claassen
CEO

The Board of Management of Energie Baden-Württemberg AG:
Prof. Dr. Utz Claassen, CEO, Dr. Bernhard Beck, LL. M,
Prof. Dr.-Ing. Thomas Hartkopf, Dr. h.c. Detlef Schmidt, Pierre Lederer

The Board of Management

Prof. Dr. Utz Claassen
born 1963 in Hanover
Chief Executive Officer since May 1, 2003
since July 4, 2003 also Chief Financial Officer
Appointed until April 30, 2008
Hanover/Karlsruhe

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

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

Pierre Lederer
born 1949 in Paris
Member of the Board of Management/
customer relations since June 1, 2000,
Chief Operating Officer since May 1, 2003
Appointed until May 31, 2005
Karlsruhe

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

Dr. Bernd Balzereit
born 1946 in Schwäbisch Hall
Member of the Board of Management/
Chief Financial Officer until July 3, 2003
Berlin

Gerhard Goll
born 1942 in Stuttgart
Chief Executive Officer until April 30, 2003
Karlsruhe

Gerhard Jochum
born 1953 in Illingen
Member of the Board of Management/
Business Development until March 31, 2003
Bremen

As of February 3, 2004

Report of the Supervisory Board

In the fiscal year 2003 the Supervisory Board performed the tasks required of it by law and the articles of incorporation. It monitored the management of the company and supported the Board of Management in an advisory capacity. It was consulted on decisions of fundamental importance for the company. The Board of Management kept the Supervisory Board informed regularly, promptly and fully about all material issues of business planning, the strategic development of the EnBW group and EnBW AG, about ongoing business transactions, the economic situation and risk management. Variances between the business development and the planning were explained in detail. At seven meetings, the Supervisory Board discussed the oral reports and written draft resolutions of the Board of Management in depth. In 2003 discussion focused on the following issues:

- the survey of the situation and the strategic positioning of the company undertaken by the CEO, Prof. Dr. Utz Claassen, after taking office and the operative catalogue of actions developed as a result
- the implementation status of the TOP FIT programme to improve results
- the streamlining of the group
- the status of the divestiture efforts, above all with regard to the companies in the Salamander sub-group
- the strategy of the individual business segments
- the future of the Thermoselect plant in Karlsruhe
- the refinement of the company's Corporate Governance principles
- current energy-related policy developments
- the financing of the group and the rating issue
- mid-term planning 2004-2007, consisting of projected income statement, projected balance sheet, investment budget and finance budget
- regular and timely reporting according to the Law for Control and Transparency in Business (KonTraG) and the Transparency and Publicity Law (TransPuG).

Between the meetings, the Board of Management produced written reports to inform the members of the Supervisory Board about the development of business and special topics. In addition, the chairman of the Supervisory Board had regular in-depth meetings with the chairman CEO to coordinate the orientation of business policy, important individual events as well as impending decisions.

In the fiscal year 2003, the Supervisory Board members Loïc Caperan, Yannick d'Escatha, Dr. Wolfgang Schuster and Gerhard Stratthaus attended less than half of the Supervisory Board meetings during their period of membership.

Work of the committees

To be able to perform its tasks more efficiently, the Supervisory Board has established four committees. At the Supervisory Board meetings the chairmen of the committees each reported extensively on the work of the committees.

The committee for board matters met six times during the reporting year. It prepared personnel decisions of the Supervisory Board, decided on the conclusion and termination of employment agreements with members of the Board of Management and fixed their year-end compensation.

The finance and investment committee prepared the investment and divestiture decisions of the Supervisory Board at five meetings. It also took an in-depth look at the financial, liquidity and profit situation of EnBW.

The audit committee had four meetings during the fiscal year 2003 and looked at questions relating to accounting, risk management and the independence of the auditor. In the presence of the auditor, it prepared the meeting of the Supervisory Board on the 2002 financial statements. Also in the presence of the auditor, the audit committee discussed the half-year result of 2003 in depth and raised no objections. The 2003 financial statements were also discussed in depth, again in the presence of the auditor. No objections were made.

Dr. Wolfgang Schürle, Chairman of the Supervisory Board

Corporate Governance and the declaration of compliance

At several meetings during the fiscal year 2003, the Supervisory Board discussed in depth fundamental issues relating to German Corporate Governance Code. Discussion focused on the refinement of the company's own Corporate Governance principles. A detailed report of the Board of Management and the Supervisory Board can be found in the section "Corporate Governance at EnBW".

At its meeting on March 12, 2003, the Supervisory Board scrutinised its efficiency in implementing the Code. The decision-making and information processes of the committee were analysed in a self-evaluation by the Supervisory Board members themselves with the support of an external consultant. The evaluation focused in particular on the procedures within the Supervisory Board, the prompt and comprehensive supply of information to the Supervisory Board by the Board of Management and the flow of information between the committees and the full Supervisory Board. While the results of the analysis showed that the Supervisory Board was already working very efficiently, it also revealed valuable ways of further optimising the committee work.

At its meeting on February 10, 2004, the Supervisory Board issued its declaration of compliance pursuant to Sec. 161 German Stock Corporation Law (AktG); a declaration with the same contents had previously been passed by the Board of Management at its meeting on January 20, 2004. The declaration of compliance was made permanently accessible to the shareholders on the website of the company. It is reproduced in the section "Corporate Governance at EnBW" with a detailed explanation of the exceptions.

Audit of the financial statements and the consolidated financial statements

The financial statements of Energie Baden-Württemberg AG as of December 31, 2003 prepared by the Board of Management in accordance with the German Commercial Code (HGB) and the consolidated financial statements prepared in accordance with the accounting principles of the International Financial Reporting Standards/International Accounting Standards (IFRS/IAS) as well as the combined management report were audited by the audit firm PwC Deutsche Revision Aktiengesellschaft, Frankfurt. The auditor was elected by the annual general meeting on April 25, 2003. The assignment to audit the financial statements was made in writing. Making use of the exempting provision of Sec. 292a HGB, consolidated financial statements have not been prepared in accordance with HGB. The consolidated financial statements were supplemented by the explanations required under Sec. 292a HGB. The audit did not give rise to any objections and an unqualified opinion was rendered. The audit also covered the monitoring system to be installed by the Board of Management for early risk detection. The auditor confirmed that the system that had been installed is adequate for its purpose.

The report of the auditor on the annual and consolidated financial statements was distributed to all Supervisory Board members in good time before the closing meeting and incorporated in the discussion and review of the financial statements. Before the closing meeting, the audit committee looked at the audit documents in detail and had no objections. The auditor took part in the discussions of the audit committee and the Supervisory Board about the financial statements of Energie Baden-Württemberg AG, the consolidated financial statements and the dependent company report. It reported on the main results of its review and was available to supply further information. The Supervisory Board registered the result of the audit with approval.

The Supervisory Board reviewed the annual and consolidated financial statements as of December 31, 2003 and the combined management report. There were no objections. At its closing meeting the Supervisory Board therefore approved the financial statements and the consolidated financial statements prepared by the Board of Management. The financial statements are thus ratified.

The report prepared by the Board of Management pursuant to Sec. 312 AktG on the relations of the company to affiliated companies was also presented to the Supervisory Board members for review. After careful review of this report in accordance with Sec. 313 (3) AktG, the auditor issued the following audit opinion:

"Based on our audit and assessment in accordance with professional standards, we confirm that

1. the information given in the report is correct,
2. the payments made by the Energie Baden-Württemberg AG, Karlsruhe, in connection with transactions detailed in the report were not unreasonably high nor were disadvantages offset,
3. there are no circumstances which indicate that the measures detailed in the report should have been assessed materially differently than the Board of Management has done."

The Supervisory Board registered the result of the audit with approval. Based on results of its own review, the Supervisory Board raises no objections to the declaration of the Board of Management made at the end of the report on the relations to affiliated companies and included in the management report.

Changes in the Supervisory Board and the Board of Management

The term of office of the Supervisory Board members representing the shareholders and employees came to an end at the close of the annual general meeting on April 25, 2003. At this annual general meeting, all ten members of the Supervisory Board representing the shareholders were re-elected. For the re-election of the employee representatives an election process pursuant to the Co-determination Law (MitBG) had not been initiated because of the impending significant changes in group structure which were expected to result in a substantial decrease in the number of employees. To avoid a time-consuming supplementary election in the near future, it was decided to have substitute employee representatives appointed by the court. By resolution of the Karlsruhe District Court, the representatives of the employees were appointed onto the Supervisory Board as of the end of the annual general meeting on April 25, 2003. After the reorganisation of the group has been concluded, an election process is to be initiated in accordance with the provisions of the Co-determination Law.

On the shareholder side, Loïc Caperan, Yannick d'Escatha, Siegfried Luz and Dr. Wolfgang Schuster resigned their offices in the Supervisory Board as of the close of the annual general meeting on April 25, 2003. The annual general meeting appointed the new members of the Supervisory Board: Jean-Pierre Benqué, Directeur de la Branche Commerce at Electricité de France, Joachim Bitterlich, Directeur des Affaires Internationales at Veolia Environnement, Dr. Claus Dieter Hoffmann, managing partner of H + H Senior Advisors GmbH and former general manager of Robert Bosch GmbH, and Laurent Stricker, Directeur de la Division Production Nucléaire at Electricité de France.

On the employee side, Gisela Gräber as well as Adolf Dinkel and Günther Vogelbacher left the board as of the end of the annual general meeting on April 25, 2003. By judicial appointment of the Karlsruhe District Court, they were replaced by Josef Götz, deputy chairman of the coordination group of the central works council of EnBW Regional AG, Franz Watzka, chairman of the works council of Gemeinschaftskernkraftwerks Neckar GmbH, and Alfred Wohlfart, deputy regional director of ver.di, Baden-Württemberg district.

At the constituent meeting of the Supervisory Board held after the annual general meeting, I was again re-elected as chairman of the Supervisory Board and Peter Neubrand was elected my deputy.

Membership in the Supervisory Board ended for Manfred Eichkorn on September 30, 2003. He was succeeded by Volker Stüber, federal collective bargaining secretary for the energy industry at ver.di head office, who was appointed onto the Supervisory Board by means of a judicial appointment by the Karlsruhe District Court effective October 1, 2003.

Laurent Stricker left the Supervisory Board on January 18, 2004. His successor on the Supervisory Board, Christian Fontanel, Directeur de la Stratégie Groupe at Electricité de France, was appointed by the Karlsruhe District Court effective January 19, 2004.

The Supervisory Board would like to thank all the members who have left for their co-operation in good faith and their dedication for the good of the company and the employees.

The Board of Management also underwent significant changes during the fiscal year 2003. Gerhard Jochum left the Board of Management at his own request as of March 31, 2003. The Supervisory Board would like to thank him for his committed work for the company.

As of May 1, 2003, Prof. Dr. Utz Claassen took over the office of CEO of the company. He succeeds Gerhard Goll who, after 10-years' work – initially as spokesman of the Board of Management of Badenwerk AG and later chairman of the Board of Management of Energie Baden-Württemberg AG -retired on April 30, 2003. Gerhard Goll paved the way for the merger of EVS and Badenwerk; above all, he was also a driving force behind the international growth, in the core business as well. Furthermore, he prepared the company for the liberalisation of the electricity market. The Supervisory Board expresses its gratitude for his great dedication.

At its meeting on March 12, 2003, the Supervisory Board appointed Dr. h.c. Detlef Schmidt Chief Marketing and Sales Officer of the Board of Management, effective July 1, 2003.

On July 3, 2003 Dr. Bernd Balzereit left the Board of Management at his own request. The Supervisory Board would like to thank him for his personal commitment in his endeavours to lead the company into a successful economic future. For the time being, the CEO, Prof. Dr. Utz Claassen, has also assumed the position of CFO.

The Supervisory Board would like to express its gratitude and appreciation to the members of the Board of Management, the company managers as well as all the employees and employee representatives for their great personal commitment and all their hard work.

Karlsruhe, March 2004
The Supervisory Board

Dr. Wolfgang Schürle
Chairman

The Supervisory Board

Dr. Wolfgang Schürle, Ulm
District administrator of the Alb-Donau District
Chairman

Peter Neubrand, Winnenden
Chairman of the central works council of EnBW Regional AG
Deputy chairman since April 25, 2003

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

Jean-Pierre Benqué, Paris
Directeur de la Branche Commerce at Electricité de France
Member since April 25, 2003

Joachim Bitterlich, Paris
Directeur des Affaires Internationales at Veolia Environnement
Member since April 25, 2003

Marc Boudier, Sèvres
Directeur de la Branche Europe Continentale at Electricité de France

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

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

Willi Fischer, Meßstetten
District administrator of the Zollernalb district

Christian Fontanel, Chatou
Directeur de la Stratégie Groupe at Electricité de France
Member since January 19, 2004

Josef Götz, Stuttgart
Deputy chairman of the coordination group of the central works council of EnBW Regional AG
Member since April 25, 2003

Dr. Claus Dieter Hoffmann, Leonberg
Managing partner of H + H Senior Advisors GmbH
Member since April 25, 2003

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

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

Volker Stüber, Schöneiche
Federal collective bargaining secretary for the energy industry at ver.di head office
Member since October 1, 2003

Siegfried Tann, Meckenbeuren
District administrator of the Lake Constance district

Christoph Walther, Langebrück
Works council of ESAG Energieversorgung Sachsen Ost AG

Franz Watzka, Neckarwestheim
Chairman of the works council of Gemeinschaftskernkraftwerks Neckar GmbH
Member since April 25, 2003

Klaus-Michael Weber, Ludwigsburg
Lawyer at EnBW Service GmbH

Alfred Wohlfart, Ulm
Deputy district director ver.di, Baden-Württemberg district
Member since April 25, 2003

Loïc Caperan, Paris
Former Directeur Général Délégué at Electricité de France
Member until April 25, 2003

Adolf Dinkel, Karlsruhe
Former central works council of EnBW Service GmbH
Deputy chairman until April 25, 2003

Manfred Eichkorn, Bad Dürrheim
Former division head at ver.di national executive committee
Member until September 30, 2003

Yannick d'Escatha, Paris
Former Directeur Général Délégué at Electricité de France
Member until April 25, 2003

Gisela Gräber, Weinsberg
Deputy regional director ver.di, Baden-Württemberg
Member until April 25, 2003

Siegfried Luz, Neubulach
Mayor of Neubulach
Member until April 25, 2003

Dr. Wolfgang Schuster, Stuttgart
Lord Mayor of Stuttgart
Member until April 25, 2003

Laurent Stricker
Directeur de la Division Production Nucléaire at Electricité de France
Member from April 25, 2003 to January 18, 2004

Günther Vogelbacher, Stutensee
Former chairman of the central works council of EnBW Kraftwerke AG
Member until April 25, 2003

Committees of the Supervisory Board

Arbitration committee
(committee pursuant to Sec. 27 (3) MitBG)
Dr. Wolfgang Schürle, chairman
Marc Boudier, member since April 25, 2003
Loïc Caperan, member until April 25, 2003
Adolf Dinkel, member until April 25, 2003
Josef Götz, member since April 25, 2003
Peter Neubrand, member since April 25, 2003
Günther Vogelbacher, member until April 25, 2003

Committee for board matters
Dr. Wolfgang Schürle, chairman
Marc Boudier, member since March 12, 2003
Adolf Dinkel, member until April 25, 2003
Yannick d'Escatha, member until March 12, 2003
Rolf Koch
Peter Neubrand, member since April 25, 2003

Finance and investment committee
Dr. Wolfgang Schürle, chairman
Marc Boudier
Dr. Daniel Camus, member since March 12, 2003
Adolf Dinkel, member until April 25, 2003
Manfred Eichkorn, member until September 30, 2003
Yannick d'Escatha, member until March 12, 2003
Dr. Claus Dieter Hoffmann, member since April 25, 2003
Rolf Koch
Peter Neubrand, member since April 25, 2003
Siegfried Tann, member until April 25, 2003
Klaus-Michael Weber
Alfred Wohlfart, member since October 1, 2003

Audit committee
Dr. Daniel Camus, member and chairman since January 23, 2003
Gisela Beller
Marc Boudier
Jacques Chauvin, member until January 23, 2003
Adolf Dinkel, member until April 25, 2003
Franz Fischer, member since April 25, 2003
Willi Fischer
Peter Neubrand
Siegfried Tann
Christoph Walther

As of Februar 3, 2004

Corporate Governance at EnBW

Implementation of the German Corporate Governance Code at EnBW

The German Corporate Governance Code summarises rules for the efficient and responsible management and supervision of listed stock corporations in a concise and comprehensible form. The Code was first announced in February 2002 and is continuously refined by the government commission for the German Corporate Governance Code.

EnBW expressly welcomed the initiative of the government commission and started looking into the rulings of the Code at an early stage. Back in November 2002 we published our own Corporate Governance principles on the internet. With the agreement of the Supervisory Board, the Board of Management entrusted Dr. Bernhard Beck with responsibility for Corporate Governance within the Board of Management. He monitors compliance with the principles in the company. He is supported by a working group which follows the development of the German Corporate Governance Code and revises the company's own principles accordingly.

On May 21, 2003 the government commission promulgated a new version of the German Corporate Governance Code which was published in the electronic Federal Gazette on July 4, 2003. The Board of Management and Supervisory Board reviewed the new recommendations and suggestions as to the appropriateness and usefulness of their implementation at EnBW and in the autumn of 2003 passed a corresponding adjustment of the Corporate Governance principles of EnBW.

Dr. Beck presented his report on the compliance with the Corporate Governance principles in the fiscal year 2003 to the Board of Management at the meeting on January 20, 2004 and to the Supervisory Board at the meeting on February 10, 2004.

Taking account of the report, both boards issued the following declaration of compliance for the fiscal year 2003.

Declaration of compliance

The Board of Management and Supervisory Board of EnBW herewith declare in accordance with Sec. 161 AktG that the recommendations of the government commission for the German Corporate Governance Code from November 7, 2002 have been complied with and that the recommendations of the government commission as amended May 21, 2003 will be complied with, with the exceptions itemised below:

Code Fig. 4.2.2.: consultation about the structure of the remuneration system for the Board of Management and regular review by the full Supervisory Board

In the fiscal year 2003, the Board of Management and Supervisory Board decided to report regularly to the full Supervisory Board in future on the structure of the remuneration system of the Board of Management. The recommendation will be complied with from the fiscal year 2004 onwards.

The remuneration of the members of the Board of Management of EnBW will be fixed by the Supervisory Board committee for board matters. Based on the categories set forth in the Code, the current remuneration system has the following main components:

> a fixed annual basic salary payable in equal monthly instalments
> an annual variable bonus.

Code Fig. 4.2.4.: disclosure of the fixed, performance-related and long-term incentive components of the remuneration of the members of the Board of Management

EnBW does not currently disclose the fixed and variable remuneration components of the individual members of the Board of Management. From the 2003 consolidated financial statements onwards, we will present a breakdown in the notes of the total remuneration of the Board of Management by fixed and variable components. From our point of view, the important information has thus been disclosed. We do not consider a public discussion about the salaries of the individual members of the Board of Management to be expedient. We will, however, follow to what extent other companies publish the salaries of their board members and review our position accordingly.

Code Fig. 5.4.1: age limit for Supervisory Board members

In the fiscal year 2003 the Supervisory Board fixed an age limit of 70 for Supervisory Board members which will in future be considered when making suggestions for the election of Supervisory Board members.

Code Fig. 5.4.5: remuneration of Supervisory Board members

At present, the chairman and the members of the committees are only rewarded in the form of separate attendance fees for the participation in committee meetings. In addition, the members of the EnBW Supervisory Board currently receive no performance-related remuneration. Taking account of the Code recommendation on this matter, the Board of Management and the Supervisory Board will suggest a change in the remuneration system of the Supervisory Board comprising both fixed and performance-related components. These components will be graduated to reflect chairmanship and membership in the Supervisory Board and in the committees.

The remuneration of the Supervisory Board members is disclosed in the notes to the consolidated financial statements as a sum and is not broken down by individual member because to date the remuneration does not contain any variable components and, with the exception of the chairman and deputy chairman, is the same for all Supervisory Board members. We will re-examine this decision in the course of the planned change in the remuneration system of the Supervisory Board.

Code Fig. 7.1.1: provision of information by consolidated financial statements and interim reports

Starting in the first quarter of the fiscal year 2004, EnBW will publish quarterly reports in accordance with the accounting principles of the International Financial Reporting Standards/International Accounting Standards (IFRS/IAS).

Code Fig. 7.1.4: publication of a list of shareholdings

In the annual report for the fiscal year 2003, EnBW will for the first time publish a list of shareholdings stating the name and registered office of the company, the share of capital held and the equity. From the fiscal year 2004 onwards we will also publish the result of the last fiscal year.

Comments on the suggestions of the Corporate Governance Code

Pursuant to Fig. 3.10 of the German Corporate Governance Code, the Board of Management and Supervisory Board declare that the suggestions of the Corporate Governance Code have been complied with, with the following exceptions, and will in future be complied with:

Code Fig. 2.3.4: transmission of the annual general meeting via modern communication media

In the fiscal year 2003, the Board of Management and the Supervisory Board decided to transmit the comments of the chair of the meeting and the speech of the CEO via the internet for the first time at the annual general meeting in 2004.

Code Fig. 4.2.3: components with long-term incentive effect and risk element as a component of the variable remuneration of the Board of Management

At EnBW, the variable components of the remuneration of the Board of Management consist of annually recurring components based on the success of the business and personal performance. There are currently no components with a long-term incentive effect and risk element such as a stock option programme. Due to the low free float of the EnBW share, the introduction of components relating to the share price would not make sense as the price of the EnBW share is not necessarily decisive for its appraisal. We will, however, continue to monitor this topic and discuss the alignment of remuneration system with the suggestions of the Corporate Governance Code at a later stage.

Code Fig. 5.1.2: terms of office for initial appointments of members of the Board of Management

In connection with the amendment of the Corporate Governance principles of EnBW, the Supervisory Board decided that from the fiscal year 2004 onwards initial appointments of members of the Board of Management would no longer automatically be made for a term of office of five years but that shorter periods of appointment would be considered.

Code Fig. 5.4.4: election or re-election of Supervisory Board members of the shareholders on different dates and for different terms of office

At present, all ten shareholder representatives at EnBW are elected on the same date and for a full term of office of five years, the last election being at the annual general meeting on April 25, 2003. This system has stood the test of time because due to the shareholder structure, the large shareholders determine the election of the shareholder representatives. Between the election dates, there are occasionally changes in office holders on the shareholder side. On the other hand, continuity beyond the election periods is ensured by the fact that some of the shareholder representatives are re-elected. In light of the current composition of the shareholder side of the EnBW Supervisory Board, the introduction of a graduated election system would be of no advantage.

The listed subsidiary Zementwerk Lauffen – Elektrisitätswerk Heilbronn AG (ZEAG) has also adopted its own Corporate Governance principles based on the German Corporate Governance Code. Deviations are set forth in the declaration of compliance from December 2003.

Karlsruhe, February 10, 2004
EnBW Energie Baden-Württemberg AG

The Board of Management
The Supervisory Board

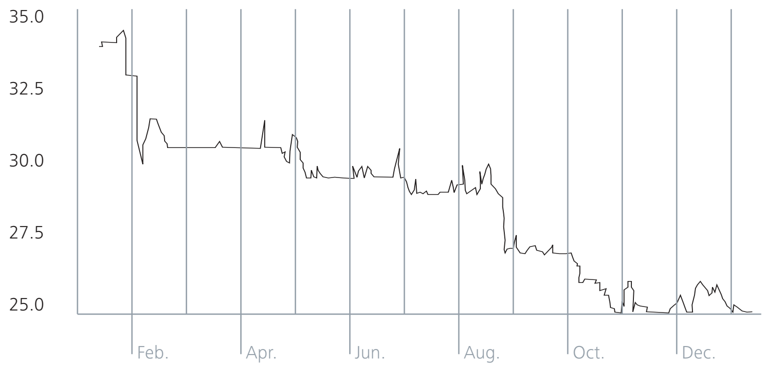
The full Corporate Governance Principles of EnBW adopted by the Board of Management and the Supervisory Board, the declaration of compliance presented above as well as the scorecard of DVFA (Deutsche Vereinigung für Finanzanalyse und Asset Management e.V.) are available in the internet at www.enbw.com in the "Investors" section. A printed version of the EnBW principles can be ordered on our internet pages or via our shareholders' hotline (phone 0800 1020030).

The EnBW share

Price development in 2003

In 2003 the stock exchange environment enjoyed an upswing after a low in the first quarter. By year-end the DAX had gained 1,500 points, closing on December 30, 2003 at just under 4,000 points. The EnBW share did not fare as well as the DAX. At year-end, the price of € 25.20 was significantly below the prior-year closing price of € 34. This was largely due to the extraordinary restructuring and valuation expenses in connection with the measures initiated by the management team regrouped around the CEO Prof. Dr. Utz Claassen in May 2003. With the free float still low, the share price does not, however, necessarily reflect the actual value of the company.

Price development of the EnBW share from January to December 2003 in €



The EnBW share in figures		**2003**	**2002**
No of shares outstanding as of Dec. 31	million shares	220.711	221.011
Annual high	€	35.00	35.00
Annual low	€	25.00	29.80
End-of-year price	€	25.20	34.00
Dividends per share for fiscal 2002 of EnBW AG (including tax credit)	€		0.66
Dividend proposed per share for fiscal 2003	€	–	
Earnings per share	€	-5.40	-0.19
Cash flow per share	€	4.00	2.20
Distribution for fiscal 2002	€ millions		146
Estimated distribution for fiscal 2003	€ millions	–	
Market capitalisation as of Dec. 31	€ billions	5.6	7.5

Shareholder composition

After the annual general meeting in 2003 passed a resolution to convert the registered shares into no par bearer shares, some municipal shareholders sold their EnBW shares in the second half-year 2003. The increase in treasury shares of EnBW by 0.10% to 11.70% is due to the acquisition of Energiedienst AG. The securities of this company also included 300,000 shares of EnBW AG.

Shareholder composition (%)

Elektricité de France International (EDFI)	34.50
Zweckverband Oberschwäbische Elektrizitätswerke (OEW)	34.50
EnBW*	11.70
Deutsche Bank	5.86
HSBC Trinkaus & Burkhardt	5.86
Free float	2.74
Badische Energieaktionärs-Vereinigung	2.54
Gemeindeelektriziätsverband Schwarzwald-Donau	1.47
Landeselektrizitätsverband Württemberg	0.83

* directly 2.6%, indirectly 9.0% via TWS Beteiligungsgesellschaft mbH and 0.1% via Energiedienst AG

Dividends

Due to the net loss for the year of Energie Baden-Württemberg AG of € 823.5 million, no dividend will be distributed for the fiscal year 2003. The net loss for the year was offset by netting with the profit carryfoward and by withdrawals from the revenue reserves and the capital reserve. The retained earnings of Energie Baden-Württemberg AG thus amount to € 0.

Investor relations

Due to the low free float of the EnBW share, analysts and institutional investors on the debt capital side were our main target. In our investor relations work we intensified the dialogue with the investors, mainly at conferences and telephone conferences and in personal meetings. Presentations of these and other important investor events can be downloaded at www.enbw.com.

The announcement of potential burdens on the results for the fiscal year 2003 and the subsequent significant non-recurring impact of "legacy burdens" on the 2003 half-year result also changed the communication needs of our investors. In telephone conferences and meetings with investors we explained that the one-off burdens only affected the liquidity to a small extent and that the liquidity profile of EnBW is sound despite the increased debt level and that the earnings situation in the core business of EnBW – adjusted to eliminate the non-recurring effects – continues to develop positively.

Our internet presence allows us to reach all investor group simultaneously. Besides the presentations, our investor pages contain the following information:
> Financial calendar and reports
> Press and ad-hoc reports
> Corporate Governance principles
> Information about the annual general meeting

At the 2004 annual general meeting we will for the first time transmit the comments of the chair of the meeting and the speech of our CEO live in the internet. This is one of the commitments included in the new EnBW Corporate Governance principles.

To make the communication with our investors more comprehensive and transparent, we will publish quarterly reports from the fiscal year 2004 onwards.

Management Report

Economic environment

Overall economic developments

Economy recovers towards year end.

The economic stagnation of the prior year continued in 2003. In the second half of 2003 there were signs of an economic recovery, and thus fears of sinking value added in the economy as a whole proved unfounded. Gross domestic product (GDP) was at the same level in 2003 as in the prior year.

A particularly grave burden was presented by private consumption, which fell by 0.1% compared with the prior year. Investments were also in decline: year on year, there was a 0.2% drop in investment in plant and equipment in 2003, while investment in construction fell by 0.4%.

The contribution of exports to GDP remained the same as in the prior year, even though a decline had generally been forecast in the middle of the year. Despite the strong appreciation of the euro, it was the export trade in particular that contributed to the economic revival at the end of 2003.

Developments in the industry

Electricity market

Consumption, generation and prices rise.

Electricity consumption rose in Germany in 2003, mainly due to the significantly colder weather in the first quarter. At 490 TWh, it was roughly 2% up on the prior year.

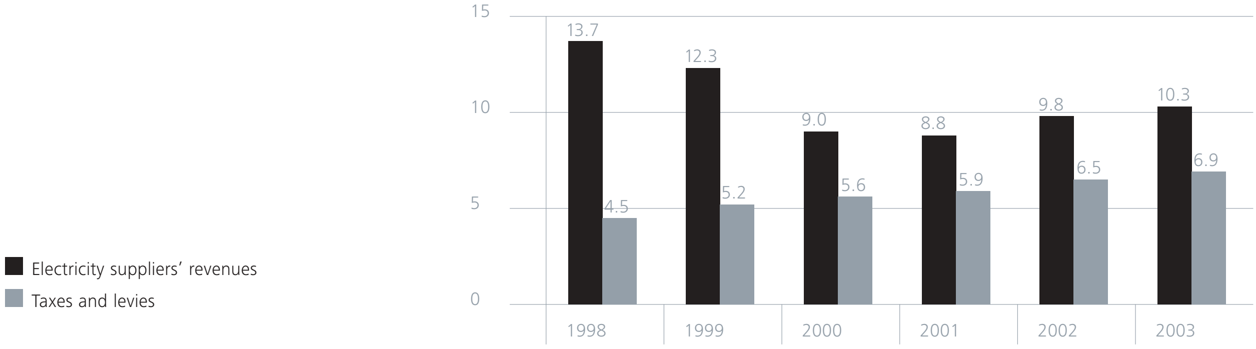
At 507 TWh, gross electricity generation from power stations for general power supply was approx. 3% higher in 2003 than in 2002. As in the prior year, nuclear power and brown coal were the main sources of primary energy for power generation. The power exchange balance with neighbouring countries in 2003 presented a significant trade surplus of approx. 7 TWh.

On the German electricity market, too, electricity prices displayed a tendency to rise. The spot market price paid for the annual base in 2003 was approx. € 5/MWh higher than the final price quoted for the same product in 2002. The annual base for 2004 rose by approx. € 8/MWh in 2003, while the price in peak demand periods rose by as much as approx. € 13/MWh.

For private customers, price developments in 2003 were marked by an increasing burden of levies. As of January 1, 2003, electricity tax rose by 15% to 2.05 ct/kWh. Levies imposed pursuant to the Combined Heat and Power Act and the Renewable Energy Law caused an additional burden. Since liberalisation in 1998, individual households' electricity costs and electricity revenues for German electricity suppliers have not developed in any uniform way: households' electricity expenditure is now 5% below its 1998 level, while electricity suppliers' revenues are still 25% below their 1998 level. The price reductions arising from the process of competition have been offset again by state taxes and duties.

Repair work on very-high-voltage overhead lines

Average revenues of German electricity suppliers and tax burden in ct/kWh



Adjusted for inflation. Source: EnBW calculation, based on VDEW and Bundesbank figures

Depending on voltage level, network user charges on the German electricity market have developed dissimilarly: while charges for low and medium voltage have fallen nation-wide by an average of between 1 and 2%, network charges have remained stable for high voltage lines.

EU forges ahead with single market for electricity and gas.

Regulatory framework

Completion of the European common market for network-based energy: In the European Union, the directives for the completion of the common markets for electricity and gas and the "Regulation on Cross Border Exchanges in Electricity" have been passed. These directives have to have been implemented by the EU member states by July 1, 2004. From this time on, all companies will be free to choose their electricity and gas supplier anywhere in Europe, while this choice will be open to private households from July 2007. In addition, power utilities will in future have to disclose what share of their electricity is generated from nuclear power, coal, gas or renewable energies, as well as the impact these have on the environment and climate.

Emissions trading: In July 2003, the EU approved the introduction of emissions trading from January 1, 2005. The main points of the Emissions Trading Law are as follows:

- >Power plants generating more than 20MW of thermal electricity and heat, ore smelters and metalworking plant, and plants producing glass, ceramics, cement, pulp and paper are obliged to trade emissions.
- >Emissions trading is to commence on January 1, 2005. For the first trading period (2005 through 2007), member states will be allowed to apply for exemption of individual plants from emissions trading. Exemption of entire industries, which was originally demanded by Germany, will not be possible. As action to bring about an equivalent reduction must be taken if exemption is granted, this alternative to emissions trading is unattractive for economic reasons alone.
- >The emissions trading law requires EU member states to present their respective draft "National Allocation Plans" (NAP) in the spring of 2004. Negotiations are in progress on the development of the German NAP, involving the parliamentary under-secretaries in the Environment and Economics Ministries and the industries concerned, with the aim of determining how individual plants are to be equipped with emission rights.

Renewable Energy Law: The new draft Renewable Energy Law stipulates the compensation to be paid for wind power, biomass, hydropower, photovoltaics and geothermal energy. The bill provides for annual degression of the compensation rates to be paid to the companies feeding current for new plant in all of the above areas. This degression is adjusted for the efficiency potential of the different areas. For geothermal plant and offshore wind farms, degression of compensation will be delayed for some years.

Renewable Energy Law promotes large-scale hydroelectric power.

In future, large-scale hydropower (i.e. hydropower from plants with an output of more than 5 MW) is also to be promoted. This means that the planned reconstruction of the Rheinfelden power station will also qualify for assistance under the Renewable Energy Law. The intention of the German federal government is that the output of large-scale hydropower plant must be increased by 15% if extension work is done, and that a good ecological status must be achieved.

Re-enactment of the Power Industry Law: Although only amended in May 2003, the Power Industry Law has to be re-enacted yet again, as the EU expedition directives for electricity and gas have to be incorporated in national law by July 1, 2004. These require EU member states to create new rules for mains connections and mains utilisation, to unbundle network territories and appoint a regulator. A specialist draft and network access regulations by the Federal Economics Ministry should be available at the beginning of 2004. Given this background, and following the publication of the monitoring report "Status of Liberalisation on German Power Markets" by the Federal Economics Ministry in September 2003, the associations bound by the "Strom II plus" agreement (Bundesverband der Deutschen Industrie e.V., Verband der Elektrizitätswirtschaft e.V., Verband der Industriellen Energie- und Kraftwirtschaft e.V., Verband kommunaler Unternehmen e.V.), the European Federation of Energy Traders and Bund neuer Energieanbieter (bne) decided in the autumn of 2003 not to negotiate a new association agreement. Germany is thus following the lead of the other 14 EU member states and ending its system of negotiated third party access (or "neg tpa") in favour of regulated third party access (or "reg tpa"). The specifically German neg tpa solution paved the way to a comparably fast opening of the market in the first years of liberalisation. Now, in order to ensure marketability, it must cede to a system of regulated third party access.

New Power Industry Law implements EU requirements.

Company situation EnBW group

Remarks on reporting

EnBW reports for the first time according to IFRS/IAS.

In fiscal year 2003, reporting in the EnBW group for the reporting and comparative period is being done for the first time according to International Financial Reporting Standards/International Accounting Standards (IFRS/IAS). The prior-year figures have been adjusted to reflect the transition to IFRS/IAS.

As a result of our increased focus on our core segments of electricity and gas, we have re-organised our business segments. What was previously the energy business segment has now been subdivided into the electricity and gas segments. What was previously the waste management segment has now been incorporated into the new energy and environmental services segment (formerly industry and services).

Those activities which have been discontinued, in particular the activities of the Salamander sub-group, have been disclosed separately pursuant to IFRS/IAS.

The changeover of accounting standards to IFRS/IAS has resulted in significant deviations in the income statement and balance sheet compared with previous financial statements, which were prepared according to German GAAP (HGB).

The main changes in equity and in the consolidated income statement have been presented in condensed form in the notes for the 2002 income statement and for the 2002 opening balance sheet pursuant to IFRS/IAS.

Sales

In fiscal year 2003, external sales of the EnBW group increased significantly by € 2,120.5 million or 25.0%, from € 8,488.6 million to € 10,609.1 million.

Apart from the first-time proportionate consolidation for the full year of our joint venture Hidroeléctrica del Cantábrico S.A. (Hidrocantábrico) and the full consolidation of our subsidiaries Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG (ZEAG), Gasversorgung Süddeutschland GmbH (GVS) and Energiedienst-(ED)-Gruppe, this significant sales growth was mainly due to increased sales from electricity trading.

EnBW generates higher sales.

After adjustment for changes in the group of companies consolidated, sales rose by € 898.5 million. This represents an increase of 9.3%.

Sales by business segment are shown below:

External sales of the EnBW group by business segment in € millions	2003	2002
Electricity	7,404.8	6,139.1
Gas	1,429.3	533.7
Energy and environmental services	538.4	433.7
Total core business	**9,372.5**	**7,106.5**
Discontinuing operations	1,236.6	1,382.1
Total	**10,609.1**	**8,488.6**
Germany	9,230.6	7,382.5
International	1,378.5	1,106.1

Unit sales of electricity and gas rise significantly.

Electricity: The electricity segment was responsible for approx. 69.8% (prior year 72.3%) of EnBW group sales in fiscal year 2003. It is the EnBW group's most important business segment. Year on year, electricity revenues increased by approx. 20.6%, or by € 1,265.7 million in absolute terms.

Unit sales of electricity of the consolidated companies grew year on year by approx. 17.7 billion kWh, or approx. 16.2%.

Unit sales in billions of kWh	2003	2002
Electricity	126.8	109.1

Apart from increased sales from electricity trading, the increase in sales and unit sales is due to the proportionate consolidation for the full year of Hidrocantábrico and to the full consolidation of ZEAG and the ED group.

Gas: The gas segment was responsible for approx. 13.5% (prior year: approx. 6.3%) of EnBW group sales in fiscal year 2003. Sales revenues rose by € 895.6 million. Unit sales of gas almost quadrupled, growing by 61.6 billion kWh.

Unit sales in billions of kWh	2003	2002
Gas	82.6	21.0

The increase in unit sales and sales is mainly attributable to the full consolidation of GVS.

The fact that the increase in unit sales did not match the increase in sales is attributable to the lower prices of GVS's district gas business.

Preparation of commercial waste for secondary fuels

Energy and environmental services: Sales revenues in the energy and environmental services segment relate to waste management, water and other services. At € 538.4 million, we have recorded here a € 104.7 million increase in sales over the prior period.

Discontinuing operations: Above all, the discontinuing operations of the EnBW group include the activities of the Salamander group, the broadband activities of DiTRA Gesellschaft für Kabelnetze und Telekommunikation mbH (DiTRA), the construction services of Bautrans Gebäude– und Flächen-Recycling GmbH (Bautrans), and the innovation division, with its companies innotech Beteiligungsgesellschaft mbH & Co. KG (innotech) and EnBW Venture Capital Beteiligungsgesellschaft mbH (EnBW VC). Core business activities that are to be sold or closed down due to unsatisfactory business developments are also disclosed here.

Sales revenues in this segment fell by € 145.5 million to € 1,236.6 million.

In October 2003, the major parts of the shoe division of the Salamander sub-group were sold to the Garant group. Moreover, the majority shareholding in the GegenbauerBosse group was surrendered in December. In future, the company will be run as an associated company. The group completely divested its shareholdings in Bautrans, innotech and EnBW VC in the second half of the year.

Result

The result for fiscal 2003 is marked by significant one-off burdens in all business segments.

EnBW generates negative consolidated result.

Impairment losses on investment properties due to impairment tests in the electricity core segment, impairment losses and risk provisions in the thermal waste management division, valuation allowances in the area of investment properties due to negative exchange rate developments, and reorganisation costs in the Salamander sub-group and the core business segments combined to produce a significantly negative consolidated result.

In total, one-off burdens and results from activities earmarked for sale burdened the pre-tax result by approx. € 1.3 billion. For the most part, these one-off effects do not result in any drain on liquidity.

In the core business segments – ignoring one-off effects – operative developments in the final months of fiscal 2003 showed a positive trend.

Ratios of the EnBW group in € millions	**2003**	**2002**
EBITDA	1,013.6	1,140.5
EBIT	-190.4	393.9
EBT	-1,093.5	-133.6
Income after taxes	-1,182.5	-31.1
Minority interests	-10.4	-13.4
Net result	-1,192.9	-44.5

Impairment losses and restructuring expense burden EBITDA.

Apart from the one-off burdens of risk provisions at the Salamander group and Thermoselect Südwest GmbH, reorganisation expenses in the personnel area also had an effect on EBITDA, which is a major controlling parameter in the EnBW group. In this area, expenses for early retirement in particular rose considerably as a result of the increased probability of such claims being asserted and due to the number of potential claimants having risen. Early retirement expenses came to some € 148.0 million in the group in fiscal 2003 (prior year: € 36.1 million). Other reorganisation costs, including severance payments made, came to € 114.7 million in the reporting year.

In the Salamander group, the one-off burdens mainly related to risk provisions and reorganisation costs in the shoe and industry division, as well as valuation allowances and capital losses in the service division.

In all, one-off effects and discontinuing operations in the reporting year led to an extraordinary burden of approx. € 475 million on EBITDA.

EBITDA of the EnBW group by business segment (€ millions)

	2003	2002
Electricity	1,196.4	1,052.9
Gas	276.6	78.6
Energy and environmental services	44.8	53.9
Total core business	**1,517.8**	1,185.4
Discontinuing operations	-220.4	28.2
Other activities/holding company	-283.8	-73.1
Total	**1,013.6**	**1,140.5**

Impairment losses burden EBIT.

Group EBIT was also greatly burdened. Apart from the burdens on EBITDA, the causes for this have to be seen in impairment losses from the Thermoselect plant in Karlsruhe and Ansbach, and impairment losses due to impairment tests.

Extraordinary burdens on EBIT and burdens on EBIT relating to other periods in the core business segments, plus the non-operating and current result from discontinuing operations, came to some € 878 million in 2003.

EBIT of the EnBW group by business segment (€ millions)

	2003	2002
Electricity	512.5	512.5
Gas	186.6	50.3
Energy and environmental services	-245.2	-37.8
Total core business	**453.9**	525.0
Discontinuing operations	-360.6	-58.0
Other activities/holding company	-283.7	-73.1
Total	**-190.4**	**393.9**

The result from discontinuing operations was above all burdened by the current and extraordinary result of the Salamander group, which came to approx. € -299 million.

The financial result fell considerably from € -527.5 million to € -903.1 million as a result of increased financing costs due to past acquisitions, and as a result of extraordinary write-downs/write-ups on investment properties (some € 108 million) pursuant to IAS 39.

The pre-tax result came to € -1,068.5 million (prior year: € -115.5 million). Burdens relating to other periods and extraordinary burdens as well as the non-operating and current result from discontinuing operations totalled € 1,330.5 million.

In total, the after-tax result in the group in fiscal 2003 was € -1,182.5 million, or € 1.151.4 million below the figure for the prior year.

Taking a reduced weighted number of shares into consideration, earnings per share came to € -5.40 in fiscal year 2003, compared with € -0.19 in the prior-year period.

The net result for the year in the individual financial statements of EnBW AG, calculated according to German GAAP, is € -823.5 million, or € 1,015.4 million less than the prior year result. Following withdrawals from the capital reserves and revenue reserves, and netting against the profit carried forward, a net result of zero is disclosed.

Turbine at the Rheinhafen steam power station in Karlsruhe

TOP FIT programme to improve results

In autum 2002, the EnBW Board of Management initiated TOP FIT, its programme to improve results. We have refined this programme into a concrete plan of action with specific measures. By 2006 we want to achieve a sustained cost reduction of € 1 billion. To achieve this, all processes and structures throughout the group have been scrutinised. Their gradual optimisation in terms of effectiveness and efficiency has been carried out with "best practice solutions" in mind, both in individual companies and in intercompany projects, such as an project to improve purchasing terms.

TOP FIT programme bears first fruit.

There are already first signs that the TOP FIT programme has been a success: we have already well exceeded our interim goal for 2003, which was to achieve an additional contribution to result of € 85 million.

To support TOP FIT spending and expenditures were frozen temporarily in June 2003, with the exception of actions that were relevant for security, legally necessary, or contractually agreed. This allowed us to reduce cash outflow further and to create a further positive impact on result.

Financing

On February 25, 2003, EnBW launched a bond issue totalling CHF 400 million. With a maturity of five years, it was issued via its subsidiary EnBW International Finance B.V. The desired volume has been fully drawn, and so the bond is one of the largest bonds ever launched in Switzerland by a German industrial enterprise. A bank syndicate headed by the lead manager Bank von Ernst & Cie AG has underwritten the bond in full. Endowed with a coupon of 2.25%, it has been possible to place the bond with investors on a long-term basis. The cash that flowed to EnBW from this bond was mainly used to refinance the acquisition of the Swiss company EnAlpin AG.

EnBW successfully issues bond on Swiss capital market.

The bond issue in figures

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

In April and May 2003, EnBW issued private placements with a total volume of € 171 million. These mature in 2004 and 2006. The Euro Medium Term Note Programme created in January 2002 served as a platform. EnBW had already issued private placements and bonds via this platform in 2002.

In May 2003, EnBW set up a Euro Commercial Paper Programme with a volume of € 2 billion. This programme serves to issue unsecured bonds with terms between 1 day and 364 days. This added a further attractive and flexible instrument to the current financing portfolio.

EnBW supplements its financing portfolio by setting up Euro Commercial Paper Programme.

UBS assumed responsibility for arranging the Euro Commercial Paper Programme. Other banks in the dealer syndicate include Citibank, Landesbank Baden-Württemberg, Royal Bank of Scotland, Deutsche Bank and Société Générale.

At the beginning of June 2003, EnBW refinanced the syndicated loan it set up in April 2002 with a new credit facility. The loan comprises two tranches of € 1.5 billion each. The first tranche has a term of 364 days. There is, however, the possibility of prolonging for one further year at a time, until the second tranche, which has a five-year term, becomes due.

Inspection of the steam turbine

In May 2003, Standard & Poor's again rated EnBW's creditworthiness as high, although it reduced its long-term rating by one notch from A+ to A: outlook continues to be stable. Above all, the rating considered EnBW's sound financial profile, but it also took account of the poorer balance sheet and cash flow ratios. These can be attributed to acquisitions and heavy borrowing in 2002. The short-term rating remained unchanged at A-1.

In June 2003, the rating agency Moody's confirmed its long-term A2 rating but, as a result of EnBW's poorer financial profile, revised its outlook from "stable" to "negative". The short-term rating remained unchanged at Prime-1.

Rating agencies acknowledge the consolidation and recapitalisation initiatives.

After the EnBW Board of Management reported at the beginning of June that there were considerable potential burdens on earnings as a result of "legacy burdens", Moody's announced that it would revise the rating of Energie Baden-Württemberg AG on the basis of its six-monthly figures for 2003, warning at the same time of a possible reduction in rating. In November 2003, Moody's then reduced its long and short-term rating by one notch, from A2 to A3 and Prime-1 to Prime-2 respectively, while outlook remained "negative". Moody's justified this by referring to EnBW's worsened business and financial profile, caused by considerable investments in non-core business areas in prior years. Despite the greater level of debt that had resulted from this, Moody's confirmed EnBW's strong liquidity. By awarding it an A-category rating, it explicitly acknowledged the consolidation and recapitalisation measures introduced by the new Board of Management.

Capital expenditure

Group capital expenditure on intangible assets and property, plant and equipment fell by 6.4% and stood at € 565.6 million.

In property, plant and equipment, most of this investment was in expanding distribution plants some 62% of total investment was in the electricity business segment.

Capital expenditure by segment splits up as follows:

Capital expenditure of the EnBW group by business segment (€ millions)

	2003	2002
Electricity	351.0	371.8
Gas	49.9	40.7
Energy and environmental services	123.8	107.7
Discontinuing operations	40.9	83.8
Total	**565.6**	**604.0**

Composition of assets and equity

Compared with December 31, 2002, the group balance sheet total rose by a total of € 1,112.9 million or 4.6%.

Drop in intangible assets, rise in property, plant and equipment.

Intangible assets in the group fell by € 409.7 million or 17.8% to € 1,898.4 million. This reduction is mainly the result of the allocation of goodwill to property, plant and equipment, and of scheduled and extraordinary amortisation of goodwill.

Property, plant and equipment in the group went up by € 1,676.7 million or 15.7% to € 12,359.6 million, and accounts for 49% of the balance sheet total. The increase in property, plant and equipment is mainly due to purchase accounting.

The assets included in financial assets mainly comprise securities in the form of special funds and participations in associated enterprises. Financial assets in the group went up by € 67.8 million to € 6,474.0 million. This development is marked by two contrasting effects. While equity investments were reduced by € 249.2 million, not least due to impairment losses, long-term investments increased by € 342.1 million.

Current assets fall.

Compared with December 31, 2002, current assets fell by approx. 4.7% or € 216.8 million. Mainly as a result of improved accounts receivable management, receivables and other assets decreased in the reporting year by 9.1% or € 264.6 million. Marketable securities fell by € 78.0 million, while cash and cash equivalents increased by € 235.5 million.

For accounting purposes, the ratio of equity to assets, including minority interests, fell in the reporting year to approx. 6.1% (prior year: 9.9%) due to the losses sustained.

The ratio of equity to assets calculated according to German GAAP in the individual financial statements of Energie Baden-Württemberg AG stands at around 6.4% (prior year: 14.0%) as of December 31, 2003; calculated according to the same principles, the balance sheet total of Energie Baden-Württemberg AG remains practically unchanged at € 12,997.9 million (prior year: € 12,852.7 million).

Debt capital in the group largely comprises long-term pension obligations (€ 3,798.8 million) and accruals for the shutdown and decommissioning of our nuclear power plants (€ 3,920.3 million). In the group, interest-bearing loans in the liabilities to banks come to a total of € 2,940.2 million, and bonds payable total € 4,269.6 million.

Machine room at the Rheinhafen steam power station in Karlsruhe

Dependent company declaration

Pursuant to Sec. 312 AktG, the Board of Management of Energie Baden-Württemberg AG prepared a dependent company report for fiscal year 2003. This details relationships with affiliated companies, and closes with the following declaration:

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

Subsequent events

Melvo sold

With effect from January 1, 2004, EnBW sold the Salamander subsidiary Melvo GmbH – one of the leading companies in the field of shoe care products – to financial investors and the management. .

Wage settlement

On January 30, 2004, the employers' association Energiewirtschaft Baden-Württemberg and the union ver.di reached an agreement. Despite the difficult initial situation, a combination of a variety of employment measures allowed a result to be achieved that was satisfactory for both parties. A decrease in working hours, which will be manifested as a "four-and-a-half day week", means that redundancies can be avoided.

From January 1, 2007, all employees will receive a guaranteed Christmas bonus in the form of one month's salary. This payment will replace a range of different special bonuses. In four equal annual stages, this situation will gradually be introduced for all employees.

The negotiated wage settlement runs for 24 months, and is divided into two phases: in 2004, there will be a one-off payment of € 700. After that, wages will rise by 1.8%. For the rest, there are to be new rules for profit participation and company pensions, as well as a separate savings amount by executives and a contribution by smaller group companies.

Together with the previously agreed socially compatible shedding of up to 2,140 jobs, and taking account of the entire development up to 2006, this wage settlement represents a reduction of € 337 million, with effect on income, in personnel expenses for the EnBW group as a whole.

Sale of SCR-Tech

In February 2004, the shares held by EnBW Solutions GmbH in SCR-Tech LLC, domiciled in Charlotte, NC (USA), were sold together with the corresponding right to exploit the regeneration procedure.

Lighting at the North Baden Regional Center

Employees

Headcount development

Employees of the ENBW Group[1]	31.12.2003	31.12.2002[2]	Change in %
Electricity	12,387	12,110	+2.3
Gas	320	309	+3.6
Energy and enviromental services	7,219	6,854	+5.3
Total core business	19,926	19,273	+3.4
Nicht fortzuführende Aktivitäten	4,462	19,282	-76.9
Holding	201	166	+21.1
Total	**24,589**	**38,721**	**-36.5**

[1] Without inactive employees, including apprentices
[2] For reasons of comparability, the figures stated reflect the new division into business segments and the allocation of individual NWS companies to the respective business segments.

Headcount falls by over one-third.

As of December 31, 2003, the EnBW group had a total of 24,589 employees. This figure is 14,132 or 36.5% less than in the prior year. In the restructured core business segments electricity, gas and energy and environmental services, the number of employees increased on balance by 653 or 3.4%. This increase is mainly due to the first-time consolidation of Energiedienst Holding AG (formerly Kraftwerk Laufenburg AG) and its 752 employees. After adjustment for changes in the group of companies consolidated, however, headcount fell by 2.1%.

In the area of discontinuing operations, there was a total reduction in headcount – above all as a result of company divestments – of 14,820 or 76.9%. Of the companies deconsolidated in 2003, the most prominent is the sale of a large part of the Salamander shoe division and the sale of shares in the GegenbauerBosse group.

Working to ensure supply certainty, whatever the weather

Cuts in pay rises, benefits and headcount.

Personnel management's contribution to TOP FIT

The personnel sub-project is designed to fulfil the personnel management objective of the TOP FIT programme, which is to achieve the savings necessary in the personnel area in the socially most compatible way possible. To be able to fulfil this challenge, a basic package has to be put together which skilfully and intelligently combines a number of elements. There will be sacrifices and reductions in negotiated pay rises, in benefits, and the number of employees. In this context, all works agreements representing financial benefits have first been terminated as a precautionary measure; however, this termination did not have any effect for the year 2003. The agreements that have existed hitherto are to be replaced by a new system of social benefits, which above all is uniform for the group as a whole. For this purpose, part of the amount contributed so far is to be made available again.

In addition, employer-employee negotiations began in December 2003. Apart from pay-related topics, these negotiations were especially concerned with an agreement on more flexible working hours.

The details of the collectively bargained agreement achieved on January 30, 2004 can be found in the section on subsequent events on page 50.

Some 1,000 employees opt for early or phased retirement in 2003.

Both for employers and employees, the aim is to examine the possibilities of socially compatible shake-ups and headcount reductions as exhaustively as possible. We have adjusted or renegotiated various personnel management tools to meet this special need, including early retirement, phased retirement, premature retirement, part-time work, non-renewal of temporary contracts and severance pay agreements. For example, the regulations on early retirement have been prolonged until December 31, 2005, and the framework conditions for compensating employees taking voluntary redundancy have been determined. By the end of 2003, we were able to conclude roughly 1,000 early retirement and phased retirement agreements.

At the same time, we have taken action both to stem the loss of know-how resulting from the reduction in headcount and to support and accompany employees and executives in this difficult process.

Control room at Philippsburg nuclear power plant

Turbine at Philippsburg nuclear power plant, unit 1 (boiling water reactor)

Personnel and management developments

To provide targeted grooming for our executives and to identify junior managers with potential, we introduced "leadership conference", our systematic manager development programme, in 2003. In this group-wide procedure, which is similar to a management audit, the competence, performance and potential of each executive will in future be assessed annually.

EnBW introduces systematic management development.

We have also revised and further optimised the business model of EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH. The range of work done by EnBW Akademie has now been grouped into three areas of activity: training courses and seminars, organisational and project consulting, and group-wide programmes. Depending on target group and specific needs, this means that EnBW Akademie is now in a position to satisfy all relevant qualification and development requirements professionally and competently.

In the reporting year, we successfully continued our group-wide trainee programme and "PROFIL", our programme for junior managers.

Some 200 group employees worked for EnBW Akademie in 2003 as consultants and trainers. They made a significant contribution to knowledge management in the group.

In-house employment exchange

In-house employment exchange, our newly created service unit, allows us to optimise internal job market processes. With the planned reorganisation of the group in mind, we can above all co-ordinate at corporate level the many personnel transfers that are required.

Leadership in dialogue

At EnBW, we believe in collegial dialogue between line manager and employee: our key management tools include delegation agreements and goal definitions, which are agreed annually in the EnBW performance review discussion. Together with other tools that have proved their worth over the years, these were adjusted to current requirements as part of a group-wide project carried out during the reporting year. Moreover, with the help of a broad-based communication and training campaign, we have created a fresh stimulus for dialogue-driven management.

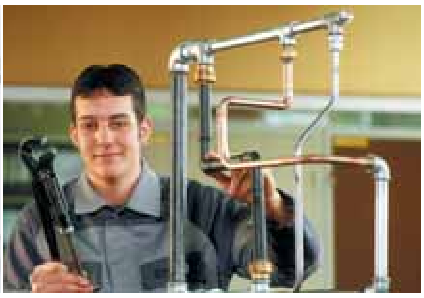
Training

During the reporting year, it was possible to keep the share of apprentices on the same high level as in prior years; for the main core companies, the figure is 7.9%. In addition, we were able to offer career prospects to all apprentices who successfully completed their training, as we continued to employ them for at least another 18 months.

Ideas management

In the reporting year, our ideas management scheme achieved a higher submission rate than in the prior year, with a stable ratio of accepted to rejected proposals. To be able to tap the potential for improvement in the group even better, we introduced the continuous improvement process (CIP) as a pilot project at our subsidiary EnBW Kundenservice GmbH in 2003. This gives employees the opportunity to play a direct part in optimising their daily work processes. It is our aim to introduce this process across the group.





Training at EnBW

Assembly work on very-high-voltage line

Research and development

R&D focuses on partnerships with technology suppliers and practical implementation.

Strategy and research focus

Our research and development activities are aimed at developing new technologies for EnBW and its customers. Our research model is based on two pillars: partnerships with technology suppliers from as early a development stage as possible, and practical implementation by our operative companies. Our close co-operation with technology suppliers and research institutes means that we can do without laboratories of our own. We carry out our development and demonstration projects in the operative EnBW companies, i.e. directly where they will be applied.

A compact strategic unit of ten persons in EnBW Holding – almost all of them engineers – works together with the EnBW companies to develop technology strategies, and prepares demonstration projects. Every year, this corporate research team provides several million euro to support our companies' innovative projects.

Drilling for geothermal heat in Bad Urach

In 2003, the EnBW group spent € 10.7 million on research, development and technical demonstration projects. Most of this concentrated on power supply to buildings and non-polluting waste management. We also made further advances in our research projects for non-polluting, climate-friendly electricity generation.

Power supply to buildings

EnBW has examined new ways of supplying heat to buildings that are ecologically and economically attractive for our customers. The energy-saving directive that has been in force since February 2002 favours the development of modern, environmentally friendly heating systems, with the result that heating energy needs in new buildings and refurbished old buildings are becoming ever lower. Our own studies of environmental impact have shown, for example, that electrically powered heating systems with heat pumps are already superior to gas-heating systems in normal operation, or at least just as good.

More than ever, the technology of choice is the electric heat pump in combination with sufficient insulation of the building against heat loss. As most heat pumps work with vertical ground probes, EnBW and its partners are testing a new programme on a test site near Leutkirch (Allgäu), which will allow ground probe systems to be set up less expensively. In addition, this makes use of a new material, which conducts more geothermal heat to the probe. The two innovations promise to reduce the cost of geothermal heating systems by a further 25%. EnBW has also designed an innovative heating solution for a large new hotel belonging to an EnBW customer: the "low emission hotel", which is partly heated geothermally.

Waste management and environmental technology

We support various demonstration projects dealing with new treatment methods for residual waste, such as the sand left over from casting. Up to now, these materials have had to be taken immediately to waste disposal sites. A process currently being tested by our waste management subsidiary U-plus Umweltservice AG allows this sand to be treated and reused, for example in the building materials industry. We already have our first contract from a well-known foundry.

With our successful pilot plant for the mechanical-biological treatment of waste using the ISKA® method, it is already possible to produce both a substitute fuel and to use the organic part of waste to produce usable energy in the form of biogas. In a further pilot plant, our aim now is to generate biogas from biomass as well, using food waste, garden waste or energy crops.

Fuel cells

EnBW installs 13 fuel cell heaters at partners.

The operating of our fuel cell plants at industrial, commercial and private customers continues to run to schedule: by the end of 2003, we had installed 13 fuel cell heaters made by the Swiss manufacturer Sulzer Hexis at selected partners, six of them at private customers. By the end of 2006, the plan is to have 55 of them. These fuel cells are a further building block in our progress towards innovative energy supplies to buildings.

The one-year pilot operation of the PEM fuel cell in the thermal bath in Bad Schönborn-Mingolsheim near Karlsruhe has been completed successfully. As part of a federally funded project, the system made by Alstom Ballard generated just under 1,100 MWh of electricity and more than 900 MWh of heat for the facilities of the thermal bath in 13 months. In addition, a local energy management system has been set up which adjusts electricity generation in the local mains network to consumption; this makes the mains network independent of external energy input.

Geothermal heat

Together with EnBW and other partners, the Bad Urach municipal utilities are building Germany's first geothermal power station based on the hot dry rock method, which makes use of dry rock deep under the earth's surface. The power station should go on line from 2005.

Risk report

Proactive risk management

Since the Law on Control and Transparency in business (KonTraG) came into force in May 1998, risk management has been growing in importance. The Transparency and Publicity Act (TransPuG) from 2002 extended the duty to have the early risk detection system audited by the auditor to all listed corporations. In the German Corporate Governance Code risk management is manifested in the comply or explain principle. Finally, the rulings of the Sarbanes Oxley Act from 2002, in particular section 404, are likely to impact the requirements placed on the quality of risk management. Section 404 demands of companies listed on American stock exchanges the compulsory confirmation on oath of the balance sheet by the management board under threat of prison sentences of up to 20 years for misstatements in connection with published financial statements. Similar rulings may also be introduced in German law in future.

Risk management system anticipates and minimises risks.

With the demands placed on risk management constantly rising, compliance with the law alone is not sufficient. We have therefore implemented a forward-looking and anticipatory risk management system. Risk management thus becomes a tool of proactive and preventative control based on the interaction between individual behaviour and operative instruments.

In the EnBW group, risk management is embedded in a monitoring and control concept consisting of various elements. We are in the process of installing a self-audit system upstream of the risk management system. This allows our employees in all areas of the group to make organisational and operative risks more tangible, to recognise faults in processes and structures themselves and to take internal countermeasures. To deal with exceptional situations requiring management by a special form of organisation we will install a crisis management system downstream of the risk management system.

Main control centre in Wendlingen

Expansion of the risk management system

In 2003 we adjusted and further expanded our risk management organisation to reflect the changes in operational structure. At group level, an interdisciplinary risk committee ensures the highest possible degree of risk capture, risk transparency and validation of the risk appraisal. The committee, which meets monthly, prepares all the important decisions relating to risk management for the EnBW Board of Management.

To improve the identification, evaluation and management of cross-company risks, at the operative level we have set up a working group of the risk managers from our group companies in the energy core business field.

We have supplemented the risk monitoring of our minority holdings that are not directly integrated in the EnBW risk management system by issuing guidelines for the office holders representing the interests of EnBW in the supervisory bodies.

Overall economic risks

Economic environment and tax policy: In 2003 the overall economic situation did not improve. The price consciousness of our customers was therefore unchanged.

Shortly before the end of 2003, the lower and upper houses of the German parliament passed a comprehensive package to reform tax law, most of which applies from 2004 onwards. In future, the new rules and regulations will lead to additional tax burdens, particularly for corporations and thus also for EnBW. At the beginning of 2003 the law to reduce tax privileges already introduced detrimental rulings.

Security: Dominated by the war in Iraq, the year 2003 posed great challenges for the law and order authorities in Germany. We are aware of these dangers and in consultation with the law and order authorities have taken precautionary measures that do justice to the current safety needs.

Industry risks

Extreme weather situation mastered, but adversely affects results.

Weather causes distribution and generation emergency: In August 2003 extreme climatic conditions in the form of high temperatures and a long period of drought confronted all the energy companies in Germany and in large parts of Europe with major challenges. Thanks to the prompt and professional collaboration of all the units within the company and the competent state ministries, we succeeded in upholding the reliability of the network and were able to supply our customers with energy without restriction.

As the dry weather continued, the levels in the rivers Rhine and Neckar dropped further. We were able to minimise the economic consequences by means of active risk management.

The weather conditions had an unforeseeable negative impact on results in 2003.

Political activism aims to minimise risks from the political and regulatory environment.

A large number of the risks specific to our industry are attributable to the political environment as well as the legal and regulatory framework. We cannot escape these risks. To minimise the associated burdens, we actively represent our interests through political activism or our involvement in the associations.

CHP/Renewable Energy Law: There are risks from the CHP law because test cases are still pending about the incentive scope, the results of which could also impact the subsidisation of EnBW power stations.

On the question of whether the burdens resulting from the Renewable Energy Law and the CHP law can be passed on, the Federal Court of Justice achieved legal certainty in the last instance in two leading decisions taken on December 22, 2003 and decided that these burdens can be passed on to end consumers, even under old contracts.

We consider the accounting provisions made by EnBW and its group companies in past years to be adequate to cover any residual risks.

Gasworks in Stuttgart

Provisions in the nuclear power area: The requirement adopted by the European Commission in the nuclear package of November 6, 2002 to separate the financial resources for the provisions in the nuclear power area is still being debated. Together with the other German energy companies and the French nuclear power station operators, we argue that the tried and tested system of setting up provisions for future obligations should be retained.

Network user charges: The network user charges of EnBW have been calculated in accordance with the calculation guidelines of the Verbändevereinbarung II plus and in a nationwide comparison are favourable, despite our demanding network territory. A change in the calculation guidelines would also impact the network user charges of EnBW. In that case, effects on the results of operations could not be ruled out.

CO_2 emissions trading: At present, it is not possible to project the consequences of the start of CO_2 emissions trading scheduled for 2005 which is designed to reduce the emission of CO_2 by means of a market-driven auction system. The initial allocation of emission rights, the CO_2 quantities and the allocation mechanism are equally uncertain. The German government has to submit a national allocation plan to the European Commission by March 31, 2004.

Specific company risks

In the fiscal year 2003 the consolidation, restructuring and concentration of the group on the core business field energy were the focal points of corporate strategy. In light of this and in the course of impairment tests required under the International Financial Reporting Standards/International Accounting Standards (IFRS/IAS) to test the impairment of assets, various known risks were revalued as to the extent of their impairment and the probability of occurrence. Based on this revaluation, we have made extensive measures in the accounts which seriously burdened the results of operations and net assets of EnBW in fiscal 2003. They mainly relate to impairment losses and risk provisions for the activities of Thermoselect Südwest GmbH, for participations – in particular Stadtwerke Düsseldorf AG – and for discontinuing operations.

Visitors to the gasworks in Stuttgart

Market and credit risks

Sales market: On the electricity market we are exposed to sales volume and price risks. In the past year, wholesale prices rose significantly. In the face of strongly predatory competition, the competition risk therefore remains high. We are facing the competition with innovative customised solutions and rigorous cost orientation.

Integrated risk management and risk limits restrict market and credit risks.

Energy trading: Within the EnBW group, EnBW Gesellschaft für Stromhandel mbH (SHG) is responsible for risk management for the electricity segment and from the beginning of 2004 for the primary energy source coal as well. The prerequisites for a risk management process integrating the various energy sources are thus in place. In addition, SHG also uses its competencies and the market experience gained in electricity trading for trading with gas.

Electricity trading transactions are generally concluded on the basis of European Federation of Energy Traders (EFET) master agreements. In the gas sector, trading is also successively being effected on this contractual basis. The credit rating of the trading partners is checked and is decisive for the maximum trading scope.

To limit the market and credit risks involved in trading, we assign risk limits which are continuously monitored. On every trading day, we report on trading activity, trading results and the use of and compliance with limits.

Electricity trading

Finance market: In the EnBW group the management of financial investments is geared to risk minimisation in line with our internal investment guidelines. We regularly value our investments mark to market. To measure the market price risk associated with our positioning we use the value-at-risk concept generally accepted on the financial markets. At a market value of our financial assets at the balance sheet date of € 6,226 million, the thus determined market price risk in the EnBW group amounted to € 87.3 million (VaR 95%/10 days).

We place high demands on the creditworthiness of our business associates and issuers. During the reporting year the limits were observed at all times.

Based on our good rating in 2003, we were able to use the capital and money markets as well as banks for refinancing. With most of our liabilities subject to variable interest rates, the stability of our own creditstanding is decisive for the associated market price risk.

Operating risks

In a group like EnBW that is structured according to the principle of organisational unbundling, our production processes along the value added chain cross company borders. We tackle risks from interfaces and interdependencies with suitable organisational measures and intensive communication.

Production plant breakdowns are prevented by means of systematic servicing and by using and constantly training highly-qualified staff.

Summarised appraisal of the risk situation and outlook

Following a revaluation of various risks of significance for our financial position, net assets and results of operations, we have made extensive provisions, thus effectively eliminating these risks from our books. We only have limited control over the major risks to the success of the company from the political, regulatory and legal framework.

Risks jeopardising the continued existence of the company were not identified in the reporting year.

After extensive risk elimination measures and the systematic gearing of the group to our core activities, we assume that the risk situation will be stable in the fiscal year 2004.

Review of the risk management system

At irregular intervals the internal audit department checks whether the risk management system of the individual subsidiaries and of the EnBW group is working properly. It is also subject to a recurring system check by the auditors in the course of the annual audit. In 2003 they certified that the risk management system of the EnBW group was in line with the legal requirements.

Forecast

Future economic development

We assume that the signs of economic recovery will continue in 2004. Economic growth of more than 1% is expected.

Future legal conditions

In autumn 2003, the European Commission presented a new legislation package for energy infrastructure and supply certainty which it wants to enact as quickly as possible. The Commission is under enormous time pressure. In the current constellation, they only have until May 2004 to launch the necessary legislation initiatives. It is to be expected that the election of the European Parliament and the re-election of the European Commission in autumn 2004 will temporarily halt the political legislative process in Brussels.

In Berlin the specification of the regulation, the enactment of the Renewable Energy Law and the impending renewal of the power stations in Germany are likely to dominate the energy policy discussion in 2004.

Future sales development

EnBW expects electricity sales to grow and gas sales to drop.

Sales development in 2004 will be dictated by the course of consolidation that has been initiated and the focus on the core business. Larger acquisitions are not planned, with the exception of the purchase of an electricity distribution company from the EU accession countries which has already been approved by the supervisory bodies. The planned sale of the remaining Salamander sub-group as well as the sale of smaller investments will play an important role. Due to the change in the consolidation group – with the various segments developing differently – an overall drop in sales is to be expected.

The sales development in the electricity segment is largely independent of the general economic conditions. We anticipate turnover growth of approx. 5% in 2004, largely as a result of rising wholesale prices.

In the gas segment we expect sales to drop by approx. 6%. Because the gas price is linked to the oil price, price forecasts in the gas area are subject to considerable uncertainty. Due to the relatively high crude oil prices in 2003, we expect a drop in prices in 2004 which will be more than compensated by the assumed growth in volume.

In the energy and environmental services segment, sales in 2004 are expected to match the prior-year level.

Future market situation/order backlog

In 2004 we expect unit sales of electricity to be largely stable compared to the prior year, stabilising on a comparable level in the coming years.

EnBW expects stable unit sales of electricity.

In the gas segment we expect moderate growth, particularly due to our activities on the Spanish market.

Anticipated profit development

The TOP FIT programme initiated in 2003 to improve results, particularly in the electricity segment, will be continued as planned in 2004. Following the cost reductions achieved in 2003, a volume of € 300 million has been targeted for 2004. This should markedly improve the operating result.

EnBW expects continuation of the TOP-FIT programme to boost the operating result.

The TOP FIT programme will be given additional impetus by the extension of the programme to include the topic "Optimisation of investment management" decided in December 2003: a systematic analysis should create the prerequisites for the sustained optimisation of the return on capital in the group and quantify the long-term funding requirements.

To ensure that employees and management accept and support this change process, a comprehensive support and communication programme is planned which will also be an important success factor for our programme to improve results.

In the electricity segment we expect EBIT to increase in 2004. This improvement will be due to the programme to improve results and the systematic continuation of our margin-orientation combined with our focus on profitable customer segments. We also want to further reduce direct and indirect selling expenses with a view to continuously improving the contribution margin.

In 2004 we are unlikely to be able to match the good operating result of 2003 in the gas segment which was due to the unusually cold winter and non-recurring income from the sale of investments.

As regards the energy and environmental services segment – in particular the energy services – we are confident that with the help of the programme to improve results we will be able to significantly increase the operating result.

Expected dividend

If the results of the EnBW group develop positively, we already expect to be able to distribute an appropriate dividend for the year 2004.

Electricity in use at industrial customers

Future capital expenditures

Following high capital expenditures for large acquisitions in the past, the capital expenditures planned for 2004 of some € 1.2 billion reflect the requirements of the consolidation phase which has been initiated. In 2004 we plan financial investments in the region of € 0.4 billion while capital expenditures on property, plant and equipment will come to around € 0.8 billion.

Investment management should secure optimum target return and return on capital.

The financial investments will be appraised both in light of our strategic alliance with EDF and as regards their economic effect on securing our target return. Spending on property, plant and equipment will also be reviewed in 2004 in the context of investment management to ensure the long-term optimisation of the return on capital. Capital expenditures on property, plant and equipment will be roughly divided between the segments as follows:
> Electricity: approx. 70%
> Gas: approx. 10%
> Energy and environmental services: approx. 20%

In the electricity segment, just under half of the capital expenditures will be made in the generation area. The main items here are our nuclear generating units, the construction of the auxiliary steam generator in Heilbronn as well as the control dam for a hydroelectric power station in Rheinfelden. Other planned expenditures mainly relate to replacement and expansion investments in the sectors transport, distribution and sales and marketing. In 2004 a renewal strategy for the networks will be developed.

In the gas segment, we plan to spend around € 50 million on replacement and expansion investments to develop the segment.

In the energy and environmental services segment, investments will mainly flow into the construction of waste treatment plants. Capital expenditures on infrastructure services, for measuring and billing and projects in the area of energy-related services are also planned.

Planned changes in personnel and welfare area

Socially-compatible cuts of up to 2,140 jobs planned.

The realignment of the group structure to strengthen the core business and the TOP FIT programme to improve results will lead to decisive changes in the personnel and welfare area. Using socially-compatible tools such as early retirement and phased retirement, we expect personnel cuts of up to 2,140 employees.

To support staff and managers in the pending change processes, we will provide extensive and targeted training.

In light of the changed economic conditions, we have decided with the consent of the works' councils to offer employment agreements to all apprentices and students at vocational colleges and technical universities meeting the qualifying conditions with a term of 6 instead of 18 months effective January 1, 2004. Graduates with high development potential may in exceptional cases be offered longer temporary or even permanent contracts.

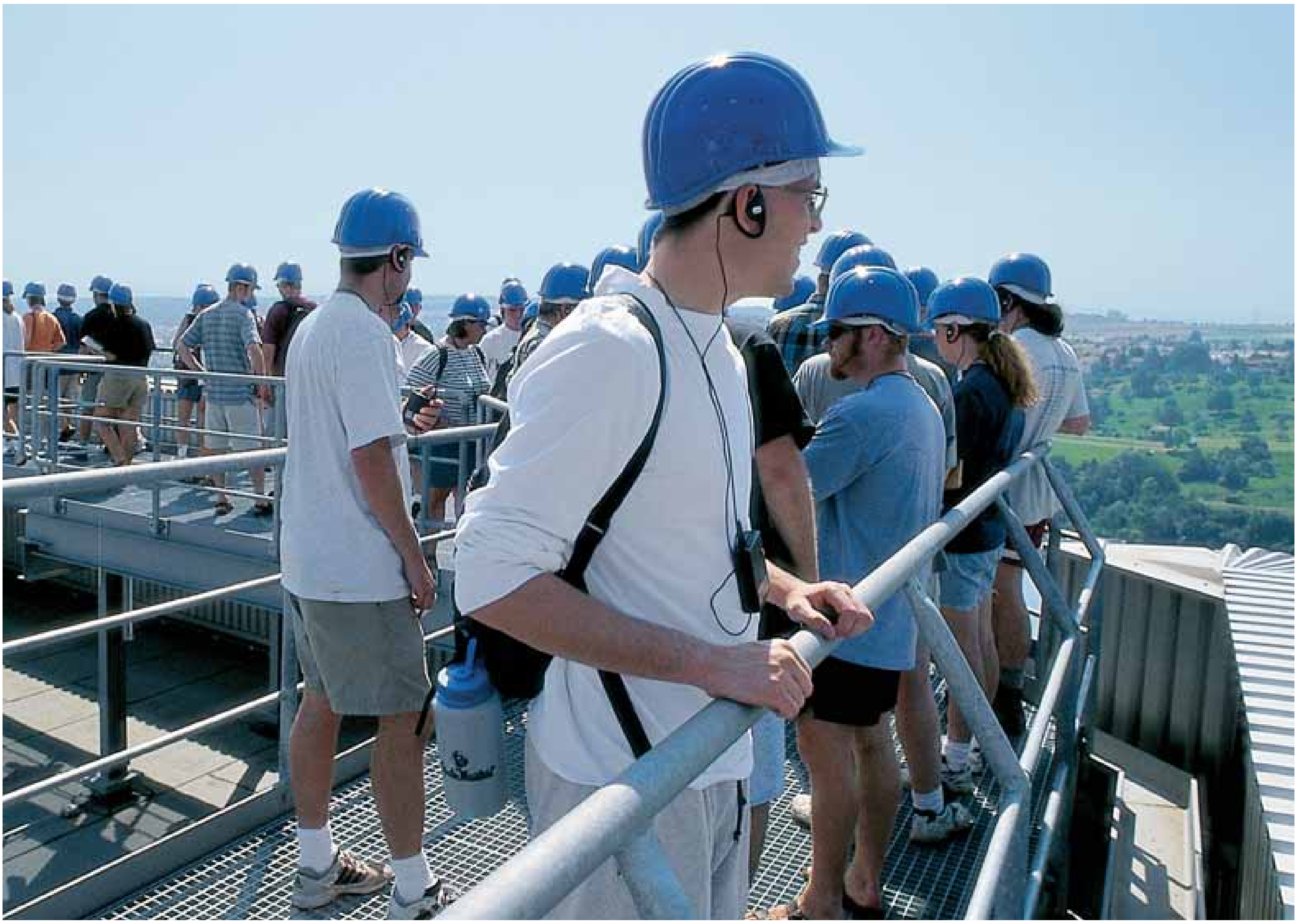
Apprentices and students guaranteed employment for at least six months.

In the coming years we expect a slight drop in the number of trainees as various professions are no longer being offered.

Future research and development

The current research projects focusing on the innovative supply of energy to buildings including fuel cells, environmental technology and geothermal power will be continued. Increasing the efficiency of conventional power stations will be another focus of research in 2004 and will grow in importance in subsequent years, both as regards the optimisation and replacement of existing power stations.

Increasing the efficiency of conventional power stations will be a future focus of research and devleopment.



Visitors to the heating power station in Altbach/Deizisau

Further information

Collaboration between EnBW and EDF

Collaboration in partnership with the two large shareholders

For decades the partnership that links Electricité de France (EDF) and EnBW and before that Badenwerk AG has stood the test of time. With the acquisition of the 25% of the State of Baden-Württemberg and the syndicate agreement with the other major shareholder Zweckverband Oberschwäbische Elektrizitätswerke (OEW), EDF has taken this relationship even further.

EnBW's ability to act in Europe strengthened.

Today, the two shareholder EDF and OEW each hold shares of 34.5%. Their co-operation strengthens EnbW's ability to act, especially under the conditions of rapidly changing markets in Europe. EnBW benefits from the complementary experience of the two large shareholders. The global, technical and industrial competence of EDF is ideally complemented by the regional, political and social responsibility of OEW.

Strategic alliance as model of pan-European co-operation

Our collaboration with EDF is exemplary. In many respects, it is characterised by partnership and tolerance. The nature of the co-operation could set the tone for other European co-operations in the European energy policy – which must and will emerge. The EnBW/EDF partnership can thus be something like a nucleus for a much broader European energy policy. The co-operation with EDF is also part of our vision for 2008.

Co-operation agreement with EDF

In 2001 the relationship between EnBW and EDF was given a contractual basis and since then the partnership has developed successfully.

The objective of this co-operation agreement was and is to strengthen the positions of EnBW and EDF on the energy market by coordinating their actions and by joining forces to secure the companies a position at the top of the European market.

The collaboration has already achieved numerous successes.

Common foreign investments in central and eastern Europe

Synergies can now be tapped across borders.

In the past, it was virtually impossible to achieve cross-border synergies because the non-liberalised markets of central and eastern Europe were isolated from one another both in terms of market and regulatory framework; the generating and distribution companies had to prove their economic efficiency independent of each other. With the accession of the countries to the European Union and the gradual opening of the market, which also allows cross-border deals, it is now possible to realise synergies from the ownership of power stations and distributors in the various countries.
By sharing past experience and know-how and the tactical linkage of asset and idea management, EDF and EnBW have built on these advantages.

We have used our bilateral competencies effectively and were thus able to achieve cost benefits and higher returns for our eastern European subsidiaries.

For EnBW and EDF it was of economic and strategic advantage to combine and open new joint representative offices in eastern European countries. Meanwhile, there are joint branches in the Czech Republic, Slovakia and in Poland; the combination of the Hungarian representative offices is planned for 2004.

Together with EDF we act as facilitators for our eastern European investments by bringing together the managers of Stredoslovenská Energetika a.s. (SSE), Prazská Energetika a.s. (PRE), Elektrownia Rybnik S.A., Budapesti Elektromos Müvek Rt. (ELMÜ)/Eszak-Magyarországi Áramszolgáltató Rt. (EMASZ) and Délmagyarországi Áramszolgáltató Rt. (DEMASZ).

Business lines of the EDF group

EnBW has successfully contributed to the development of the EDF group. This is particularly evident in the active involvement of EnBW employees and managers within the business lines of the EDF group.

Synergies targeted in the areas competence, assets and customers.

The six business lines – Energy Management, Retail to Residential and Small Business, Retail to Major Business, Energy Services, Distribution und Transmission – are developed by a network of experts and managers from the whole EDF group. Specialists from the various companies and countries of the EDF group work together on projects with a view to identifying synergy potential – mainly in the competence, asset and customer areas – for all the companies in the EDF group. The realisation of synergies is the responsibility of the respective senior vice presidents (SVP) of the business lines. The SVPs are experienced managers with extensive know-how, technical competence and managerial skills. Four of the SVPs are from EnBW.

An additional project is designed to exploit further synergies from the EnBW-EDF partnership. The aim is to derive additional cost savings from the TOP FIT programme at EnBW and the PERFORMANCE programme at EDF.

Personnel exchange programme between EnBW and EDF

Exchange supports systematic personnel development with European focus.

The personnel exchange programme between EnBW and EDF initiated in early 2001 is also about using synergies and transporting knowledge to the respective companies. This programme underlines the European orientation of EnBW and forms a useful and effective component for systematic personnel development throughout Europe.

The target of the personnel exchange programme, which arouses great interest on both sides, are qualified specialists and managers. As a rule, the employees and their families relocate to the partner company abroad for two years. After their return, they are integrated in areas in which they can put the experience they have gained abroad to good use. At present, around 20 employees from Germany and 30 from France are taking part in the exchange programme.

Reports from the business segments

Electricity

€ millions	2003	2002	Variance %
Sales (TWh)	126.8	109.1	+16.2
External sales	7,404.8	6,139.1	+20.6
EBITDA	1,196.4	1,052.9	+13.6
EBIT	512.5	512.5	+0.0

EnBW strengthens its position in Germany and Europe.

In the fiscal year 2003, EnBW asserted its position as the third-largest German electricity supplier. We supplied electricity to more than 4.9 million customers. With our investment in Hidroeléctrica del Cantábrico S.A. in Spain we were also able to strengthen our position on the European electricity market.

Like no other electricity company, EnBW has succeeded in expanding its strong home base into a nationwide presence in the entire electricity market.

In 2003, we continued to reinforce our market position in Baden-Württemberg. The combination of the operations and competencies of Neckarwerke Stuttgart AG (NWS) and EnBW played an important role here. In the network area, eight licence agreements with municipalities in Baden-Württemberg were renewed. Where it was not possible to renew licences, we have secured our strategic position by contributing parts of the network to new or existing municipal utilities. Our position in Baden-Württemberg continues to be underpinned by our tried and tested partnerships with municipalities and public utilities.

Electricity segment sales up due to acquisitions, organic growth and increased sales.

General business development in the electricity segment

In the fiscal year 2003, sales were around 21% up on the prior year. This is due to acquisitions and organic growth in the electricity business: Energiedienst AG was consolidated for the first time in 2003 while Hidroeléctrica del Cantábrico S.A. and Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG (ZEAG) were consolidated for the first full year. The higher unit sales of electricity trading, price increases of our sales companies and the continuing successful expansion of Yello Strom GmbH also boosted sales.

The earnings before taxes, interest and depreciation and amortisation (EBITDA) of € 1,196.4 million was burdened by special effects. Adjusted to eliminate these special effects and effects from the expansion of the consolidation group, the EBITDA in 2003 is up on the prior year.

We have generated an increasing share of our sales in third-party network territories. This has a negative impact on the relative EBITDA margin. Due to the third-party procurement of the network service, we do not cover the entire value added chain covered in our own network.

The result in the electricity segment is also affected by other special effects, in particular the impairment loss on our investment in Stadtwerke Düsseldorf AG.

Sales and marketing

Although electricity prices, particularly in the German electricity market, were increasing, it was only partly possible to pass on these price increases to the final customers, i.e. to the household customers and the industrial customers. Having succeeded in the past few years in strengthening its market position by increasing sales of electricity and capturing market shares, in 2003 EnBW turned its attention to improving the earnings situation.

In the final customer area, the customer success of Yello Strom GmbH continued to grow, reaching a million customers in the first-half year 2003. Yello is thus one of Germany's ten largest electricity suppliers and is still by far the most successful new electricity provider since the liberalisation of the electricity market five years ago. However, as in prior year, the economic result of Yello Strom GmbH in 2003 was again adversely affected by what we feel to be an inadequate regulation of network access in the German electricity market.

Inadequate regulation of network access adversely affects Yello's economic performance.

We were also successful in the household customer segment of our home market Baden-Württemberg. Extensive measures to increase customer loyalty kept terminations at a very low level.

In the industrial customer area we were able to assert our market position, despite heavy competition, confirming our strategy to use specialised sales teams for the different industries. In this area, as in the household customer sector, we are the company in the German electricity market with most customers outside its own network territory.

EnBW has more customers outside its own network territory than any other company in the electricity industry.

On the European playing field we intensified collaboration with our partners in the EDF group. This is particularly evident in the exploitation of synergies, for example by combining EnBW branches with representative offices of our partners.

Laying high-voltage cables


Well-balanced generation portfolio and high plant availability ensure efficient electricity generation.

Generation

Our electricity sales are covered to a large extent by our own power stations and long-term supply agreements; in 2003 we provided 75.3 TWh of electricity in this way.

Electricity provision by primary sources of energy (%)

Coal, gas, oil	21.4
Nuclear power	32.3
Water and other renewable energies	11.4
Primary energy source unknown	34.9

Generation mix	Electrical output in MW
Nuclear power stations (incl. EDF contracts)	5,140
Conventional power stations	6,718
Run-of-river and storage hydropower stations	3,226
Other renewable energies	96
Total	**15,180**

We rely here on a well-balanced generation portfolio of power stations with different sources of primary energy and procurement contracts. Nuclear power, coal, gas, oil and hydroelectric power form the basis for the efficient generation of electricity. At 91.7%, the availability of our nuclear power stations remained on the high level of prior years. Due to the heat wave in the summer of 2003, the generation from hydroelectric power was down slightly on the prior year.

Again in the year 2003, EnBW made an important contribution to climate protection. At 68.1%, our share of CO_2-free electricity generation is high compared to our competitors.

Network

EnBW operates the very high voltage network in Baden-Württemberg.

Very high voltage network grid lengths

Very high voltage 380 kV	1,936 km
Very high voltage 220 kV	1,721 km

We also operate distribution networks in Baden-Württemberg, Saxony and in Spain.

Distribution network grid lengths

High voltage	9,972 km
Medium voltage	45,101 km
Low voltage	98,767 km

The fees for the use of the networks in Germany are calculated in accordance with the calculation guidelines set forth in Verbändevereinbarung II plus. For the distribution network, this was confirmed by an audit opinion issued for our networks in Baden-Württemberg for the year 2003. As a comparative market element, the Verbändevereinbarung II plus contains a benchmark between the different network operators based on structural indicators in which EnBW has participated since its introduction. EnBW is one of the most favourably priced network operators in Germany.

In 2003 electricity requirements and the grid load in Baden-Württemberg were dictated by exceptional climatic conditions. February was extremely cold; mainly as a result of the increased demand for heating current the maximum load in Baden-Württemberg rose 2% compared to the prior year. Due to the extremely hot summer, we for the first time detected the influence of electrical air conditioning equipment on the grid load. Contrary to previous years, during the heat wave the electricity demand rose with the temperature. Some days, the grid load in August was more than 5% higher than in the prior year.

Supply reliability was ensured despite heat wave and extreme water situation.

As a result of the long hot spell, the water levels in the rivers Rhine and Neckar fell. At the same time, the water temperatures rose dramatically, resulting in some cases to legally imposed output restrictions. To uphold the voltage in the grid, the thermal power stations had to stay connected.

In close co-operation with the competent authorities, we were able to successfully manage the emergency situation in distribution and generation. The stability of the network and reliability of supply were not at risk at any time nor were there any technical or safety-related issues in the power station area.

Before the beginning of the heating period in October, EnBW introduced a user-friendly and easy-to-manage method for the supply of heating to current customers based on a practical guide issued by the association of network operators (VDN). Since the middle of the year, this has allowed to EnBW to be one of the first companies in Germany to also offer this customer segment efficient competition without complicated measuring technology.

Collaboration with NWS strengthens EnBW's position in the gas and water sectors.

Investments in the electricity segment

Effective May 23, 2003, Energie Baden-Württemberg AG took over further shares of Neckarwerke Stuttgart AG (NWS) and now holds 100% of the capital stock. The operations of NWS were contributed to the operating subsidiaries of EnBW and expanded. NWS's high level of competence in the gas and water sectors accelerated and strengthened the position of EnBW as a multi-segment organisation. In a process of mutual convergence and optimisation, EnBW and NWS have thus developed a co-operation agreement based on partnership to make the best possible use of synergies. For EnBW this is further proof that flexibility in the design of co-operation concepts serves the common objective and interests of the partners.

With the acquisition of the majority holding in the Energiedienst group we were able to significantly improve our position in south and central Baden. The profile of the group in the areas hydroelectric power (Rheinkraftwerke) and renewable energies (NaturEnergie AG) was decisively strengthened.

We also purchased equity investments in eneREGIO GmbH and in the municipal utilities Giengen, Backnang and Ludwigsburg. The investments in the municipal utilities Backnang and Ludwigsburg still require the approval of the Federal Cartel Office.

Outlook

To achieve a continuous improvement in gross margins, sales and marketing will continue to focus on margins and profitable customer segments while at the same time continuing to cut direct and indirect selling costs. We expect these measures to have a positive impact on the development of results.

As of January 1, 2004 EnBW adjusted the network user charges for its network in Baden-Württemberg. The adjustment is necessary to keep network user charges in line with the calculation guidelines of Verbändevereinbarung II plus following the fusion of the network activities of EnBW and NWS and new network cost base resulting from the merger. In 2004 EnBW also aims to have the proper calculation of the network user charges certified by an auditor.

We are keenly monitoring the influence of the regulatory authorities on the network user charges. Generally, regulation is likely to result in keener competition. This could have further positive effects for EnBW in light of its focus on the final customer.

The new EU directive for the use of the electricity network also requires the organisational segregation of transmission network activities as of July 1, 2004 and the distribution network activities as of July 1, 2007. EnBW is well prepared: the transmission network activities are focused in EnBW Transportnetze AG, while the distribution network activities are focused in EnBW Regional AG.

Gas

€ millions	2003	2002	Variance %
Sales (TWh)	82.6	21.0	+293.3
External sales	1,429.3	533.7	+167.8
EBITDA	276.6	78.6	+251.9
EBIT	186.6	50.3	+270.9

In light of the anticipated fusion of the electricity and gas industries, natural gas represents a logical complement to the electricity business of EnBW.

Our gas business is divided into the supraregional district gas business (midstream) and the regional distribution business (downstream).

Sales revenues and unit sales increase in the gas segment

Sales in the gas segment rose by € 895.6 million to € 1,429.3 million. Unit sales increased almost fourfold, rising to 82.6 TWh. This is due above all to the first-time full consolidation of Gasversorgung Süddeutschland GmbH (GVS). The cold spell in early 2003 and higher gas prices as a result of the oil price development also played a role in the increase in sales and unit sales.

This extraordinarily good result is mainly due to non-recurring effects in connection with the restructuring of our gas distribution business. These include the bundling of gas activities of Neckarwerke Stuttgart AG (NWS) at EnBW Gas GmbH and the sale of part of our 21% share in Badenwerk Gas GmbH to a company of Zweckverband Oberschwäbische Elektrizitätswerke (OEW).

Midstream

The economic conditions for the district gas company GVS have changed. The reasons for this include

> the liberalisation of the German and European gas markets
> regulatory requirements (unbundling)
> structural changes in the German energy industry, in particular due to mergers and acquisitions (e.g. E.ON/Ruhrgas)
> growing competition from alternative providers.

Together with our syndicate partner Eni S.p.A., we have introduced a new organisational structure at GVS. As a result, the company will be even better positioned to encounter risks and use opportunities that have arisen from the changes.

We have achieved our objective to sustain procurement flexibility. Eni S.p.A. has proved to be a reliable and competent partner whose know-how, particularly in gas procurement, has complemented our strengths in sales and regional presence.

Downstream

We have bundled our gas distribution and final customer business in a gas distribution company, EnBW Gas GmbH (GAS). In this way, we have succeeded in creating a competitive and customer-oriented competence centre, in decisively improving economic efficiency and facilitating the more effective management of the gas segment.

Bundling of gas operations improves economic efficiency and creates synergies.

GAS's main task is gas procurement management which is carried out in close co-operation with GVS taking the current market situation into account. In addition, GAS is responsible within its network territory for the sale and supply of customers with natural gas. Sales focus here is the economically thriving greater Stuttgart area.

GAS cooperates in may areas of the value added chain with EnBW's other core companies. It benefits both from their experience in selling and customer support and the regional positioning of the parent company and can achieve important synergy effects.

Pressure regulating station

Outlook

In future, the gas companies of EnBW will have to assert themselves in the face of keener competition in a liberalised gas market. Customer expectations as regards pricing and flexibility are high. It will become increasingly difficult to maintain margins.

In connection with the purchase of shares in GVS, we have granted the redistribution customers of GVS and GAS premature termination rights for long-term supply agreements. In the interest of our customers, our gas companies are ready for this challenge.

We want to uphold and expand our long-standing partnerships with municipalities and public utilities. Customer loyalty in the face of competition will be an important goal.

By means of targeted sales campaigns, GAS will continue to exploit the growth potential which arises, particularly by increasing the number of customers located along existing pipelines.

We also want to grow outside Baden-Württemberg. GVS represents a suitable platform for this.

The acquisition of another district gas company would allow us to expand the gas position beyond the boundaries of Baden-Württemberg and extend storage capacities.

Energy and environmental services

€ millions	2003	2002	Variance %
External sales	538.4	433.7	24.1
EBITDA	44.8	53.9	-16.9
EBIT	-245.2	-37.8	-548.7

The energy and environmental services segment combines the areas disposal, water and other services.

In 2003 sales in the energy and environmental services segment were 24% up on the prior year. The EBITDA decreased compared to the prior year by 16.9% to € 44.8 million. The EBIT dropped from € -37.8 million to € -245.2 million.

Non-thermal waste disposal

The non-thermal waste disposal division was dominated by the amendment of the commercial waste directive and the new invitation to tender for service agreements under the dual system (DSD). Market opportunities from the introduction of a compulsory deposit on beverage packaging have not evolved on the scale hoped for by the waste disposal industry because the legislator has so far failed to impose a uniform system.

With the acquisition of a company that recycles electronic scrap and the rigorous expansion of its service offering in the field of document management, U-plus Umweltservice AG has further strengthened its competencies in the recycling sector, thus improving its market opportunities. U-plus offers system solutions throughout Europe for the implementation of the European electronic waste directive and has the necessary innovative recycling technologies to do so.

As of November 30, 2003, U-plus sold all shares in Bautrans Gebäude- und Flächen-Recycling GmbH. In this way, U-plus has eliminated from its portfolio the demolition and excavation division which does not belong to the core activities.

ISKA® method gains acceptance.

With the ISKA® method for the mechanical-biological treatment of waste we have won tenders throughout Europe for the treatment of residual waste prescribed by law from June 1, 2005 by the "Technische Anleitung Siedlungsabfall (TASi)". Long-term contracts with several local authorities in Baden-Württemberg will safeguard the investments in ISKA® plants in Buchen/ Neckarodenwaldkreis and Heilbronn.

Thermal waste disposal

Delays in the expansion of the Stuttgart-Münster waste incineration plant and the provisions needed as a result for alternative disposal channels had a significant impact on the 2003 result.

In 2003 there was still no sign of the anticipated success from the operation of the Thermoselect plant in Karlsruhe. The new management installed as of August 1 has developed a technical concept to improve the economic efficiency of the plant that is currently being examined.

The situation of the Thermoselect plant in Ansbach is dominated by delays in construction and disputes between the project partners, including litigation. In March 2003 we were able to agree on solutions with the municipal partners; negotiations with the plant manufacturer, Thermoselect S.A. have so far failed.

Due to the earnings situation, impairment losses were recorded on the plants in Karlsruhe and Ansbach in the reporting year. Potential losses from existing contracts are reflected in the income statement.

Water

Following a slight decline in water consumption in prior years, the hot summer this year significantly boosted the sales volume. With a market share of approx. 11% - in terms of sales volume, including pro-rata public utility holdings – EnBW is the largest water supplier in Baden-Württemberg.

EnBW is Baden-Württemberg's largest water supplier.

Other services

In September 2003, EnBW Energy Solutions GmbH (ESG), in co-operation with Technsiche Werke Ludwigshafen (TWL), took over the whole energy and media generation and distribution, including personnel, at the Mannheim plant for the pharmaceutical and diagnostics firm Roche Diagnostics for the next 15 years. The modernisation of the existing co-generation (CHP) plant is planned for 2004/2004; coal-fired heat generation will be replaced by an environmentally-friendly gas-fired boiler plant. The Rhine-Neckar region is also to be further developed by ESG and TWL.

Outlook

With the amendment of the sludge directive, alternative disposal channels to the conventional agricultural use need to be found. Our subsidiary MSE Mobile Schlammentwässerungs-GmbH has the technology and has secured quotas for the co-burning of dehydrated sludge. In the sludge disposal area we expect the earnings situation to develop positively.

In the thermal disposal division, we expect the earnings situation to stabilise in the next few years.

Discontinuing operations

€ millions	2003	2002	Variance %
Sales	1,236.6	1.382.1	-10.5
EBITDA	-220.4	28.2	-881.6
EBIT	-360.6	-58.0	-521.7

In the fiscal year 2004 the discontinuing operations include in particular the Salamander group, the broadband activities of DiTRA Gesellschaft für Kabelnetze und Telekommunikation mbH, the construction services of Bautrans Gebäude- und Flächen-Recycling GmbH as well as the innovation division with the companies innotech Beteiligungsgesellschaft mbH & Co. KG and EnBW Venture Capital Beteiligungsgesellschaft mbH. Activities in the core business which have also been earmarked for sale or closure due to unsatisfactory business development have also been disclosed under discontinuing operations.

The drop in sales in this segment is largely due to the fact that tesion Communikationsnetze Südwest GmbH & Co. KG was only consolidated until August 31, 2002. The activities of Salamander AG in the shoe area that have been sold to Garant Schuh + Mode AG were also deconsolidated as of September 30, 2003. The result was significantly burdened by precautionary risk measures and impairment losses on goodwill from the capital consolidation

EnBW reduces investment portfolio by almost 40%.

Simplification of group structures – portfolio grooming

In July 2003, the EnBW Board of Management decided to significantly simplify the complex structure of the group in order to strengthen efficiency and thus the operating performance of EnBW for the long term. Initially 143 of the total of just under 400 companies in the investment portfolio were identified for elimination. In the course of an in-depth portfolio analysis, this number rose to more than 160 companies. The portfolio grooming is being performed by mergers, liquidations, divestitures and contribution of companies into industrial partnerships.

Sale of Salamander subsidiaries progresses well.

Divestiture Salamander sub-group

One focus of our divestiture efforts was the preparation and sale of parts of the Salamander group wholly owned by EnBW.

An important milestone in the divestiture process was the surrender of the majority to GegenbauerBosse GmbH und Co. KG. The shares were sold with economic effect as of December 31, 2003. With its 12,000 employees GegenbauerBosse generated sales of € 275 million in 2003 and is thus one of Germany's most important companies in the commercial cleaning and facility management business.

We were also able to successfully conclude the sale of the entire shoe sector of Salamander. The specialist retail group comprising 230 shoe shops in nine European countries was sold to Garant Schuh + Mode GmbH as of October 1, 2003. In November 2003 we also sold Sioux GmbH which recorded sales of around € 39 million with some 420 employees in 2003.

As of December 31, 2003, Salamander-Industrie Produkte GmbH sold the technical parts division of the company operating in the injection moulding area to Kösling GmbH. The divested division, with annual sales of approx. € 12 million and 100 employees, mainly produces plastic casing for automotive technology, computer keyboards and products in the field of medical technology.

Further divestitures in the EnBW group

EnBW Venture Capital Beteiligungs-GmbH and its shares in innotech Beteiligungsgesellschaft mbH & Co. KG were sold by Energie Baden-Württemberg AG in November 2003.

In December 2003, U-plus Umweltservice AG sold 100% of its shares in Bautrans Gebäude- und Flächenrecycling GmbH.

In December 2003 we also parted with our wholly-owned subsidiary DiTRA Gesellschaft für Kabelnetze und Telekommunikation mbH, effective January 1, 2004. With more than 40,000 customers, it is one of the leading regional providers of broadband networks for TV, voice and data services in Baden-Württemberg.

Outlook

In a number of sales processes started in 2003 we are still negotiating with potential investors.

In 2004 our divestiture efforts will again focus on the sale of the assets of the Salamander sub-group in order to groom the investment portfolio. The main assets yet to be sold are the parking space management company APCOA Parking AG, the window fittings and leather materials segments of Salamander Industrie Produkte GmbH as well as the extensive real estate portfolio.

EnBW will continue to rigorously pursue its portfolio grooming and further sales can be expected in 2004.


Financial statements EnBW group

EnBW group
Income statement
from January 1 to December 31, 2003

€ millions	Notes to the financial statements	**2003**	2002
Sales		11,975.5	9,106.7
Electricity and natural gas tax		-1,366.4	-618.1
Sales without electricity and natural gas tax	(1)	**10,609.1**	**8,488.6**
of which discontinuing operations		(1,236.6)	(1,382.1)
Changes in inventories		-14.3	-1.4
Own work capitalised		37.2	29.1
Other operating income	(2)	667.9	589.2
Cost of materials	(3)	-6,812.4	-5,046.4
Personnel expenses	(4)	-1,628.5	-1,628.7
Amortisation and depreciation	(5)	-1,204.0	-746.6
of which goodwill from capital consolidation		(-144.5)	(0.7)
Other operating expenses	(6)	-1,820.4	- 1,271.8
Result from operating activity		**-165.4**	**412.0**
Financial result*	(7)	-903.1	-527.5
Result before tax		**-1,068.5**	**-115.5**
of which discontinuing operations		(-388.5)	(-93.0)
Taxes	(8)	-114.0	84.4
of which discontinuing operations		(27.4)	(-20.1)
Result after tax		**-1,182.5**	**-31.1**
of which discontinuing operations		(-361.1)	(-113.1)
Minority interests		-10.4	-13.4
Net result		**-1,192.9**	**-44.5**
of which discontinuing operations		(-351.2)	(-101.1)
Outstanding shares (million) weighted		**220.711**	**232.347**
Earnings per share (€)	(20)	**-5.40**	**-0.19**

* of which result from associated companies accounted for at equity: € -120.8 million (prior year: € 50.3 million)

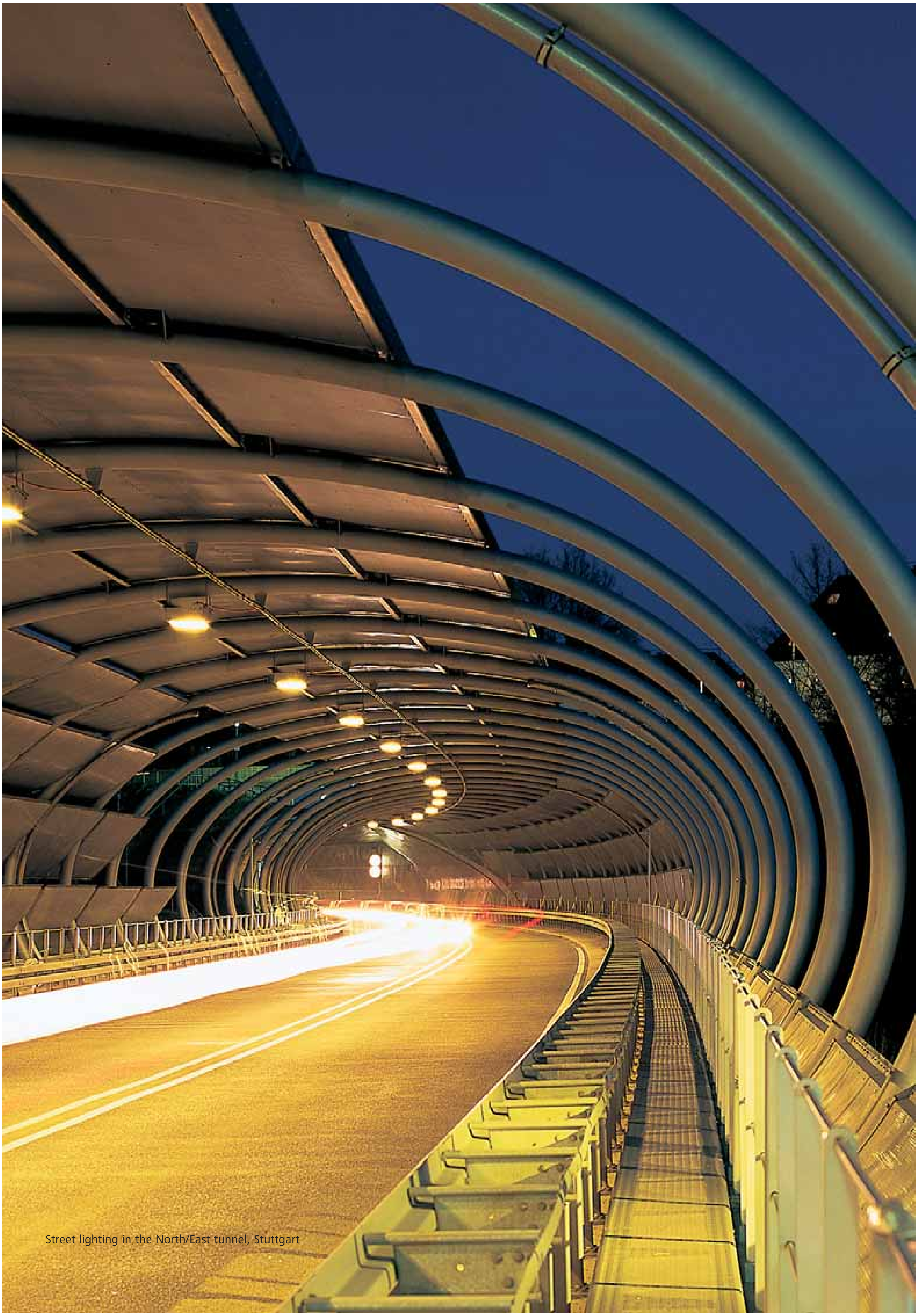
EnBW group
Balance sheet as of December 31, 2003

€ millions	Notes to the financial statements	**31.12.2003**	31.12.2002
Assets			
Fixed assets	(9)		
Intangible assets		1,898.4	2,308.1
Property, plant and equipment		12,359.6	10,682.9
Financial assets*		6,474.0	6,406.2
		20,732.0	**19,397.2**
Current assets			
Inventories	(10)	667.1	776.8
Receivables and other assets**	(11)	2,642.9	2,907.5
Marketable securities	(12)	122.8	200.8
Cash and cash equivalents	(13)	966.5	731.0
		4,399.3	**4,616.1**
Prepaid expenses	(14)	88,5	93.6
		25,219.8	**24,106.9**
Equity and liabilities			
Equity/minority interests	(15)		
Group shares			
Subscribed capital		640.0	640.0
Capital reserve		22.2	634.0
Revenue reserves		333.1	1,070.1
Accumulated other comprehensive income		-73.3	-301.6
		922.0	**2,042.5**
Minority interests		622.2	349.5
		1,544.2	**2,392.0**
Provisions***	(16)	9,508.5	9,069.6
Liabilities****	(17)	10,645.5	9,664.3
Deferred taxes	(18)	1,528.5	1,022.4
Deferred income	(19)	1,993.1	1,958.6
		25,219.8	**24,106.9**

* of which associated companies accounted for at equity: € -1,238.1 million (prior year: € 1,306.8 million)
** of which tax refund claims: € 326.8 million (prior year: € 175.5 million)
*** of which tax accruals: € 266.2 million (prior year: € 351.6)
**** of which long-term interest-bearing liabilities: € 5,110,7 million (prior year: € 4,548,4 million)

EnBW group
Cash flow statement

€ millions	2003	2002
1. Operating activities		
Result after tax	-1,182.5	-31.1
Depreciation/write-up of fixed assets	1,609.1	765.2
Gain/loss on disposal of fixed assets	-28.9	-2.6
Changes in long-term provisions	431.0	124.8
Other non-cash expenses/income	-236.2	-373.4
Changes in working capital and short-term provisions	292.9	34.5
Net cash from operating activities	**885.4**	**517.4**
of which discontinuing operations	(-33.0)	(-44.4)
2. Investing activities		
Purchase of fixed assets	-684.7	-1,161.9
Cash received from disposals of fixed assets	155.5	580.4
Cash paid for investments in affiliated companies	-754.1	-3,885.7
Cash received from the (partial) sale of affiliated companies	49.2	1,556.4
Cash received/paid on account of the purchase of financial instruments in connection with short-term finance planning	75.8	350.1
Net cash used in investing activities	**-1,158.3**	**-2,560.7**
of which discontinuing operations	(-13.7)	(-24.1)
3. Financing activities		
Dividends paid	-185.2	-214.7
Cash paid for the purchase of treasury shares	-10.2	-699.0
Borrowing	2,862.9	3,238.0
Repayment of financial liabilities	-2,158.0	-546.8
Net cash from financing activities	**509.5**	**1,777.5**
of which discontinuing operations	(-5.5)	(5.2)
Changes in cash and cash equivalents	236.6	-265.8
Change in cash and cash equivalents due to exchange rate fluctuations	-1.1	-0.1
Change in cash and cash equivalents	**235.5**	**-265.9**
Cash and cash equivalents at the beginning of the period	731.0	996.9
Cash and cash equivalents at the end of the period	**966.5**	**731.0**



Street lighting in the North/East tunnel, Stuttgart

Statement of changes in equity

€ millions	Subscribed capital	Capital reserve	Revenue reserve
Dec. 31, 2001	**640.0**	**634.0**	**1,840.6**
Purchase of treasury shares			-565.1
Dividends paid			-160.9
Other comprehensive income			
Result after tax			-44.5
Other changes			
As of December 31, 2002	**640.0**	**634.0**	**1,070.1**
Purchase of treasury shares			-10.2
Dividends paid			-145.7
Other comprehensive income			
Result after tax			-1,192.9
Other changes		-611.8	611.8
As of December 31, 2003	**640.0**	**22.2**	**333.1**

Accumulated other comprehensive income					
Revaluation intangible assets	Difference from currency translation	Market valuation of financial instruments	Group shares	Minority interests	**Total**
-165.7	**4.8**	**34.3**	**2,988.0**	**1,913.7**	**4,901.7**
			-565.1		-565.1
			-160.9	-53.8	-214.7
	0.5	-175.5	-175.0	-43.5	-218.5
			-44.5	13.4	-31.1
				-1,480.3	-1,480.3
-165.7	**5.3**	**-141.2**	**2,042.5**	**349.5**	**2,392.0**
			-10.2		-10.2
			-145.7	-39.5	-185.2
89.2	-16.2	155.3	228.3	0.1	228.4
			-1,192.9	10.4	-1,182.5
			0.0	301.7	301.7
-76.5	**-10.9**	**14.1**	**922.0**	**622.2**	**1,544.2**

Notes to the financial statements EnBW group
Segment reporting

Business segments € millions	Electricity		Gas		Energy and environmental services	
	2003	2002	**2003**	2002	**2003**	2002
External sales	7,404.8	6,139.1	1,429.3	533.7	538.4	433.7
Internal sales	165.5	26.8	86.5	33.4	532.1	418.1
Total sales	7,570.3	6,165.9	1,515.8	567.1	1,070.5	851.8
EBITDA	1,196.4	1,052.9	276.6	78.6	44.8	53.9
EBIT	512.5	512.5	186.6	50.3	-245.2	-37.8
Result from investments accounted for at equity	-129.0	45.8	2.5	1.5	5.7	0.6
Amortisation and depreciation	-614.5	-544.6	-89.8	-29.0	-116.4	-85.9
Other significant non-cash expenses	-482.2	-218.5	-5.6	-2.1	-326.7	-27.0
Capital expenditures on intangible assets and property, plant and equipment	351.0	371.8	49.9	40.7	123.8	107.7
Gross assets	16,996.4	18,765.9	2,910.4	1,828.9	1,875.2	1,076.4
Gross debt	11,589.3	12,756.0	1,536.0	1,113.0	1,221.9	534.6
Carrying amount of shares in companies accounted for at equity	1,146.6	1,251.0	7.4	6.9	38.4	38.4
Number of employees as of December 31	12,387	12,110	320	309	7,219	6,854

Segment reporting by region € millions	**2003**	2002
External sales		
Germany	9,230.6	7,382.5
Euopean Union without Germany	809.6	695.5
Rest of Europe	568.9	410.6
	10,609.1	**8,488.6**
Assets		
Germany	20,923.8	21,540.4
Euopean Union without Germany	2,100.1	1,739.9
Rest of Europe	2,170.2	783.6
Outside Europe	25.7	43.0
	25,219.8	**24,106.9**
Capital expenditures on intangible assets and property, plant and equipment		
Germany	434.6	547.7
Euopean Union without Germany	100.1	46.0
Rest of Europe	30.9	10.3
	565.6	**604.0**

Discontinuing operations		Holding/ Consolidation		Total	
2003	2002	**2003**	2002	**2003**	2002
1,236.6	1,382.1	0.0	0.0	10,609.1	8,488.6
18.0	24.7	-802.1	-503.0	0.0	0.0
1,254.6	1,406.8	-802.1	-503.0	10,609.1	8,488.6
-220.4	28.2	-283.8	-73.1	1,013.6	1,140.5
-360.6	-58.0	-283.7	-73.1	-190.4	393.9
0.0	2.4	0.0	0.0	-120.8	50.3
-61.4	-85.3	0.0	0.0	-882.1	-744.8
-316.6	-16.3	-16.3	-27.2	-1,147.4	-291.1
40.9	83.8	0.0	0.0	565.6	604.0
776.6	1,150.4	2,661.2	1,285.3	25,219.8	24,106.9
626.2	708.7	8,702.2	6,602.6	23,675.6	21,714.9
45.7	10.5	0.0	0.0	1,238.1	1,306.8
4,462	19,282	201	166	24,589	38,721

Notes to the financial statements EnBW group

General principles and explanatory comments on the consolidation group

General principles

The consolidated financial statements of Energie Baden-Württemberg AG (EnBW) are prepared according to the International Financial Reporting Standards/International Accounting Standards (IFRS/IAS) applicable at the balance sheet date. In addition, the interpretations of the International Financial Reporting Interpretations Committee/Standing Interpretations Committee (IFRIC/SIC) are observed. The consolidated financial statements of Energie Baden-Württemberg AG comply in all respects with the IFRS/IAS and the IFRIC/SIC. The prior-year figures have been adjusted to reflect the transition to IFRS/IAS.

The consolidated financial statements are presented in euro. Besides the income statement and balance sheet, a cash flow statement, statement of changes in equity and segment reporting have been presented separately.

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

The income statement has been prepared using the method of total costs.

The consolidated financial statements are prepared as of the balance sheet date of the financial statements of the parent company.

Conversion of accounting to IFRS/IAS

The reporting in the EnBW group has been prepared according to IFRS/IAS accounting standards for the first time in the fiscal year 2003. The conversion has been performed in accordance with the principles of SIC 8 as if the accounting had always been prepared according to IFRS/IAS.

The effects of the conversion compared to the consolidated financial statements according to HGB (German Commercial Code) as of January 1, 2002 (IRFS/IAS opening balance sheet) or for the fiscal year 2002 are presented below. Differences arising as of the balance sheet date of the IFRS/IAS opening balance sheet have been transferred to the revenue reserves of the group or offset against them.

The **IFRS/IAS opening balance sheet** as of January 1, 2002 is as follows:

€ millions	**IFRS/IAS**	HGB	Variance
Assets			
Fixed assets			
Intangible assets	572.6	905.7	-333.1
Property, plant and equipment	8,815.7	5,136.9	3,678.8
Financial assets	6,368.7	5,790.3	578.4
	15,757.0	11,832.9	3,924.1
Current assets			
Inventories	709.7	706.5	3.2
Receivables and other assets	4,628.5	4,522.7	105.8
Securities	486.1	682.3	-196.2
Cash and cash equivalents	996.9	905.4	91.5
	6,821.2	6,816.9	4.3
Prepaid expenses	88.0	93.8	-5.8
	22,666.2	**18,743.6**	**3,922.6**
Equity and liabilities			
Equity			
Group shares	2,988.0	1,575.3	1,412.7
Minority interests	1,913.7	907.2	1,006.5
	4,901.7	2,482.5	2,419.2
Special items	0.0	1,029.7	-1,029.7
Provisions			
Pension provisions	3,508.4	2,491.4	1,017.0
Tax provisions	314.2	463.6	-149.4
Other provisions	5,309.0	7,794.2	-2,485.2
of which nuclear power	(3,639.4)	(5,984.6)	(-2,345.2)
	9,131.6	10,749.2	-1,617.6
Liabilities			
Financial liabilities	4,090.1	3,190.4	899.7
Trade payables	614.1	306.7	307.4
Other liabilities	893.7	891.2	2.5
	5,597.9	4,388.3	1,209.6
Deferred taxes	1,123.6	26.0	1,097.6
Deferred income	1,911.4	67.9	1,843.5
	22,666.2	**18,743.6**	**3,922.6**

Specifically, the changes relate to the following issues:

In the course of purchase accounting, lower goodwill has been recognised in the **intangible assets** under IFRS/IAS. Badwill from capital consolidation was offset against goodwill. Lease agreements classified as finance leases increased the intangible assets.

Under IFRS/IAS, the useful life of **property, plant and equipment** is estimated on the basis of the economic life. As a rule, longer useful lives are applied under IFRS/IAS. The declining balance method of depreciation used in the past under HGB is generally replaced by the straight-line method. On aggregate, these two variances result in higher carrying amounts under IFRS/IAS.

Under IFRS/IAS, contrary to HGB, the special funds are consolidated. In the course of full consolidation, the individual securities **(financial assets)** and **cash and cash equivalents** of the funds are reported separately in the consolidated balance sheet by type of investment.

The treasury shares shown in the HGB balance sheet under **marketable securities** are offset in the IFRS/IAS balance sheet against equity.

The **special item** with an equity portion is not recognised because tax driven. The special items for construction cost and investment subsidies are reclassified as deferred income. Moreover, the release period is adjusted to the economic life of the subsidised assets. As a rule, this results in a higher value according to IFRS/IAS.

The **pension provisions** previously recognised in accordance with Sec. 6a German Income Tax Law (EStG) have been determined using the internationally recognised projected unit credit method.

The other long-term **provisions,** which are carried in the HGB financial statements at their nominal amount, are accounted for at the settlement amount discounted to the balance sheet date under IFRS/IAS. The main effects here relate to the long-term provisions in the nuclear power area.

In the **liabilities** area, the increase results from lease agreements classified as finance leases which have led to an increase in financial liabilities and the reclassification of HGB accruals to other liabilities.

Deferred taxes are recorded on temporary differences between the tax accounts and the IFRS/IAS balance sheet.

The reconciliation of the **net result for 2002** from HGB to IFRS/IAS can be set forth as follows:

€ millions

Consolidated profit according to income statement (HGB)	**280.0**
Sales	-169.5
Other operating income	-303.9
Cost of materials	159.7
Personnel expense	21.9
Amortisation and depreciation	172.9
Other operating expense	44.7
Financial result	-462.2
Taxes	226.2
Other changes	-0.9
Variances HGB – IFRS/IAS	**-311.1**
Consolidated loss according to income statement (IFRS/IAS)	**-31.1**

The lower **sales** under IFRS/IAS are a result of the differing disclosure of the reversal of construction cost subsidies. In the 2002 consolidated financial statements according to HGB, the reversal is shown under sales while under IFRS/IAS it is disclosed under other operating income. In the IFRS/IAS financial statements, the natural gas tax is openly deducted from sales.

Apart from the different disclosure of construction cost subsidies (under IFRS/IAS this has resulted in higher operating income), the main reason for the lower **other operating income** under IFRS/IAS is the lower reversal of provisions. The different calculation methods for the provisions relating to nuclear power have a decisive influence here.

Under IFRS/IAS, the **impairment loss** relating to tesion Communikationsnetze Südwest GmbH & Co. KG (goodwill and property, plant and equipment) is already netted in the opening balance sheet. In the IFRS/IAS financial statements, the amortisation of goodwill of equity investments is shown in the investment result. As a result, the depreciation/amortisation is lower than in the HGB financial statements.

The lower **cost of materials** under IFRS/IAS is mainly due to the open deduction of the natural gas tax from sales in the IFRS/IAS financial statements. In the 2002 HGB financial statements, the natural gas tax was contained both in sales and in cost of materials.

The variances in the **financial result** are a result of higher interest portions in the provisions for pensions and the mark-up of provisions relating to nuclear power. In addition, financing costs for finance lease agreements and amortisation of goodwill of equity investments are disclosed in the financial result.

On account of the loss disclosed according to IFRS/IAS there is a **net tax benefit** (HGB financial statements: tax expense).

Consolidated companies

Besides EnbW, the consolidated financial statements contain all domestic and foreign companies which are directly or indirectly controlled by EnBW. Joint ventures are included proportionately according to the capital share. Associated companies are valued using the equity method.

Shares in subsidiaries, joint ventures and associated companies which from the group perspective are of secondary importance are accounted for according to IAS 39. This relates in particular to subsidiaries without primary operations or with a lower business volume. They represent only an immaterial share of the total group assets and of the group profit/loss.

The list of shareholdings of Energie Baden-Württemberg AG and the EnBW group is filed with the Commercial Register of the Karlsruhe District Court under No B 7956. After the notes to the financial statements there is a list of major subsidiaries stating registered office, capital share and equity.

Initial consolidation (purchase accounting) and deconsolidation are generally performed at the time the shares are purchased or sold respectively.

Companies have been consolidated as follows:

Type of consolidation

Number	**31.12.2003**	31.12.2002
Full consolidation	170	213
Proportionate consolidation (joint ventures)	4	6
Consolidation at equity	62	69

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

Joint ventures

€ millions	**31.12.2003**	31.12.2002
Fixed assets	1,857	1,439
Current assets	164	167
Liabilities and provisions	1,098	869

Share of joint ventures in the income statement

€ millions	**2003**	2002
Sales	584	259
Cost of materials	-390	-172
Result from ordinary activities	**54**	**16**
Financial result	-27	-23
Result before tax	27	-7
Taxes	-8	3
Result after tax	19	-4

Changes in the consolidated companies

Of the companies fully consolidated in the consolidated financial statements, 12 (prior year: 19) domestic companies and 2 (prior year: 8) foreign companies were consolidated for the first time in the reporting year. 39 (prior year: 29) companies were deconsolidated; another 18 (prior year: 7) companies were merged. Of the deconsolidated companies, 27 (prior year: 17) were domestic companies and 12 (prior year: 12) were foreign companies. The mergers related exclusively to domestic companies.

Of the joint ventures, our share of which was included in the consolidated financial statements, 2 (prior year: 1) domestic companies were deconsolidated in the reporting year. No (prior year: 1) domestic and foreign joint ventures were consolidated for the first time.

Of the associated companies included in the consolidated financial statements at equity, 3 (prior year: 9) domestic companies and 1 (prior year: 1) foreign company were consolidated for the first time in the reporting year. 9 domestic (prior year: 10) and 2 (prior year: 1) foreign companies were deconsolidated.

The main changes in the consolidation group relative to the fully consolidated companies are:

Company **Fully consolidated companies**	**Group share as a %**
Addition	
Energiedienst (ED) group	78,8
Disposals	
Salamander Shoes & Trends Company GmbH	100.0
Salamander International GmbH	100.0
Salamander Schuhhandelsgesellschaft	100.0
Salamander in Austria GmbH	100.0
Salamander France S.A.	100.0
Salamander Hungaria Kft.	100.0
Salamander Polska sp. Z.O.O.	100.0
Salamander Ost GmbH	100.0
Fricker Schuhe AG	100.0
Bautrans Gebäude- und Flächenrecycling GmbH	100.0
innotech Beteiligungsgesellschaft mbH & Co. KG	53.5
EnBW Venture Capital Beteiligungsgesellschaft mbH	100.0
GegenbauerBosse-Gruppe	77.0*

* Transition to equity method

The acquisition costs for the purchase of the Energiedienst-(ED) group as of January 1, 2003 came to EUR 682 million; they were settled in cash. The initial consolidation gave rise to a debit difference of € 264.8 million which, where permissible, will be allocated in the fiscal year 2004 to the assets and liabilities of Energiedienst-(ED) group.

28% of the shares of the GegebbauerBosse group were sold in the reporting year; as of the balance sheet date, EnBW still held 49% of the shares. After the sale, the GegenbauerBosse Group has no longer been fully consolidated but included in the consolidated financial statements of EnBW as an associated company at equity.

Adjusted to eliminate the changes in the consolidation group, the prior-year balance sheet and income statement would have been as follows (pro-forma prior year):

Balance sheet notes € millions	**31.12.2003**	Pro forma 31.12.2002
Fixed assets	20,732.0	20,431.2
Current assets and prepaid expenses	4,487.8	4,593.4
Provisions and deferred taxes	11,037.0	10,336.4
Liabilities	10,645.5	10,351.3

Income statement notes € millions	**2003**	Pro forma 2002
Sales	10,609.1	9,710.6
Cost of materials	-6,812.4	-6,021.7
Amortisation and depreciation	-1,204.0	-876.9
Result from operating activities	-165.4	544.4
Financial result	-903.1	-548.6
Result before tax	-1,068.5	-4.2
Result after tax	-1,182.5	54.7

Discontinuing operations

At the Supervisory Board meeting on January 24, 2002 the resolution of the Board of Management was approved to sell the Salamander Group as part of the policy to focus business activities on the core business segments. The activities of the Salamander Group consisted in particular of a shoe and service segment as well as an industrial segment. Following the decision to sell, the Salamander Group was classified under discontinuing operations.

Besides the Salamander Group, tesion Communikationsnetze Südwest GmbH & Co. KG was also allocated to the discontinuing operations in the fiscal year 2002. At the end of August, the company was sold to the Arques Group.

In line with the policy to focus on the core business, it was also decided during fiscal 2003 to sell the following companies:
> DiTRA Gesellschaft für Kabelnetze und Telekommunikation mbH
> Bautrans Gebäude- und Flächenrecycling GmbH (sale 2003)
> innotech Beteiligungsgesellschaft mbH & Co. KG (sale 2003)
> EnBW Venture Capital Beteiligungsgesellschaft mbH (sale 2003)
> ENRW Energie Nordrhein-Westfalen GmbH

The total sales price of the subsidiaries sold in 2003 amounted to € 27.2 million. The sales prices were paid in cash.

After the decision to sell was taken, the companies were disclosed under discontinuing operations. The prior-year presentation was adjusted accordingly.

Consolidation principles

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

Capital consolidation is performed by offsetting the purchase cost against the proportionate revalued equity of the subsidiaries at the time of acquisition. Assets and liabilities are carried at fair value. Any residual amounts are recognised as goodwill and amortised systematically over a period of up to 20 years. Credit differences are capitalised as goodwill or amortised systematically.

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

Joint ventures are consolidated according to the same principles.

The same accounting principles also apply to companies valued according to the equity method. Goodwill is recorded in the carrying value of the investment while the associated amortisation is disclosed in the investment result.

Changes compared to the interim reporting

Compared to the interim reporting for the first half-year 2003, the following changes have been made to improve presentation:

The natural gas tax is openly deducted from sales. The natural gas tax is thus no longer disclosed in the cost of materials.

The reversal of construction cost subsidies received is no longer shown in sales and has now been presented in other operating income.

The amortisation of goodwill from the valuation at equity is no longer shown under depreciation and amortisation but in the investment result.

Deferred tax liabilities are no longer shown within the provisions but disclosed separately.

Currency translation

The reporting currency of Energie Baden-Württemberg AG is the euro (€). The financial statements of the group companies are translated to euro. Currency translation is performed in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) using the functional currency method. Under the functional currency method, the assets and liabilities of companies that do not report in euro are translated at the mean rate prevailing on the balance sheet date, while expenses and income are translated at the average annual rate. The companies concerned are economically independent foreign operating units. Translation differences are recorded directly in equity within the accumulated other comprehensive income.

The companies of the EnBW group mainly operate in the euro zone.

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

€	Closing rate		Average rate	
	2003	2002	**2003**	2002
1 Swiss franc	0.64	0.69	0.66	0.68
1 pound sterling	1.42	1.54	1.45	1.59
1 US dollar	0.79	0.95	0.88	1.06
100 Hungarian forint	0.38	0.42	0.40	0.41

Accounting and valuation

Fixed assets

Intangible assets acquired for a consideration are generally carried at cost and amortised using the straight-line method over their economic useful life. The amortisation period of intangible assets – without goodwill – ranges from 3 to 20 years. Long-term electricity procurement rights are valued using the revaluation method (IAS 38.64) at fair value. Changes in value from the revaluation are offset against equity. Revaluation is performed at regular intervals.

Goodwill resulting from capital consolidation is amortised over its economic useful life, as a rule between 10 and 20 years. Credit differences from capital consolidation are capitalised in the intangible assets.

Self-generated assets satisfying the prerequisites of IAS 38 are capitalised.

Property, plant and equipment is valued at cost less systematic straight-line depreciation for depletion. As a rule, the straight-line method of depreciation is used. Debt servicing costs are not capitalised as a component of historical cost.

Maintenance and repair costs are recorded as expenses. Renewal or maintenance expenses which extend the useful life of an assets are recognised.

Investment grants or subsidies do not reduce the acquisition or manufacturing cost of the asset concerned. Pursuant to IAS 20, they are disclosed in the deferred income item.

The nuclear power generating plants also contain the present value net of depreciation of the cost of the closure and dismantling of the contaminated plants estimated at the time of commissioning.

Investment properties are valued at amortised cost. The market value of the investment properties is stated in these notes to the financial statements. The market value is determined using internationally recognised methods (e.g. the discounted cash flow method or mark to market).

Systematic depreciation on our major items of property, plant and equipment is computed according to the following uniform group useful lives:

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

Property, plant and equipment used under a **finance lease** is valued at the inception of the lease at market value, or the lower present value of the lease instalments. Depreciation is charged systematically over the economic useful life.

The impairment of the carrying amount of the intangible assets including goodwill and of property, plant equipment is tested at regular intervals in accordance with IAS 36. If the net realizable amount of the asset falls short of the book value, an impairment loss is recognised. If the asset is part of a cash-generating unit, the realizable amount is determined at the level of the cash-generating unit. If the reasons for the impairment losses no longer apply, they are written up to amortised cost. Goodwill is only written up if the prerequisites of IAS 36.109 are satisfied.

The carrying value of the shares in **associated companies** accounted for at equity comprises the proportionate equity plus goodwill.

Shares in non-consolidated affiliated companies, in associated companies not accounted for at equity and in other equity investments as well as long-term investments are classified as **available for sale**. These are valued at fair value. Unrealised gains and losses are recorded directly in equity. In the event of a permanent impairment in value, depreciation is charged. The unrealised gains or losses previously recorded directly in equity are recognised in the income statement upon sale.

The fair value of the publicly traded securities, derivatives and other financial investments is based on the market values published as of the balance sheet date.

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

Current assets

Inventories are stated at cost of purchase or costs of conversion. As a rule, they are valued at average prices. Pursuant to IAS 2 costs of conversion contain the directly allocable direct costs and an appropriate portion of the necessary material and production overheads including depreciation. Costs of conversion are determined on the basis of normal employment. Debt servicing costs are not capitalised as a component of costs of conversion. Appropriate allowance is made for risks from impaired usability. Where necessary, the lower net realisable value compared to the carrying amount is recognised. Reversals of impairment losses on inventories are deducted from the cost of materials.

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

Receivables and other assets are accounted for at purchase cost less necessary valuation allowances based on the actual bad debt risk. Low and interest-free receivables and other assets are stated at present value.

Marketable securities belong to the “held for trading” category of assets. They are valued at fair value. Changes in market value are recognised in the income statement immediately.

Debt discount and similar borrowing costs are capitalised under **prepaid expenses** and released using the effective interest method.

Equity and liabilities

Provisions for pensions and similar obligations are determined using the projected unit credit method (IAS 19). This method considers current and future pension benefits known at the balance sheet date as well as future anticipated salary and pension increases. Actuarial gains and losses outside the 10% corridor are distributed over the remaining working lives of the employees. The service cost is disclosed in the personnel expense, the interest portion of the addition to the provision in the financial result.

Other provisions take account of all legal or constructive obligations towards a third party on account of past events that are identifiable at the balance sheet date and which are uncertain in terms of amount and/or date of occurrence. The provisions are recognised at the settlement amount. They are valued at the most reliable estimate. In each case, the most probable amount is stated.

The **long-term provisions** are stated at the future amount needed to settle the obligation discounted to balance sheet date. This does not apply to provisions for pensions and similar obligations which are governed by the special rulings set forth in IAS 19.

Deferred taxes are recorded in accordance with the temporary concept (IAS 12) on all timing differences between the tax accounts and the IFRS/IAS balance sheet of the individual companies. Deferred taxes from consolidation events are recognised separately. Deferred tax assets on unused tax losses are accounted for provided their realization can be assumed with sufficient certainty. Deferred taxes are calculated on the basis of the tax rates that apply or that are expected to apply in the individual countries at the time of realization. A tax rate of 38% is applied for domestic group companies. Tax benefits and tax liabilities are netted, provided the prerequisites are in place.

Liabilities are reported at net settlement value. Liabilities from finance leases are valued at the present value of the lease instalments when the leased asset is recognised.

The construction cost subsidies recorded as **deferred income** are released to other operating income in accordance with the use of the subsidised assets. As a rule, the period of release is between 40 and 45 years. Investment subsidies and grants are released over the depreciation period of the underlying assets. The reversal is netted openly with the depreciation.

Contingent liabilities are possible or existing commitments which relate to past events and which are not expected to result in an outflow of resources. They are not recorded on the face of the balance sheet. The amounts stated correspond to the extent of liability as of the balance sheet date.

Notes to the financial statements EnBW group

Explanations to the income statement

(1) Sales

Sales are recorded when the risk has been transferred to the customer. The electricity and natural gas tax paid by the companies is openly deducted from sales.

The segment reporting contains a breakdown of sales by business segment and region.

(2) Other operating income

Other operating income is presented in the table below:

€ millions	**2003**	2002
Rent and lease income	33.1	30.8
Disposals of assets	48.0	135.5
Exchange rate gains	24.1	11.1
Reversal of provisions	179.5	106.6
Release of deferred income	78.6	71.7
Other	304.6	233.5
Total	**667.9**	**589.2**

The exchange rate gains are counterbalanced by exchange rate losses which are shown in other operating expenses. In the reporting year, write-ups came to € 0.0 million (prior year: € 1.9 million).

(3) Cost of materials

€ millions	**2003**	2002
Cost of raw materials, consumables and supplies and of purchased merchandise	4,815.2	3,382.0
Cost of purchased services	1,997.2	1,664.4
Total	**6,812.4**	**5,046.4**

Cost of raw materials, consumables and supplies and of purchased merchandise comprise in particular gas and electricity procurement costs, the required additions – with the exception of the mark-up – to provisions for the shutdown of nuclear power stations, costs for the disposal of irradiated fuel rods and radioactive waste as well as the depreciation of nuclear power rods and nuclear fuels and the fuels of conventional power stations.

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

(4) Personnel expense

€ millions	2003	2002
Wages and salaries	1,278.4	1,304.0
Social security and other pension costs	350,1	324.7
of which in respect of old age pensions	(97.0)	(82.1)
Total	**1,628.5**	**1,628.7**

Average headcount during the year	2003	2002
Salaried employees	15,570	15,921
Wage earners	17,654	20,997
Apprentices	1,495	1,583
Total	**34,719**	**38,501**

Expenses relating to old age pensions from the addition to the provision for pensions amount to € 66.3 million (prior year: € 62.3 million). The other expenses for old age pensions mainly contain contributions to the pension guarantee association.

Where companies have been included on a proportionate basis, the employees have been included in the total figure on a proportionate basis. The distribution of the employees between the segments as of the balance sheet date is shown separately in the segment reporting.

(5) Amortisation/depreciation

€ millions	2003	2002
Amortisation of intangible assets	224.5	89.6
of which goodwill from capital consolidation	(144.5)	(-0.7)
of which goodwill from the individual financial statements	(9.9)	(10.2)
Depreciation of property, plant and equipment	991.8	666.3
Release of investment cost subsidies	-12.3	-12.7
Depreciation of current assets	0.0	3.4
Total	**1,204.0**	**746.6**

Impairment losses on goodwill are recorded in accordance with the principles set forth in IAS 36. In the reporting year they amounted to € 106.0 million (prior year: € 0.0 million) on goodwill from capital consolidation and € 4.5 million (prior year: € 0.0 million) on goodwill from the individual financial statements. The impairment losses on goodwill mainly relate to the electricity segment. The impairment losses in property, plant and equipment total € 223.7 million (prior year: € 11.1 million) and were primarily recorded in the energy and environmental services segment.

(6) Other operating expenses

Other operating expenses are presented in the table below:

€ millions	2003	2002
Rent, leases, leasing	88.1	105.2
Bad debt allowances	66.6	73.9
Disposals of assets	57.3	26.2
Licence fees	244.4	225.9
Exchange rate losses	28.8	4.6
Other personnel expenses	321.6	95.4
Advertising expenses	81.9	74.2
Administrative and selling expenses	129.8	193.0
Audit, legal and consulting fees	71.5	93.7
Insurance	57.1	40.8
Dues	47.6	43.0
Sundry	625.7	295.9
Total	**1,820.4**	**1,271.8**

In the reporting year, sundry other operating expenses mainly contain expenses from the addition to provisions.

(7) Financial result

€ millions	2003	2002
Income from investments	118.7	106.5
of which affiliated non-consolidated companies	(7.4)	(0.9)
of which associated companies valued using the equity method	(109.5)	(80.5)
Amortisation of investments	-334.4	-44.6
of which affiliated non-consolidated companies	(0.0)	(0.0)
of which associated companies valued using the equity method	(-230.3)	(-30.2)
Other	2.3	-3.2
Net income from investments	**-213.4**	**58.7**
Interest and similar income	237.9	332.6
of which affiliated non-consolidated companies	(0.7)	(2.2)
Interest and similar expenses	-425.8	-373.5
of which affiliated non-consolidated companies	(-0.8)	(-0.4)
Interest portion of additions to the provisions	-431.8	-426.9
of which personnel provisions	(-206.4)	(-212.6)
of which provisions relating to nuclear power	(-202.8)	(-198.5)
of which other long-term provisions	(-22.6)	(-15.8)
Other financial income	110.9	94.5
Other financial expenses	-180.9	-212.9
Net interest	**-689.7**	**-586.2**
Financial result	**-903.1**	**-527.5**

The share of the investment result allocable to associated companies included in the consolidated financial statements using the equity method is € -120.8 million (prior year: € 50.3 million). In the reporting year, the impairment loss on goodwill of associated companies came to € 210.9 million (prior year: € 0.0 million).

Interest and similar income contains interest income from interest-bearing securities and loans as well as dividends and other profit shares. Interest and similar expenses contain in particular expenses for bank interest and bonds as well as the interest portion for the cost of finance leases.

The interest portions for the addition to provisions relate to the annual mark-up of the long-term provisions.

Other financial income/financial expenses contain write-ups/depreciation and realised exchange rate gains/exchange rate losses from sales of long-term investments and marketable securities. In the reporting year depreciation totalled € 119.9 million (prior year: € 15.5 million), while write-ups came to € 11.7 million (prior year: € 3.8 million).

(8) Taxes

€ millions	2003	2002
Current income taxes	251.1	301.3
Deferred taxes	-162.1	-403.8
Income taxes (-income/+expense)	**89.0**	**-102.5**
Other taxes	25.0	18.1
Total	**114.0**	**-84.4**

The current income taxes contain netted expenses of € 132.2 million (prior year: € 131.7 million) that relate to prior periods. The burdens from prior periods mainly result from the valuation for tax purposes of the provisions relating to nuclear power.

Deferred taxes are computed using an unchanged tax rate of 38%. This consists of corporate income tax, the solidarity surcharge and the average trade tax on income.

In the reporting year, the deferred tax expense was reduced by € 7.5 million by recognising previously unused tax losses (prior year: € 0.0 million). The tax reduction claim on future distributions could not be recognised further in the reporting year (prior year: € 21.4 million).

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

€ millions	**2003**	2002
Result before tax	-1,068.5	-115.5
Other taxes	-25.0	-18.1
Result before income taxes	**-1,093.5**	**-133.6**
Theoretical tax rate	38 %	38 %
Theoretical income tax expense	**-415.5**	**-50.7**
Tax effects		
Differences in accordance with the flood victim solidarity law	8.6	0.0
Difference foreign tax rates	-0.8	0.0
Future dividend payments	0.0	-21.4
Tax-free income	-55.4	-89.6
Non-deductible expenses	163.0	38.7
Addbacks and reductions for trade tax purposes	17.4	16.4
Amortisation of goodwill from capital consolidation and consolidation at equity	142.4	11.2
At equity valuation of associated companies	-9.3	-5.3
Change in unvalued unused losses	79.4	5.8
Tax-free sales of equity investments	-8.8	-30.4
Taxes relating to other periods	162.8	24.7
Other	5.2	-1.9
Current income tax expense	**89.0**	**-102.5**

Explanations to the balance sheet

(9) Fixed assets

The split-up of the asset items combined in the balance sheet and their development in the fiscal year 2003 are presented separately in the analysis of fixed assets.

Goodwill from the capital consolidation and from the individual financial statements of the subsidiaries and joint ventures included in the consolidation are disclosed in the line **goodwill.**

Of the carrying amount of **intangible assets**, an amount of € 523.0 million (prior year: € 411.4 million) relates to an electricity procurement right that qualifies as a finance lease. The contract expires in the year 2015.

In the reporting year, a total of € 10.7 million (prior year: € 20.9 million) was spent on **research and development**. The recognition criteria required under IFRS/IAS are not satisfied.

As of the balance sheet date, the market value of the real estate that is classified as **investment properties** was € 162.5 million (prior year: € 177.4 million). The market value was determined either using the discounted cash flow method or from current market prices. The valuation was largely performed by an internal valuer. Rent income totalled € 6.5 million (prior year: € 5.3 million). The directly allocable operating expenses amount to € 0.6 million (prior year: € 0.9 million). The impairment losses on investment properties amounted to € 43.9 million (prior year: € 0.0 million). There are no obligations to purchase investment properties.

Items of **property, plant and equipment** are encumbered by property liens totalling € 57.9 million (prior year: € 103.1 million).

Of the carrying amount of property, plant and equipment, € 44.2 million (prior year: € 45.0 million) relates to finance leases. These pertain in particular to the machine building of the Rheinhafen steam power station in Karlsruhe. It is highly likely that EnBW will exercise its option to purchase the machine building when the contract expires in 2005.

The carrying amounts of the finance leases capitalised in the fixed assets are summarised below:

€ millions	**31.12.2003**	31.12.2002
Franchises, industrial rights and similar rights and assets	523.0	411.4
Land, land rights and buildings including buildings on third party land	42.6	43.2
Technical equipment and machines	1.6	1.8
Total	**567.2**	**456.4**

The **shares in affiliated companies** disclosed in the financial assets are companies that are not included in the consolidated financial statements.

The additions from the equity rollfoward at the **associated companies** valued at equity came to € 76.6 million (prior year: € 64.4 million) while disposals came to € 52.1 million (prior year: € 50.4 million).

The **long-term investments** are mainly fixed-interest bonds as well as listed shares. To a large extent, the long-term investments are held in special funds. For consolidation purposes, the individual securities in the special funds are shown separately in the consolidated balance sheet by type of investment. The depreciation of securities with unrealised price losses, which we consider to be permanent, amounted to € 67.5 million (prior year: € 7.6 million). Unrealised price gains totalled € 162.1 million (prior year: € 176.3 million), while unrealised price losses came to € 124.1 million (prior year: € 267.8 million).

Notes to the financial statements EnBW group
Development of fixed assets 2003

millions €							Acquisition and production cost
	01.01.2003	Change in consolidation group	Addition	Currency adjustment	Disposal	Reclassifi-cation	31.12.2003
Intagible assets							
Franchises, industrial rights and similar and assets	1,206.4	215.9	171.1	-14.6	26.4	0.2	1,552.6
Goodwill							
from individual financial statements	400.5	-298.8	7.3	0.0	0.0	0.0	109.0
from capital consolidation	1,353.0	-208.9	0.0	0.0	114.8	0.0	1,029.3
Payments on account	0.8	0.0	32.3	0.0	0.0	-0.2	32.9
	2,960.7	-291.8	210.7	-14.6	141.2	0.0	2,723.8
Property, plant and equipment							
Land, land rights and buildings including buildings on thrid-party land	3,783.6	80.9	23.0	-15.0	52.3	-121.6	3,698.6
Investment properties	223.7	-0.1	10.0	0.0	12.6	8.5	229.5
Technical equipement and machines	412.2	-2.8	12.5	-2.6	70.9	7.7	356.1
Generating plants, gas transfer stations	11,337.5	437.0	25.7	-11.0	19.5	208.1	11,977.8
Distributions plants	11,216.5	2,415.8	141.9	-4.8	83.0	97.2	13,783.6
Other equipement, furnitures and fixtures	1,210.0	18.1	65.6	-2.5	60.1	-2.9	1,228.2
Payment on account and assets under construction	258.4	60.7	228.5	-0.3	13.9	-197.0	336.4
	28,441.9	3,009.6	507.2	-36.2	312.3	0.0	31,610.2
Financial assets							
Shares in affiliated companies	49.5	-3.9	7.4	0.0	30.3	-0.2	22.5
Loans to affiliated companies	0.6	0.0	0.0	0.0	0.2	0.0	0.4
Equity investments in associated companies [1]	1,430.0	10.1	238.0	-19.8	133.8	31.4	1,555.9
Other Investments	397.9	-15.7	17.9	-0.5	52.1	-30.4	317.1
Loans to companies in which an equity investment is held	10.8	1.5	2.5	0.0	5.2	-0.8	8.8
Long term investment [2]	4,384.2	163.1	5,060.5	0.0	4,855.1	0.0	4,752.7
Other loans	317.8	5.8	44.3	-0.5	53.7	0.0	313.7
	6,590.8	160.9	5,370.6	-20.8	5,130.4	0.0	6,971.1
	37,993.4	**2,878.7**	**6,088.5**	**-71.6**	**5,583.9**	**0.0**	**41,305.1**

[1] Of the additions € 143.9 million stems from the revaluation.
[2] Of the additions € 76.6 million stems from the rollforward of at equity accounting, of the disposals € 52.1 million.
[3] Of the additions € 143.7 million stems from market valuation pursuant to IAS 39, of the disposals € 14.2 million.

Depreciation/write-ups								Book values	
01.01.2003	Change in consolidation group	Addition	Currency adjustments	Disposal	Reclassi-cation	Write-up	**31.12.2003**	**31.12.2003**	31.12.2002
656.2	-10.0	70.1	-0.8	20.6	0.0	0.0	694.9	857.7	550.2
36.4	-9.0	9.9	0.0	0.0	0.0	0.0	37.3	71.7	364.1
-40.0	-11.1	144.5	0.0	0.2	0.0	0.0	93.2	936.1	1,393.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.9	0.8
652.6	**-30.1**	**224.5**	**-0.8**	**20.8**	**0.0**	**0.0**	**825.4**	**1,898.4**	**2,308.1**
1,170.3	10.5	119.3	-6.3	13.5	-73.5	0.0	1,206.8	2,491.8	2,613.3
29.3	-0.1	53.0	0.0	5.7	4.1	0.0	80.6	148.9	194.4
256.0	-11.9	86.0	-1.3	47.3	-8.0	0.0	273.5	82.6	156.2
8,712.1	134.3	296.5	-4.9	3.6	69.7	0.0	9,204.1	2,773.7	2,625.4
6,745.2	591.7	295.4	-2.5	69.4	-0.9	0.0	7,559.5	6,224.1	4,471.3
845.9	-15.3	96.2	-1.2	53.4	8.6	0.0	880.8	347.4	364.1
0.2	0.0	45.4	0.0	0.3	0.0	0.0	45.3	291.1	258.2
17,759.0	**709.2**	**991.8**	**-16.2**	**193.2**	**0.0**	**0.0**	**19,250.6**	**12,359.6**	**10,682.9**
18.1	0.0	7.4	0.0	13.2	0.0	0.0	12.3	10.2	31.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.6
123.2	1.6	230.3	0.0	4.6	-32.5	0.2	317.8	1,238.1	1,306.8
31.1	-9.7	96.7	0.0	11.8	32.5	8.0	130.8	186.3	366,8
1.6	0.0	0.0	0.1	1.6	0.0	0.0	0.1	8.7	9.2
1.3	0.0	67.5	10.9	52.0	0.0	0.0	27.7	4,725.0	4,382.9
9.3	0.0	0.0	0.0	0.0	0.0	0.9	8.4	305.3	308.5
184.6	**-8.1**	**401.9**	**11.0**	**83.2**	**0.0**	**9.1**	**497.1**	**6,474.0**	**6,406.2**
18,596.2	**671.0**	**1,618.2**	**-6.0**	**297.2**	**0.0**	**9.1**	**20,573.1**	**20,732.0**	**19,397.2**

(10) Inventories

€ millions	31.12.2003	31.12.2002
Raw materials, consumables and supplies	227.7	221.9
Nuclear fuel rods (incl. payments on account)	369.5	362.7
Work in process	25.8	50.8
Finished goods and merchandise	42.2	140.8
Payments on account	1.9	0.6
Total	**667.1**	**776.8**

There are no restrictions on titles to assets or other encumbrances. There are no significant long-term construction contracts which would require accounting for as long-term construction contracts.

In the reporting year, impairment losses of € 24.5 million (prior year: € 17.1 million) were recorded on inventories.

(11) Receivables and other assets

€ millions	31.12.2003	of which with a residual term of more than 1 year	31.12.2002	of which with a residual term of more than 1 year
Trade receivables due from affiliated companies	1,724.2	0.4	1,760.5	0.6
Receivables due from affiliated companies	14.8	1.5	26.1	2.2
Receivables from companies in which equity investments are held	33.4	0.3	98.5	0.4
Payments on account for electricity procurement agreements	43.4	35.9	40.1	28.4
Other assets	827.1	61.9	982.3	119.8
Total	**2,642.9**	**100.0**	**2,907.5**	**151.4**

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

Other assets contain lease receivables from industrial equipment based on the following parameters:

€ millions	**31.12.2003**	31.12.2002
Total lease instalments	10.1	0.0
Lease instalments already received	-0.1	0.0
Interest portion of outstanding lease instalments	-3.8	0.0
Present value of outstanding lease instalments	**6.2**	**0.0**

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

€ millions	**31.12.2003**	31.12.2002
Maturity less than 1 year	0.4	0.0
Maturity 1 to 5 years	5.8	0.0
Maturity more than 5 years	0.0	0.0
	6.2	**0.0**

(12) Securities

Marketable securities mainly include shares, profit participation certificates as well as fixed-interest securities. Due to the valuation at market value, write-ups in the fiscal year come to € 11.7 million (prior year: € 1.4 million) as well as depreciation of € 52.4 million (prior year: € 13.6 million).

(13) Cash and cash equivalents

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

(14) Prepaid expenses

The debt discount disclosed under prepaid expenses amounted to € 0.8 million (prior year: € 0.5 million) as well as accrued lease instalments on electricity procurement rights of € 58.2 million (prior year: € 61.2 million).

(15) Equity

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

Subscribed capital

The capital stock of Energie Baden-Württemberg AG amounts to € 640,015,872.00 and is divided into 250,006,200 registered no par value shares. The no par value shares each represent an imputed share of approx. € 2.56/share of the subscribed capital.

Electricité de France International SA (EDFI) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW) each hold 34.5% of the capital stock of Energie Baden-Württemberg AG.

By resolution of the annual general meeting of Energie Baden-Württemberg AG on April 25, 2003, the Board of Management is entitled, with the approval of the Supervisory Board, to increase the capital stock of the Company within five years from the day on which the amendment to the articles of incorporation is registered as follows:

> by € 64 million by issuing new shares in exchange for a cash contribution (authorised capital I)

> by € 64 million by issuing new shares in exchange for a cash contribution or contribution in kind (authorised capital II)

In the fiscal year 2003, Energie Baden-Württemberg AG has disclosed a net loss for the year under German commercial law of € 823.5 million. To cover the net loss for the year, an amount of € 211.4 million was withdrawn from the revenue reserves and of € 611.8 million from the capital reserve. An amount of € 0.3 million was offset against the profit carried forward. The retained earnings of Energie Baden-Württemberg AG is thus € 0.

The carrying amounts of Energie Baden-Württemberg AG pursuant to German commercial law were transferred to the classification of group equity pursuant to IFRS/IAS.

Capital reserve

The capital reserve relates to Energie Baden-Württemberg AG. The capital reserve contains the external cash flows to be included in equity in accordance with Sec. 272 (2) HGB.

In the fiscal year 2003, an amount of € 611.8 million was withdrawn from the capital reserve to offset the net loss for the year.

Revenue reserves

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

Based on the authorisation given by the annual general meeting on April 25, 2003, Energie Baden-Württemberg AG holds treasury stock as of December 31, 2003 comprising 6,491,195 bearer shares valued at € 25.20 each. In accordance with German commercial law, the treasury stock of Energie Baden-Württemberg AG was written down by € 35.6 million in the reporting period. Treasury shares are also held indirectly via TWS Beteiligungsgesellschaft mbH (22,503,583) and via Energiedienst AG (300,000). The 300,000 treasury shares held via Energiedienst AG were acquired in fiscal year 2003 through the purchase of the company. As of the balance sheet, Energie Baden-Württemberg AG thus directly or indirectly holds 29,294,778 treasury shares; this is equivalent to 11.7% of the capital stock.

The company has no rights, in particular a dividend entitlement, from the directly or indirectly held treasury shares. In accordance with the rulings of IFRS/IAS, the treasury shares are not recognised as securities but offset against the revenue reserves.

Accumulated other comprehensive income

Accumulated other comprehensive income comprises changes in the market value of financial instruments, changes from the revaluation of the electricity procurement rights as well as currency translation differences from the conversion of foreign financial statements.

In the reporting year, expenses of € 57.3 million (prior year: € 6.9 million income) were recognised in the income statement from the reversal of the reserve set up in the prior year to mark the financial instruments to market.

Minority interests

Minority interests relate to shares in group companies held by third parties. The minority interests relate in particular to ESAG Energieversorgung Sachsen Ost AG, Energiedienst AG, the EnAlpin group and EnBW Eni Verwaltungsgesellschaft mbH.

(16) Provisions

€ millions	31.12.2003	31.12.2002
Provisions for pensions and similar obligations	3,798.8	3,653.6
Tax provisions	266.2	351.6
Provisions in the nuclear power area less payments on account	3,920.3	3,846.9
Other provisions	1,523.2	1,217.5
Total	**9,508.5**	**9,069.6**

The provisions for pensions and similar obligations are recorded on the basis of the existing commitments for future and current post-employment benefits to current and former employees with a pension entitlement as well as their survivors. The provision amount corresponds to the present value of the future financial obligation and is computed using actuarial methods. The main parameters of the calculation for the domestic companies are presented below:

	31.12.2003	31.12.2002
Discount rate	5.5%	5.5%
Future expected wage and salary increase	2.4%	2.7%
Future expected pension increase	2.0%	2.1%

The calculation is based on the demographic assumptions of Prof. Dr. Klaus Heubeck (1998 mortality tables). In the foreign companies, the parameters are governed by the specific circumstances.

The expense for pensions and similar obligations is comprised as follows:

€ millions	31.12.2003	31.12.2002
Current service cost	68.7	58.3
Past service cost	0.1	1.5
Expected return on plan assets	-0.9	-1.1
Actuarial gains and losses	-1.6	3.6
	66.3	**62.3**
Interest cost	191.9	194.6
Total	**258.2**	**256.9**

The actuarial gains (-) and losses (+) not considered when applying the corridor method amounted on balance to € -94.0 million (prior year: € -170.6 million). They are a result of changes in the actuarial assumptions. The present value of the post-employment benefit claims thus amounts to € 3,704.8 million (prior year: € 3,483.0 million).

Schedule of provisions € millions	**As of 01.01.2003**	Addition	Reversals	Mark ups	Changes in consolidated companies, currency adjustments, reclassifications	Utilisations	**As of 31.12.2003**
Provisions for pensions and similar obligations	3,653.6	66.3	0.0	191.9	59.1	-172.1	3,798.8
Tax provisions	351.6	147.2	-16.5	0.0	1.5	-217.6	266.2
Provisions relating to nuclear power	3,846.9	78.3	-44.8	202.8	0.1	-163.0	3,920.3
Other provisions	1,217.5	896.5	-134.7	37.1	-19.8	-473.4	1,523.2
Total	**9,069.6**	**1,188.3**	**-196.0**	**431.8**	**40.9**	**-1.026.1**	**9,508.5**
of which with a term of up to one year	(876.3)						(898.8)
of which changes in the consolidation group					(41.3)		

The provisions with a term of up to one year consist of tax provisions at € 178.2 million (prior year: € 250.9 million), provisions relating to nuclear power at € 1.4 million (prior year: € 1.4 million) and other provisions at € 719.2 million (prior year: € 624.0 million). The average residual term of the provisions for pensions and similar obligations as well as of the provisions relating to nuclear power is more than ten years.

The **tax provisions** contain provisions for income taxes like corporate income tax including solidarity surcharge as well as trade tax on income.

The **provisions relating to nuclear power** have been recorded for the disposal of irradiated fuel rods and radioactive waste as well as for the shutdown and restoration of contaminated plants. They are based on public law obligations and requirements in the operating licences.

The provision for the disposal of irradiated fuel rods and radioactive waste mainly contains the costs of reprocessing including the cost of the disposal of reprocessing waste as well as the cost of ultimate storage. The provision is set up in an amount equivalent to the present value of the future expected obligation.

The provision for the shutdown and restoration of contaminated plants is recognised at the discounted settlement amount at the time of commissioning. This is disclosed accordingly under the generating plants and depreciated systematically. The provision is marked up annually.

The expected costs are determined on the basis of external appraisals or based on the contractual rulings. The ultimate storage costs are calculated according to the model generally applied in the industry. Decommissioning costs are calculated on the basis of the scenario that assumes that the plants will be removed immediately.

The discount rate for the calculation of the provisions in the nuclear power sector is unchanged at 5.5%. The part of the provision for the shutdown and removal of the plants recognised under the generating plants amounts to € 126.0 million (prior year: € 138.1 million).

The payments on account offset against the provisions in the nuclear power sector amount to € 405.6 million (prior year: € 403.5 million). The reversal of the provisions in the nuclear power sector is mainly a result of reduced settlement amounts on account of lower cost increases.

Other provisions mainly relate to obligations for the conventional electricity and fuel procurement of € 107.1 million (prior year: € 168.5 million), personnel provisions of € 537.0 million (prior year: € 337.4 million) as well as provisions for potential losses from pending transactions of € 562.1 million (prior year: € 359.3 million). Long-term other provisions are discounted using an unchanged interest rate of 5.5%.

(17) Liabilities

€ millions	31.12.2003	of which residual term less than 1 year	over 1 to 5 years	over 5 years	31.12.2002
Bonds	4,269.6	1,781.0	1,280.4	1,208.2	2,245.6
Liabilities to banks	2,940.2	1,109.7	1,633.3	197.2	4,055.4
Other financial liabilities	839.2	47.6	226.6	565.0	882.1
Financial liabilities	**8,049.0**	**2,938.3**	**3,140.3**	**1,970.4**	**7,183.1**
Payments received on account of orders	94.8	27.6	28.4	38.8	132.8
Trade payables	1,182.5	1,182.5			837.2
Payables to affiliated companies	5.4	4.4	1.0		10.4
Payables to companies in which equity investments are held	95.6	89.0	6.6		65.0
of which due to associated companies valued using the equity method	(47.3)	(44.1)	(3.2)		(40.4)
Other liabilities	1,218.2	1,035.1	42.0	141.1	1,435.8
of which taxes	(365.5)	(332.9)	(32.6)		(309.4)
of which relating to social security	(55.3)	(53.7)	(0.9)	(0.7)	(48.2)
Total	**10,645.5**	**5,276.9**	**3,218.3**	**2,150.3**	**9,664.3**

On February 25, 2003, EnBW issued a bond of CHF 400 million with a maturity of five years via its subsidiary EnBW International Finance B.V. Under the lead manager Ernst & Cie AG, a banking consortium has fully underwritten the issue. Equipped with a coupon of 2.25%, the bond has been placed long term with investors.

In April and May 2003, EnBW issued private placements with a total volume of € 171 million via the Euro Medium Term Note Programme initiated in January 2002. These mature in 2004 and 2006.

In May 2003, EnBW launched a Euro Commercial Paper Programme with a volume of € 2 billion. The purpose of the programme is to issue unsecured papers with a maturity of 1 day to 364 days. As of December 31, 2003 € 1.6 billion had been used under the programme.

The short-term liabilities to banks are bilateral and syndicated credit facilities.

At the beginning of June 2003, EnBW refinanced the syndicated loan established in April 2002 with a new loan. It consists of two tranches with a volume of € 1.5 billion each. The first tranche has a maturity of 364 days. It is, however, possible to extend it for a further year each year until the second tranche matures. The latter is equipped with a five-year maturity. As of December 31, 2003 € 550 million of the second tranche had been used.

In the fiscal year 2003 the liabilities to banks are subject to an average interest rate of 3.83% (prior year: 4.46%).

Of the liabilities to banks € 57.9 million (prior year: € 103.1 million) is secured by property liens.

The other financial liabilities consist of liabilities from finance lease agreements. The minimum payments from such agreements have the following maturities:

€ million	**Nominal value**	**Present value**
Matures in less than 1 year	109.4	99.5
Matures in 1 to 5 years	437.6	309.5
Matures in over 5 years	757.4	389.0

The payables to affiliated companies relate to non-consolidated affiliated companies. Trade payables contain accruals for outstanding invoices of € 396.2 million (prior year: € 371.2 million).

(18) Deferred taxes

The valuation differences from the tax accounts on which deferred taxes have been set up break down as follows:

€ million	31.12.2003 Deferred tax assets*	31.12.2003 Deferred tax liabilities*	31.12.2002 Deferred tax assets*	31.12.2002 Deferred tax liabilities*
Fixed assets	26.1	3,079.4	88.3	2,279.3
Current assets and other assets	142.4	37.8	68.5	17.6
Provisions	813.7	374.7	617.4	218.2
Liabilities	419.7	120.3	364.0	79.8
Deferred income/special tax-allowed items	321.9	224.3	320.5	262.2
	1,723.8	**3,836.5**	**1,458.7**	**2,857.1**
Unused tax losses	584.2	-	376.0	-
Total	**2,308.0**	**3,836.5**	**1,834.7**	**2,857.1**

*Deferred tax assets and liabilities before netting

Deferred tax assets are set up on unused tax losses only to the extent that it is probable that taxable profit will be available against which the temporary difference can be used. Unused tax losses did not reduce the actual tax burden in the reporting period. The existing unused tax losses can be carried forward for an indefinite period. According to the law to reduce tax benefits, from 2004 only 60% (previously 100%) of the current tax income can be offset against unused tax losses. This did not, however, change the appraisal of the realisability of the existing unused tax losses. The deferred taxes on the unused tax losses are comprised as follows:

€ million	31.12.2003	31.12.2002
Corporate income tax (or comparable foreign tax)	288.3	139.0
Trade tax	295.9	237.0
Total	**584.2**	**376.0**

Deferred tax liabilities totalling € 13.6 million (prior year: € 52.9 million) from the valuation of financial instruments at market value and deferred tax assets of € 46.9 million (prior year: € 101.6 million) from the revaluation of intangible assets were offset directly to equity against accumulated other comprehensive income.

(19) Deferred income

€ millions	31.12.2003	31.12.2002
Investment allowances for fixed assets		
Investment subsidies	15.0	31.4
Investment grants	67.5	63.3
Construction cost subsidies	1,774.0	1,760.3
Other	136.6	103.6
Total	**1,993.1**	**1,958.6**

The investment grants have been granted in accordance with Sec. 4a Investment Grant Act (InvZulG).

The construction cost subsidies which have not yet been recognised in profit and loss were largely used for capital expenditures in the electricity and gas segments; title to the subsidised assets is retained by the EnBW group companies.

Of the total amount of deferred income, € 1,786.0 million (prior year: € 1,846.3 million) will be recognised in profit and loss in more than one year.

(20) Earnings per share

		2003	2002
Net result	€ million	-1,192.9	-44.5
Number of outstanding shares (weighted average)	thousand shares	220,711	232,347
Earnings per share	€	-5.40	-0.19
Earnings per share before amortisation of goodwill from capital consolidation	€	-4.75	-0.19
Dividends per share for fiscal 2002 of EnBW AG	€	-	0.66
Proposed dividends per share for fiscal 2003 of EnBW AG	€	-	-

Earnings per share is determined by dividing the net result by the average number of outstanding shares. The indicator may be diluted by potential shares on account of share options or convertible bonds. As EnBW does not have any potential shares the undiluted earnings per share is identical to the diluted earnings per share.

Other disclosures

Accounting for financial instruments
Financial instruments include primary and derivative financial instruments.

On the assets side the primary financial instruments mainly consist of cash and cash equivalents, receivables and securities. The securities are reported at market value. On the liabilities side, the primary financial instruments comprise liabilities. The primary financial instruments are shown in the balance sheet; the amount of the financial assets indicates the maximum bad debt risk. Valuation allowances are recorded for any discernable bad debt risks in the financial assets.

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

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

To hedge against financial risks, the EnBW group uses financial instruments in accordance with the assessment criteria such as position limit and loss limit prescribed in group instructions. Financial instruments and derivates are not used for speculative purposes.

All derivative financial instruments which do not qualify as commodity futures are accounted for as assets or liabilities. Derivative financial instruments are valued at market value. The market values are derived from market rates or using generally accepted valuation methods. Unrealised gains from commodity futures are not recognised, unrealised losses are accrued.

Changes in value from derivatives which were entered into hedge cash flows are recorded directly in accumulated other comprehensive income (market valuation of financial instruments). On balance, the unrealised losses from derivatives came to € 9.1 million (prior year: € 0.0 million).

Changes in the fair value of derivatives which do not satisfy the prerequisites to qualify as hedges for cash flows are recorded in the income statement.

The nominal volume of the hedges presented below are stated net. It represents the sum of all purchase and sale amounts underlying the transactions. The amount of the nominal volume allows conclusions to be drawn about the extent to which derivatives have been used. However, it does not reflect the risk of the group as the derivative transactions are counterbalanced by underlyings with risks that run counter to that of the derivative.

€ million	Nominal volume		Market value	
	31.12.2003	31.12.2002	**31.12.2003**	31.12.2002
Currency derivatives	128.9	72.4	10.9	0.5
Interest derivatives	66.3	67.5	5.2	3.1
Price and quantity derivatives	1,470.4	427.8	1.7	72.3

Contingent liabilities and financial commitments

After the amended Atomic Power Act (AtG) and the amended directive on the coverage provisions in the nuclear power industry (AtDeckV) came into force on April 27, 2002, the German nuclear power operators are required to provide evidence of coverage provision up to a maximum amount of € 2.5 billion per case of damage.

From January 2003 uniform third party liability insurance is in place for an amount of € 255.6 million. The cover via Nuklear Haftpflicht GbR is now restricted to a solidarity agreement to cover claims in connection with evacuation measures ordered by the authorities of between € 0.5 million and € 15 million. In proportion to their shares in nuclear power stations, group companies have undertaken to equip their operating companies with sufficient resources so that they can meet their obligations from the membership in Nuklear Haftpflicht GbR at all times.

To fulfil the subsequent coverage provision of € 2,244.4 million per case of damage, EnBW Energie Baden-Württemberg AG and the other ultimate parent companies of the German nuclear power plant operators agreed by contract dated July 11/July 27/August 21/August 28, 2001 to provide financial assistance to the liable nuclear power plant operator in case of damage – after exhausting its own possibilities and those of its parent company – so that it can meet its meet its payment obligations (solidarity agreement).

According to the agreement, EnBW Energie Baden-Württemberg AG has to bear a 23.941% share of the liability from the solidarity agreement plus 5% for loss settlement costs.

Financial commitments from rent, lease and leasing agreements are as follows:

€ million	**31.12.2003**	31.12.2002
Due in less than 1 year	143.1	139.8
Due in 1 to 5 years	474.1	658.0
Due in over 5 years	438.4	466.8
Total	**1,055.6**	**1,264.6**

In the area of the fuel cycle there are long-term agreements for the purchase, conversion, enrichment, production and disposal of uranium. Long-term contracts customary for the industry have been entered into for the procurement of electricity, coal and gas.

The obligations from the provision of guarantees and securities total € 56.8 million (prior year: € 175.3 million). Other financial obligations amount to € 29.2 million (prior year: € 25.6 million).

As of the balance sheet date there is a purchase obligation totalling € 640.0 million (prior year: € 472.4 million).

In the group there are capital commitments of € 10.7 million (prior year: € 34.1 million).

The acquisition of equity investments may give rise to financial obligations of up to € 1,181.5 million (prior year: € 996.9 million).

German Corporate Governance Code

Energie Baden-Württemberg AG has created its own Corporate Governance principles which is based on the German Corporate Governance Code as amended on May 21, 2003. The declaration of compliance with the German Corporate Governance Code required by Sec. 161 German Stock Corporation Law (AktG) has been issued and is permanently available in the internet under www.enbw.com.

The Corporate Governance principles of Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG (ZEAG) are also based on the German Corporate Governance Code as amended on May 21, 2003. The declaration of compliance with the German Corporate Governance Code required by Sec. 161 German Stock Corporation Law (AktG) has been issued and is permanently available in the internet under www.enbw.com.

Additional information

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

The remuneration of the Board of Management for the fiscal year 2003 totalled € 9,608,252.20, including variable remuneration components of € 1,896,128.21.

Former members of the Board of Management and their surviving dependants received € 3,505,275.29. EnBW has set aside € 31,209,350.00 for pension commitments to former member of the Board of Management and their surviving dependants.

The members of the Supervisory Board received compensation of € 361,509.02. At present, there are no performance-related compensation components.

The members of the Supervisory Board have not personally rendered any services in return for compensation or benefits.

There are currently no stock option plans or similar securities-based incentive programmes at Energie Baden-Württemberg AG.

Cash flow statement

The cash flow statement is split up into cash flows from operating, investing and financing activities. The balance of the cash flow statement represents the change in cash and cash equivalents during the fiscal year 2003 of € 236.6 million (prior year: € -265.8 million).

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

In the fiscal year 2003, the cash flow from operating activities was € 885.4 million (prior year: € 517.4 million). The cash flow received from operating activities includes:

> interest income of € 227.0 million (prior year: € 259.6 million) and interest expenses of € 420.7 million (prior year: € 286.9 million)
> current income taxes of € 217.6 million (prior year: € 130.7 million)
> dividends received of € 94.2 million (prior year: € 92.4 million)

In the fiscal year 2003 € 145.7 million was distributed to the shareholders of Energie Baden-Württemberg AG and € 39.5 million to minority shareholders of group companies.

Cash and cash equivalents contain liquid assets. Of the cash and cash equivalents, € 28.7 million (prior year: € 7.9 million) is attributable to companies consolidated on a proportionate basis.

The group's total net financial indebtedness splits up as follows:

€ millions	**31.12.2003**	31.12.2002
Cash and cash equivalents	966.5	731.0
Marketable securities	122.8	200.8
Debentures	115.1	160.6
Long-term investments	4,725.0	4.382.8
Other loans	305.3	308.5
Financial assets	**6,234.7**	**5,783.7**
Financial liabilities	**8,049.0**	**7,183.1**
Net financial indebtedness	**1,814.3**	**1,399.4**

Segment reporting

The objective of the segment reporting is to provide information about the main business operations of the group. At the same time, it is designed to give an insight into the risk and opportunity structure of a diversified group. The segmentation of the business areas and regions in the EnBW group follows the internal reporting. The structure and content of the internal reporting also provide a fair view of the risk and opportunity structure of the various divisions.

The segment figures have been determined in accordance with the recognition and measurement methods used in the consolidated financial statements.

Due to the focus of the EnBW group on the areas energy and energy-related services, the segments have been changed compared to the prior year. The segment reporting now comprises the segments electricity, gas as well as energy and environmental services instead of the previous segments energy, disposal as well as industry and services.

The electricity segment comprises the value added stages generation, transportation, distribution and sales. The gas segment consists of the procurement, transportation, distribution and sale of gas. The energy and environmental services segment includes the areas thermal and non-thermal disposal, water and other services. Discontinuing operations are reported separately.

The holding/consolidation segment contains consolidation effects, Energie Baden-Württemberg AG as well as other activities not allocable to the other segments.

Internal sales show the level of sales between group companies. Intrasegment sales were made at market prices. Other non-cash expenses also contains impairment losses on intangible assets and property, plant and equipment. The segmentation of capital expenditures, assets and gross debts was performed within the EnBW group itself. Gross debts contain the liabilities, the provisions and the deferred income

Related parties

Related parties include Electricité de France (EDF) and Zweckverband Oberschwäbische Elektrizitätswerke (OEW). EnBW AG is included in the consolidated financial statements of EDF on a proportionate basis.

In the reporting year, 21% of the shares of Badenwerk Gas GmbH were sold to OEW for a price of € 23.7 million. The group profit from the sale came to € 17.4 million. The sales price was substantiated by an expert opinion and was made on the basis of arm's length conditions.

The business transacted with EDF during the reporting year had the following impact on the consolidated financial statements of Energie Baden-Württemberg AG:

€ million	**31.12.2003**	31.12.2002
Income statement		
Sales	88.5	40.6
Cost of materials	303.0	244.1
Balance sheet		
Other loans	22.2	25.2
Receivables	40.1	6.2
Payments on account	35.9	38.2
Liabilities	82.1	76.1

The sales and costs of materials mainly resulted from electricity supply and electricity procurement agreements. All business relations with EDF are at arm's length.

Relationships also exist with municipal associated companies (in particular municipal utilities) which were valued at equity. The exchange of services and supplies with these companies took place on customary market terms.

The EnBW group has not entered into any significant transactions with related persons.

Subsequent events
The subsequent events are presented in the management report.

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

Special explanations pursuant to Sec. 292a HGB
The accounting, measurement and consolidation methods under IFRS/IAS differ materially in the following respects from the provisions of the German commercial law (HGB).

Pursuant to the provisions of the HGB, self-generated **intangible assets** may not be capitalised. Under IFRS/IAS, they must be recognised if certain prerequisites are satisfied.

Under IFRS/IAS costs for the obligation to restore the sites of our nuclear power plants in the amount equivalent to the present value of the costs estimated at the time of commissioning for the shutdown and dismantling of contaminated plants fall under **property, plant and equipment**. Depreciation is charged over the life of the power stations. Under IFRS/IAS a provision for this amount is recorded when the power station is commissioned. Under HGB, they are not capitalised. Under HGB, additions to the corresponding provision are made pro rata temporis.

Under IFRS/IAS **long-term investments** are recognised at market value. Unrealised gains and losses are generally offset directly against equity. Under HGB, long-term investments are valued at amortised cost.

Treasury shares are deducted directly from equity under IFRS/IAS. Under HGB, treasury shares are disclosed under marketable securities. Contrary to HGB, a drop in the market value of treasury shares does not impact the income statement under IFRS/IAS.

The measurement of **provisions for pensions and similar obligations** under IFRS/IAS takes account of future estimated pension and salary increases. These are not considered under HGB.

Other provisions are recognised at the estimated settlement amount under IFRS/IAS. Long-term provisions are discounted. Under HGB, provisions are to be created as prudent business judgment requires on the balance sheet date. Discounting is only performed if the underlying liability contains an interest portion.

Under IFRS/IAS **deferred taxes** are recognised on all temporary differences between the tax accounts and the IFRS/IAS balance sheet. Unlike HGB, deferred taxes are also recorded for quasi-permanent differences and unused tax losses.

Declaration of the Board of Management

The Board of Management of Energie Baden-Württemberg AG is responsible for the preparation, completeness and correctness of the consolidated financial statements and the group management report as well as other information provided in the annual report. The principles of the International Financial Reporting Standards/International Accounting Standards (IFRS/IAS) have been observed when preparing the consolidated financial statements. The figures for the prior year have been calculated according to the same principles. The consolidated financial statements are exempting within the meaning of Sec. 292 a HGB.

An effective internal control and management system, the use of uniform instructions and continuous staff training ensure the reliability of the data contained in the consolidated financial statements and the group management report. Adherence to legal provisions and uniform group accounting instructions as well as the internal control and management system are subject to constant monitoring.

The risk management system satisfies the requirements of the Law on Control and Transparency in Business (KonTraG). It is designed to allow the Board of Management to recognise risks in good time and, if necessary, to implement counter-measures.

The auditor has rendered an unqualified opinion on the consolidated financial statements. The consolidated financial statements and the group management report were discussed in detail with the auditors in the audit committee and at the meeting of the Supervisory Board to approve the balance sheet. The result is contained in the report of the Supervisory Board.

Karlsruhe, March 4, 2004

Prof. Dr. Utz Claassen, CEO   Dr. Bernhard Beck   Prof. Dr.-Ing. Thomas Hartkopf   Pierre Lederer   Dr. h.c. Detlef Schmidt

Climbing up to the nacelle of a wind power plant

EnBW group
Audit opinion

We have audited the consolidated financial statements prepared by Energie Baden-Württemberg AG, comprising the income statement, the balance sheet, and the cash flow statement and statement of changes in equity and as well as the notes to the financial statements for the fiscal year from January 1 to December 31, 2003. The preparation and the content of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) of the IASB are the responsibility of the company's Board of Management. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with the IFRS, based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with the German audit regulations and the generally accepted German standards for the audit of financial statements promulgated by the IDW ["Institut der Wirtschaftsprüfer in Deutschland": Institute of Public Auditors in Germany]. Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatement. The scope of the audit was planned taking into account our understanding of business operations, the Group's economic and legal environment, and any potential errors anticipated. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the group for the fiscal year in accordance with IFRS.

Our audit, which also extends to the group management report prepared by the Board of Management, which has been combined with the management report of Energie Baden-Württemberg AG, for the fiscal year from January 1 to December 31, 2003, has not led to any reservations. In our opinion, on the whole the combined group management report together with the other details in the consolidated financial statements provide a suitable understanding of the Group's position and suitably presents the risks of future development. We also confirm that the consolidated financial statements and the combined group management report for the fiscal year from January 1 to December 31, 2003 meet the requirements for exempting the Company from preparing consolidated financial statements and a group management report in accordance with German law.

Karlsruhe, February 13, 2004

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Wagner
Wirtschaftsprüfer
(German Public Auditor)

Küpfer
Wirtschaftsprüfer
(German Public Auditor)

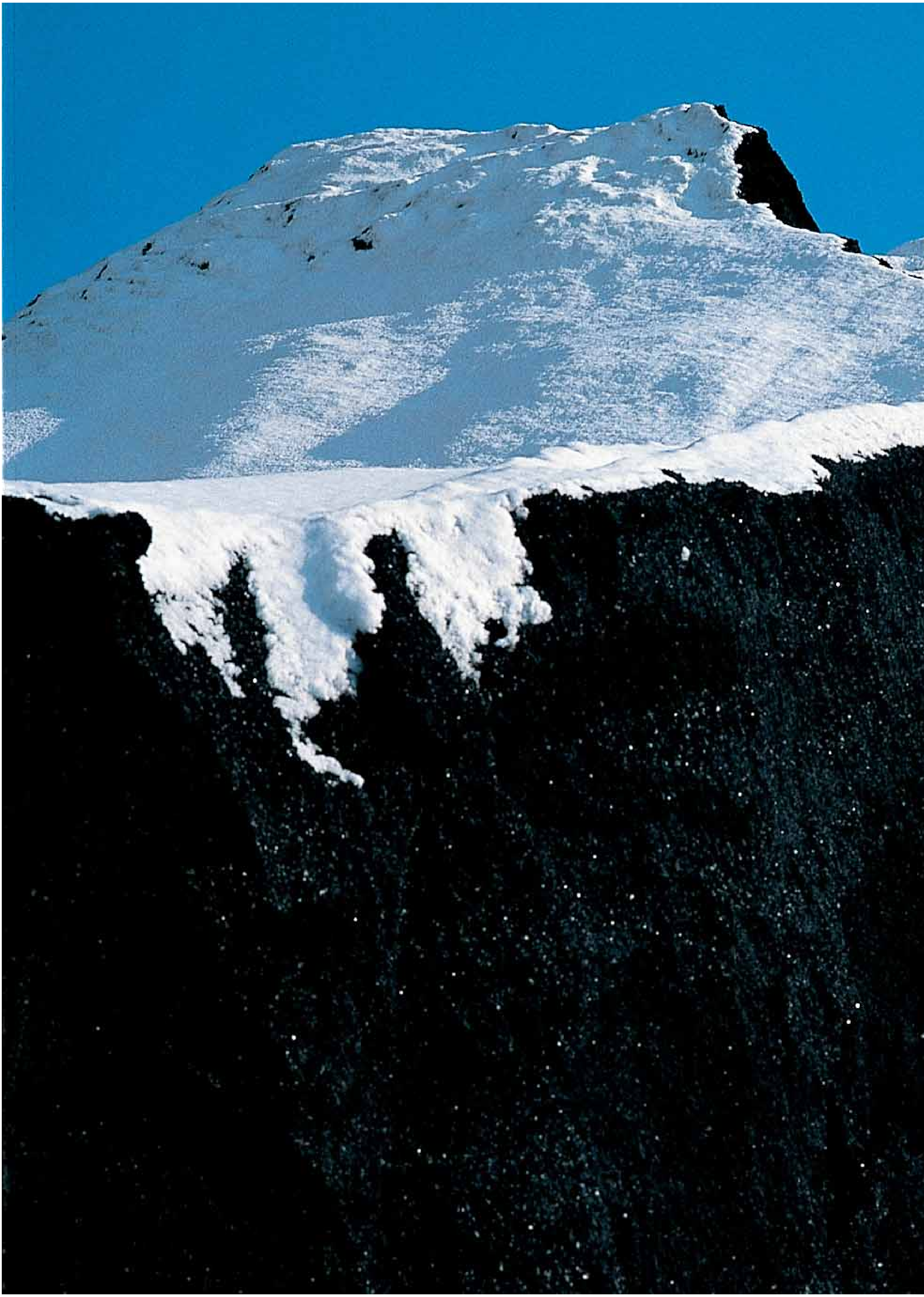
Financial statements EnBW AG (excerpt)
Income statement according to HGB from January 1 to December 31, 2003

€ millions	**2003**	2002
Investment result	-45.0	942.0
Net interest	-455.8	-508.8
Other operating income	46.9	36.3
Personnel expense	-35.1	-74.0
Amortisation and depreciation	-0.1	-0.1
Other operating expenses	-249.4	-158.6
Results from ordinary activities	**-738.5**	**236.8**
Taxes	-85.0	-44.9
Net loss/net profit for the year	**-823.5**	**191.9**
Profit carryforward from the prior year	0.3	4.1
Withdrawal from the capital reserve	611.8	0.0
Withdrawal from the reserve for treasury shares	35.6	0.0
Withdrawal from other revenue reserves	175.8	0.0
Allocated to other revenue reserves	0.0	-50.0
Retained earnings	**0.0**	**146.0**

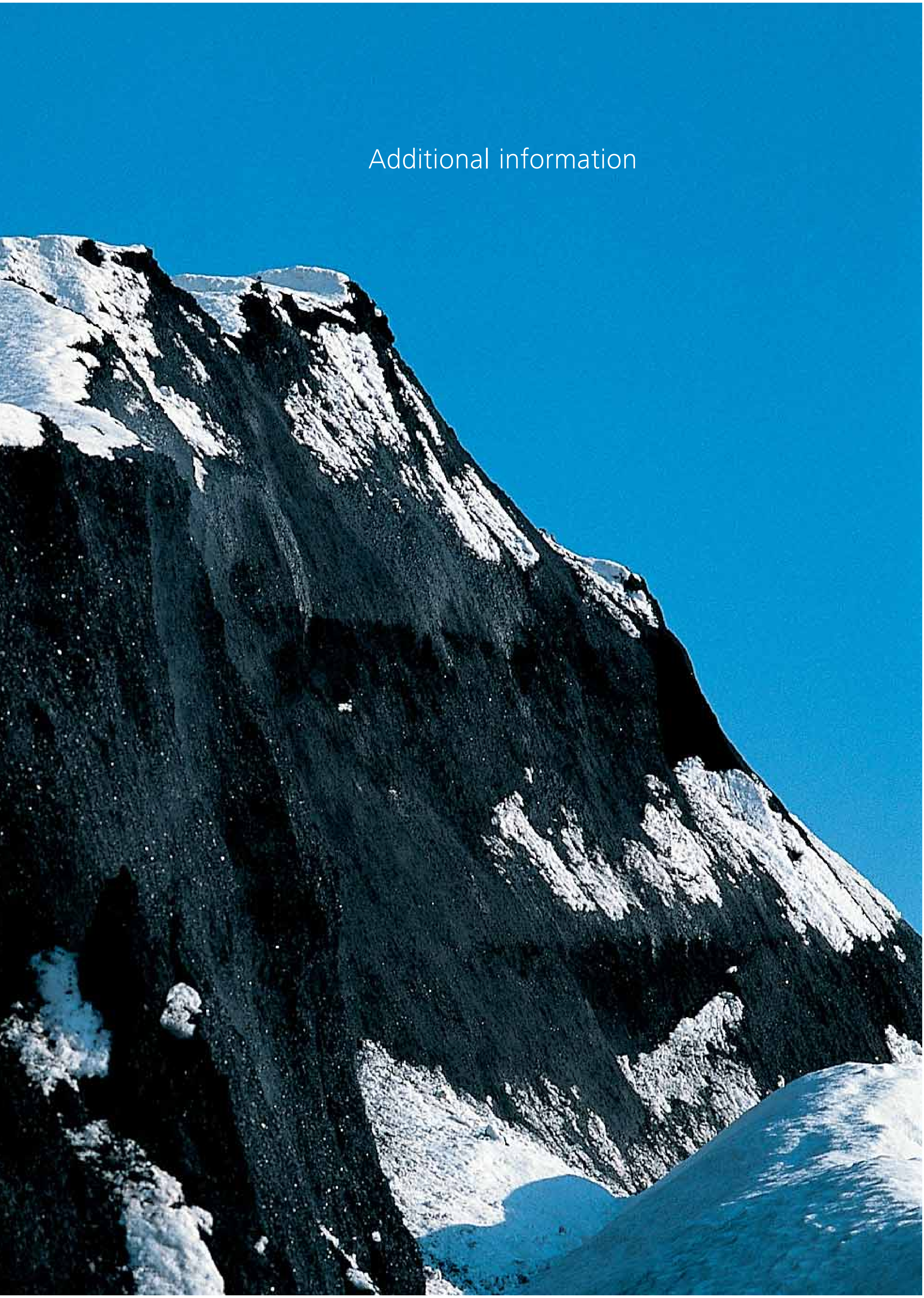
The full financial statements of Energie Baden-WÜrttemberg AG audited by PwC Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, on which they rendered an unqualified opinion, are published in the Federal Gazette and filed with the Commercial Register of the Karlsruhe District Court under No HRB 7956. The full financial statement of Energie Baden-Württemberg AG are available for downloading at www.enbw.com.

EnBW AG
Balance sheet according to HGB as of December 31, 2003

€ millions	**31.12.2003**	31.12.2002
Assets		
Fixed assets		
Property, plant and equipment	3.0	2.9
Financial assets	10,887.4	10.762,3
	10,890.4	**10.765,2**
Current assets		
Receivables from affiliated companies	1,004.3	685,0
Receivables and other assets	342.0	856,2
Securities	205.0	302,8
Cash and cash equivalents	486.8	170.2
	2,038.1	**2,014.2**
Deferred income	69.4	73.3
	12,997.9	**12.852.7**
Equity and Liabilities		
Equity		
Subscribed capital	640.0	640.0
Capital reserve	22.2	634.0
Revenue reserves	163.6	375.0
Retained earnings	0.0	146.0
	825.8	**1,795.0**
Special items	0.0	2.3
Provisions	1,884.6	1,786.2
Liabilities		
Payables to affiliated companies	8,845.5	6,326.6
Other liabilities	1,415.8	2,914.2
	10,261.3	**9,240.8**
Deferred income	26.2	28.4
	12,997.9	**12,852.7**



Additional information



Offices held by Board of Management and Supervisory Board members*

* Offices held by members of the Board of Management

Prof. Dr. Utz Claassen
(CEO since May 1, 2003)
(1) Salamander AG (Chairman; since April 30, 2003)
Stadtwerke Düsseldorf AG (since May 1, 2003)
Stadtwerke Karlsruhe GmbH (since May 1, 2003)
Vivascience AG (Chairman until June 25, 2003)
(2) Otto Bock Holding GmbH & Co. KG,advisory board

Dr. Bernhard Beck
(1) DREWAG-Stadtwerke Dresden GmbH
EnBW Energie-Vertriebsgesellschaft mbH
EnBW Kraftwerke AG
EnBW Kundenservice GmbH
EnBW Service GmbH (Chairman)
Energiedienst AG
ESAG Energieversorgung Sachsen Ost AG
GESO Beteiligungs- und Beratungs-AG
(since April 17, 2003)
Grosskraftwerk Mannheim AG (since January 7, 2003)
Neckarwerke Stuttgart AG (until February 28, 2003)
Obere Donau Kraftwerke AG
Salamander AG
SOMENTEC Software AG (Chairman)
(2) EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (Chairman)
EnBW Energy Solutions GmbH
EnBW Gas GmbH (until December 31, 2003)
EnBW International GmbH (until July 14, 2003)
Energiedienst Holding AG
Gasversorgung Süddeutschland GmbH
(since January 31, 2003)
SaarPOWER GmbH (Chairman)
Skandinavisk Kraftmeglin SA
Stadtwerke Völklingen GmbH
TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH (Chairman)
Teweratio GmbH (Chairman)

Prof. Dr.-Ing. Thomas Hartkopf
(1) Elektrizitätswerk Rheinau AG (since March 18, 2003)
EnBW Kraftwerke AG
(Chairman; since April 23, 2003)
EnBW Transportnetze AG
(Chairman until July 31, 2003)
Kraftwerk Reckingen AG (Chairman)
Neckarwerke Stuttgart AG
Rheinkraftwerk Säckingen AG
(Chairman; since February 27, 2003)
Schluchseewerk AG
(Chairman; since February 19, 2003)
U-plus Umweltservice AG (Chairman)
(2) Amata Power Ltd. (since May 7, 2003)
Centrale Electrique Rhénane de Gambsheim SA
EnAlpin AG (President; since August 29, 2003)
EnAlpin Wallis AG (President; since April 9, 2003)
EnBW Gesellschaft für Stromhandel mbH
Gemeinschaftskernkraftwerk Neckar GmbH
Kernkraftwerk Obrigheim GmbH
Kraftwerk Ryburg-Schwörstadt AG
(since February 28, 2003)
Rheinkraftwerk Iffezheim GmbH
Thermoselect Südwest GmbH (until July 31, 2003)
Vorarlberger Illwerke AG (since June 28, 2003)

Pierre Lederer

(1) EnBW Energie-Vertriebsgesellschaft mbH
(Chairman until Jun 30, 2003)
EnBW Kraftwerke AG
EnBW Kundenservice GmbH
(Chairman until July 14, 2003)
EnBW Regional AG (Chairman; since July 7, 2003)
EnBW Transportnetze AG
(since June 26, 2003; Chairman since August 1, 2003)
ESAG Energieversorgung Sachsen Ost AG
GESO Beteiligungs- und Beratungs-AG
Neckarwerke Stuttgart AG ((since March 5, 2003;
Chairman since August 25, 2003)
Rheinkraftwerk Säckingen AG
Schluchseewerk AG
(Chairman; until February 18, 2003)
Stadtwerke Düsseldorf AG
(from January 1, 2003 until November30, 2003)

(2) EnBW Gas GmbH (Chairman)
EnBW Gesellschaft für Stromhandel mbH (Chairman)
EnBW International GmbH
(Chairman; until July 14, 2003)
Gasversorgung Süddeutschland GmbH
(Chairman since March 13, 2003)
Hidroeléctrica del Cantábrico S.A.
Skandinavisk Kraftmeglin SA

Dr. h.c. Detlef Schmidt

(Member of the Board of Management since July 1, 2003)

(1) EnBW Energie-Vertriebsgesellschaft mbH
(Chairman; since July 1, 2003)
EnBW Kundenservice GmbH (since July 11, 2003;
Chairman since November 18, 2003)
EnBW Regional AG (since July 7, 2003)
ESAG Energieversorgung Sachsen Ost AG
(since August 14, 2003;
Chairman since December 5, 2003)
GESO Beteiligungs- und Beratungs-AG
(Chairman; since July 23, 2003)
Stadtwerke Düsseldorf AG
(since December 1, 2003)

(2) EnBW Gesellschaft für Stromhandel mbH
(since September 1, 2003)

Dr. Bernd Balzereit

(Member of the Board of Management until July 3, 2003)

(1) DREWAG-Stadtwerke Dresden GmbH
(from April 10, 2003 until June 5, 2003)
Elektrizitätswerk Mittelbaden AG
(from June 19, 2003 until July 31, 2003)
EnBW Energie-Vertriebsgesellschaft mbH
(until July 3, 2003)
EnBW Kraftwerke AG (until August 3, 2003)
EnBW Kundenservice GmbH
(from April 1, 2003 until July 3, 2003)
EnBW Service GmbH (until July 3, 2003)
Energiedienst AG (from March 18, 2003
until July 31, 2003)
ESAG Energieversorgung Sachsen Ost AG
(from January 30, 2003; Chairman from
April 16, 2003; until July 3, 2003)
GESO Beteiligungs- und Beratungs-AG
(Chairman from June 27, 2003; until July 3, 2003)
Neckarwerke Stuttgart AG
(Chairman from April 16, 2003; until July 13, 2003)
Schluchseewerk AG (from February 19, 2003
until July 15, 2003)
U-plus Umweltservice AG
(from April 7, 2003 until July 3, 2003)
Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG
(from June 18, 2003 until July 3, 2003)
Ziehl-Abegg AG

(2) BWK GmbH Unternehmensbeteiligungsgesellschaft
(from January 1, 2003 until July 3, 2003)
EnBW Gesellschaft für Stromhandel mbH
(until July 3, 2003)
Energiedienst Holding AG
(from April 11, 2003 until July 31, 2003)
EuroSourceLine GmbH
(Chairman; from February 26, 2003 until July 3, 2003)
Gasversorgung Süddeutschland GmbH
(from January 31, 2003 until July 3, 2003
innotech Beteiligungsgesellschaft mbH & Co. KG
(from January 1, 2003 until July 3, 2003)
Walter de Gruyter GmbH & Co. KG
(until June 28, 2003)

Gerhard Goll
(Chairman of the Board of Management
until April 30, 2003)
(1) EnBW Kraftwerke AG (Chairman; until April 23, 2003)
Neckarwerke Stuttgart AG
(Chairman until April 15, 2003; member until
September 15, 2003)
Salamander AG (Chairman; until April 30, 2003)
(2) EnBW Akademie Gesellschaft für Personal- und
Managemententwicklung mbH (until April 30, 2003)
EnBW Telekommunikation GmbH
(Chairman; until December 15, 2003)
Thermoselect Südwest GmbH
(Chairman; until February 17, 2003)
Vorarlberger Illwerke AG (until June 27, 2003)

Gerhard Jochum
(Member of the Board of Management
until March 31, 2003)
(1) DREWAG-Stadtwerke Dresden GmbH
(until April 9, 2003)
Elektrizitätswerk Mittelbaden AG (until June 18, 2003)
EnBW Energie-Vertriebsgesellschaft mbH
(until April 8, 2003)
EnBW Kundenservice GmbH (until March 31, 2003)
EnBW Ostwürttemberg DonauRies AG
(Chairman; until June 2, 2003)
EnBW Regional AG (Chairman; until April 26, 2003)
EnBW Service GmbH (until March 31, 2003)
EnBW Transportnetze AG (until April 7, 2003)
Energiedienst AG (until March 17, 2003)
ESAG Energieversorgung Sachsen Ost AG
(Chairman; until April 16, 2003
GESO Beteiligungs- und Beratungs-AG
(Chairman; until April 16, 2003)
Stadtwerke Düsseldorf AG (until April 30, 2003)
Stadtwerke Karlsruhe GmbH (until April 30, 2003)
U-plus Umweltservice AG (until March 31, 2003)
Zementwerk Lauffen – Elektrizitätswerk Heilbronn AG
(until March 31, 2003)
(2) Amata Power Ltd. (until March 31, 2003)
EnAlpin Wallis AG (until April 9, 2003)
EnBW International AG (until July 14, 2003)
Energiedienst Holding AG (until April 10, 2003)
Heilbronner Versorgungs GmbH (until April 25, 2003)
Kraftwerk Ryburg-Schwörstadt AG
(until February 27, 2003)
Rojana Power Ltd. (until March 31, 2003)
Stadtwerke Völklingen GmbH (until April 15, 2003)
Zweckverband Bodensee-Wasserversorgung
(until March 25, 2003)
Zweckverband Landeswasserversorgung
(until March 26, 2003)

As of February 3, 2004
* (1) Membership in other statutory supervisory boards
(2) Membership in comparable domestic and foreign control bodies of business organisations

Disclosures pursuant to Sec. 285 Sent. 1 No 10 HGB

Other offices held by Supervisory Board members*

Dr. Wolfgang Schürle
(Chairman)
(1) Donau-Iller-Nahverkehrsverbundgesellschaft mbH Ulm
EnBW Ostwürttemberg DonauRies AG
Krankenhaus-GmbH Alb-Donau-Kreis (Chairman)
Kreisbau-GmbH Ulm (Chairman)
(2) Fernwärme Ulm GmbH
Landesbausparkasse Baden-Württemberg
Sparkasse Ulm
Zweckverband Oberschwäbische Elektrizitätswerke (OEW)

Peter Neubrand
(Deputy Chairman since April 25, 2003)
(1) EnBW Regional AG
(2) Betriebskrankenkasse Energieverbund, Körperschaft öffentlichen Rechts Rechts
(Chairman from January 1, 2003 until December 31, 2003)

Gisela Beller
(1) EnBW Service GmbH
(2) TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH

Jean-Pierre Benqué
(2) EDF Capital Investissements SA (until May 6, 2003)

Joachim Bitterlich
(2) CGEA Connex SA (since June 11, 2003)
CGEA Onyx SA (since May 27, 2003)
Ecole Nationale d'Administration

Marc Boudier
(2) Aare Tessin SA d'Electricité
Dalkia International SA
Elektrocieplownia Krakow SA
Energie Steiermark Holding AG (since April 24, 2003)
SEMOBIS SA (Chairman)
Société de production d'électricité SA

Dr. Daniel Camus
(1) Morphosys AG
(2) Dalkia Holding SA
EDF Trading SA (until September 17, 2003)

Franz Fischer
(1) EnBW Regional AG

Willi Fischer
(1) Hohenzollerische Landesbahn AG
(2) Sparkasse Zollernalb, Balingen (Chairman)
Verkehrsverbund Naldo GmbH (Chairman)
Wirtschaftsförderungsgesellschaft im Zollernalbkreis (Chairman)
Zollernalb Klinikum GmbH (since January 1, 2004)
Zweckverband Oberschwäbische Elektrizitätswerke (OEW)

Christian Fontanel
(2) Electricité de Strasbourg SA
Dalkia Holding SA (since May 19, 2003)

Josef Götz
(1) Neckarwerke Stuttgart AG
(2) EuroSourceLine GmbH
Zweckverband Bodensee-Wasserversorgung

Dr. Claus Dieter Hoffmann
(1) Bauerfeind AG
Jowat AG
Supply On AG (Chairman)
VBH AG (until July 31, 2003)
(2) ING Group NV (since April 15, 2003)

Rolf Koch
(1) EnBW Regional AG
(2) Betriebskrankenkasse Energieverbund, Körperschaft öffentlichen Rechts
EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH
TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH

Gerhard Stratthaus
(1) Baden-Württembergische Bank AG (Chairman)
Badische Staatsbrauerei Rothaus AG (Chairman)
(2) Landeskreditbank Baden-Württemberg – Förderbank, Anstalt öffentlichen Rechts
Landesstiftung Baden-Württemberg gGmbH
Zentrum für Europäische Wirtschaftsförderung GmbH (Chairman)

Volker Stüber
none

Siegfried Tann
(1) ABK-Abfallwirtschaftsgesellschaft mbH des Bodenseekreises und des Kreises Konstanz (Chairman)
Bodensee-Oberschwaben Verkehrsverbundgesellschaft mbH (Chairman; since April 1, 2003)
(2) Internationale Bodenseetourismus GmbH (IBT)
Landesbausparkasse Baden-Württemberg
Sparkasse Bodensee (Chairman until December 31, 2003)
Zweckverband Oberschwäbische Elektrizitätswerke (OEW)

Christoph Walther
(1) ESAG Energieversorgung Sachsen Ost AG

Franz Watzka
(1) Gemeinschaftskernkraftwerk Neckar GmbH
Neckarwerke Stuttgart AG

Klaus-Michael Weber
none

Alfred Wohlfart
(1) EnBW Kraftwerke AG (since October 29, 2003)
EnBW Regional AG
Neckarwerke Stuttgart AG (until December 31, 2003)

Loïc Caperan
(2) Dalkia Holding SA (until June 17, 2003)
Dalkia International SA (until June 17, 2003)
EDF Délevoppement Environnement SA (until June 17, 2003)
EDF International SA (until June 17, 2003)
EDF Trading SA (Chairman) (until June 17, 2003)
EDF UK Ltd. (Chairman) (until June 17, 2003)
Lyonnaise des Eaux de Casablanca (until June 17, 2003)

Adolf Dinkel
(Deputy Chairman until April 25, 2003)
(1) Elektrizitätswerk Mittelbaden AG (until June 18, 2003)
EnBW Service GmbH (until July 31, 2003)
(2) Betriebskrankenkasse Energieverbund, Körperschaft öffentlichen Rechts

Manfred Eichkorn
(1) EnBW Kraftwerke AG (until September 30, 2003)
EnBW Regional AG (until September 30, 2003)
(2) EnBW Akademie Gesellschaft für Personal- und Managemententwicklung mbH (since January 1, 2004)
Fernwärme Ulm GmbH (since January 1, 2004)

Yannick d'Escatha
(2) Ecole Polytechnique (Chairman)
EDF Développement Environnement SA (until March 25, 2003)
EDF International SA (until March 9, 2003)
EDF Trading SA (until March 13, 2003
EDF UK Ltd. (until March 1, 2003)
France Télécom SA
Société Nationale d'Electricité et de Thermique SA (until January 16, 2003)

Gisela Gräber
(1) Bausparkasse Schwäbisch Hall AG

Siegfried Luz
(1) EnBW Regional AG (until January 16, 2003)
(2) Sparkasse Pforzheim Calw

Dr. Wolfgang Schuster

(1) EnBW Regional AG (since July 7, 2003)
    Flughafen Stuttgart GmbH
    Neckarwerke Stuttgart AG
    Stuttgarter Straßenbahn AG (Chairman)
    Stuttgarter Versorgungs- und Verkehrsgesellschaft mbH (Chairman)

(2) Gasversorgung Süddeutschland GmbH (until January 24, 2003)
    Landesbank Baden-Württemberg, Anstalt öffentlichen Rechts
    Stuttgart 2012 GmbH (Chairman)
    Verkehrs- und Tarifverbund Stuttgart GmbH (Chairman)
    Zweckverband Bodensee-Wasserversorgung (Chairman)
    Zweckverband Landeswasserversorgung (Chairman)

Laurent Stricker

(2) Commissariat à l'Energie Atomique, Etablissement public administratif
    Compagnie Nucléaire de Services SA
    SEMOBIS SA
    SOCODEI Société pour le Conditionnement des Déchets et Effluents industriels SA (Chairman; since February 1, 2003)

Günther Vogelbacher

(1) EnBW Kraftwerke AG (until April 23, 2003)

(2) Moorheilbad Buchau gGmbH
    Thermalbad Buchau Betriebs-GmbH
    Thoraxklinik Heidelberg gGmbH

As of February 3, 2004

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

Disclosures pursuant to Sec. 285 Sent. 1 No 10 HGB

The Advisory Board

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

Dr.-Ing. e.h. Heinz Dürr
Chairman of the Supervisory Board of Dürr AG, Berlin
Deputy Chairman since October 16, 2003

Marc Boudier
Directeur de la Branche Europe Continentale at Electricité de France, Paris
Member since July 1, 2003

Dr. rer. nat. Joachim Dreyer
Former Chairman of the Management Board of debitel AG, Stuttgart

Joachim Erwin
Lord Mayor of Düsseldorf
Member since January 1, 2004

Dr. Andreas Fabritius
Lawyer at Freshfields Bruckhaus Deringer, Frankfurt

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

Dr. Monika Gommolla
Chairman of the Supervisory Board of Maritim Hotelgesellschaft mbH, Bad Salzuflen
Member since July 1, 2003

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

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

Dr. Klaus Kinkel
Former Vice Chancellor, St. Augustin

Dr. Rolf Linkohr
Member of the European Parliament, Brussels

Roland Mack
Managing partner of Europa-Parks, Rust
Member since July 1, 2003

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

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

Prof. Dr. Dres. h.c. Arnold Picot
Director of the Institute for Information, Organisation and Management, Munich University
Member since July 1, 2003

Dr. Wolf Hartmut Prellwitz
Chairman of the Supervisory Board of ZF Friedrichshafen AG, Friedrichshafen

Urs B. Rinderknecht
General Director of UBS AG, Zürich

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

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

Hans Dietmar Sauer
Chairman of the Management Board of Landesbank Baden-Württemberg, Stuttgart
Member since July 1, 2003

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

Dr. Wolfgang Schuster
Lord Mayor of Stuttgart

Prof. Dr. Dr. h.c. Bernhard Servatius
Lawyer, Treubesitz GmbH, Hamburg

Karl Starzacher
Counsel at White & Case, Feddersen, Düsseldorf
Member since July 1, 2003

Prof. Dr. Dr. h.c. mult. Rita Süssmuth
Former President of the Lower House
of the German Parliament, Berlin
Member since July 1, 2003

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

Dr. Theo Waigel
Former government minister, lawyer
at Gassner Stockmann und Kollegen, Munich

Prof. Dr.-Ing. Hartmut Weule
Professor at Karlsruhe University, Institute for machine
tools and operating technology, Karlsruhe

Matthias Wissmann
Former government minister, Member of the German
parliament, chairman of the committee for European
Union affairs, Berlin

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

Dipl.-Math. Klaus Eberhardt
Chairman of the Management Board
of Rheinmetall AG, Düsseldorf
Member until June 30, 2003

Yannick d'Escatha
Former Directeur Général Délégué
at Electricité de France, Paris
Member until March 31, 2003

Bernd Kreutz
Owner of the advertising agency Kreutz & Partner,
Düsseldorf
Member until June 30, 2003

As of February 3, 2004

Major shareholdings of Energie Baden-Württemberg AG

Holding

Fully consolidated companies	Registered office	Capital share as %	Equity in € thousands
Energie Baden-Württemberg AG	Karlsruhe		825,750
Neckarwerke Stuttgart AG	Stuttgart	100.00	582,971

Electricity segment

Fully consolidated companies

1	Elektrizitätswerk Aach eG	Tuttlingen	100.00	1.692	
2	Elektrizitätswerk Braunsbach GmbH	Braunsbach	100.00	1.173	
3	Elektrizitätswerk Tullau GmbH	Rosengarten-Tullau	100.00	0	
4	EnAlpin AG	Zug/Switzerland	100.00	157.021	1)
5	EnBW Energie-Vertriebsgesellschaft mbH	Stuttgart	100.00	4.479	
6	EnBW Gesellschaft für Stromhandel mbH	Karlsruhe	100.00	2.556	
7	EnBW Kernkraft Neckarwestheim Beteiligungsgesellschaft mbH	Neckarwestheim	100.00	46.016	
8	EnBW Kraftwerk Lippendorf Beteiligungsgesellschaft mbH	Stuttgart	100.00	297,640	
9	EnBW Kraftwerke AG	Stuttgart	100.00	1,064,598	
10	EnBW Regional AG	Stuttgart	100.00	1,214,912	
11	EnBW Transportnetze AG	Stuttgart	100.00	144,259	
12	GESO Beteiligungs- und Beratungs-AG	Dresden	100.00	112,484	
13	Heizkraftwerk Neckar GmbH	Altbach/Deizisau	100.00	31,954	
14	Neckarwerke Kernkraft GmbH	Neckarwestheim	100.00	153,388	
15	TWS Kernkraft GmbH	Gemmrigheim	100.00	149,297	
16	Yello Strom GmbH	Cologne	100.00	500	
17	Kernkraftwerk Obrigheim GmbH	Obrigheim	100.00	54,235	
18	EnBW Ostwürttemberg DonauRies AG	Ellwangen	99.58	105,442	
19	Zementwerk Lauffen - Elektrizitätswerk Heilbronn AG	Heilbronn	98.08	75,693	
20	Elektrizitätswerk Armbruster GmbH & Co. KG	Alpirsbach	83.33	409	
21	EnBW Kernkraft GmbH	Neckarwestheim	82.61	159	
22	Neckar Aktiengesellschaft	Stuttgart	82.17	10,000	
23	Energiedienst Holding AG	Laufenburg/Switzerland	78.81	409,727	1)
24	Rieger GmbH & Co. KG	Lichtenstein Kreis Reutlingen	74.29	268	
25	Heizkraftwerk Stuttgart GmbH	Stuttgart	66.67	4,716	
26	Kraftwerk Bexbach Verwaltungsgesellschaft mbH	Bexbach/Saar	66.66	23,010	2)
27	Elektrizitätswerk Weißenhorn AG	Weißenhorn	62.89	2,309	
28	ESAG Energieversorgung Sachsen Ost AG	Dresden	50.30	279,190	

Proportionately consolidated companies

29	Fernwärme Rhein-Neckar GmbH	Mannheim	50.00	1,790	
30	Fernwärme Ulm GmbH	Ulm/Donau	50.00	20,052	3)
31	Industriekraftwerk Baienfurt OHG	Baienfurt	50.00	9,071	2)
32	Hidroelectrica del Cantábrico S.A.	Oviedo/Spain	34.58	2,128,867	1) 4)

Electricity segment

	Companies included at equity	Registered office	Capital share as %	Equity in € thousands
33	Centrale Electrique Rhénane de Gambsheim SA	Gambsheim/France	50.00	4, 656 [2)]
34	e.wa riss GmbH & Co. KG	Biberach	50.00	8,099 [2)]
35	Elektrizitätswerk Rheinau AG	Rheinau/Switzerland	50.00	14,709
36	Energieversorgung Gaildorf OHG	Gaildorf	50.00	2,445 [2)]
37	Kraftwerk Reckingen AG	Reckingen	50.00	2,373 [2)]
38	Rheinkraftwerk Iffezheim GmbH	Iffezheim	50.00	10,400
39	Rheinkraftwerk Säckingen AG	Bad Säckingen	50.00	7,204
40	Schluchseewerk Aktiengesellschaft	Freiburg	50.00	59,339 [2)]
41	Stadtwerke Schramberg GmbH & Co. KG	Schramberg	50.00	7,909 [2)]
42	Stadtwerke Esslingen am Neckar GmbH	Esslingen	49.98	50,290 [2)]
43	Elektrizitätswerk Calw GmbH	Calw	49.00	3,722 [2)]
44	Energie- und Wasserwerke Bautzen GmbH	Bautzen	49.00	18,470 [2)]
45	Prazská teplárenská Holding a.s.	Prague/Czech Republic	49.00	133,241 [2)]
46	Stromversorgung Pirna GmbH	Pirna	49.00	4,654 [2)]
47	Meißener Stadtwerke GmbH	Meißen	49.00	9,114 [2)]
48	Obere Donau Kraftwerke AG	München	40.00	3,180 [2)]
49	Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden/Switzerland	38.00	24,743
50	DREWAG-Stadtwerke Dresden GmbH	Dresden	35.00	268,930 [2)]
51	Elektrizitätswerk Mittelbaden AG	Lahr	34.74	36,528 [2)]
52	Prazská energetiká Holding a.s.	Prague/Czech Republic	34.00	138,864 [2)]
53	Grosskraftwerk Mannheim AG	Mannheim	32.00	114,142 [2)]
54	AMATA-Power Company Ltd.	Bangkok/Thailand	30.00	46,827 [2)]
55	Freitaler Strom- und Gas GmbH	Freital	30.00	9,233 [2)]
56	Stadtwerke Elbtal GmbH	Coswig	30.00	7,417 [2)]
57	Stadtwerke Düsseldorf AG	Düsseldorf	29.90	348,376
58	Stadtwerke Nürtingen GmbH	Nürtingen	29.41	14,030 [2)]
59	Budapesti Elektromos Müvek Rt.	Budapest/Hungary	27.25	263,969 [2)]
60	Eszak-Magyarországi Áramszolgáltató Rt.	Miskolc/Hungary	26.83	117,056 [2)]
61	Albwerk GmbH & Co. KG	Geislingen an der Steige	25.10	10,179 [2)]
62	Energie- und Wasserversorgung Bruchsal GmbH	Bruchsal	25.10	21,993 [2)]
63	ENRW Energieversorgung Rottweil GmbH & Co. KG	Stuttgart	25.10	19,641 [2)]
64	Stadtwerke Freudenstadt GmbH & Co. KG	Freudenstadt	25.10	8,905 [2)]
65	Stadtwerke Sindelfingen GmbH	Sindelfingen	25.10	22,765 [2)]
66	Stadtwerke Stockach GmbH	Stockach	25.10	8,842 [2)]
67	Stadtwerke Zittau GmbH	Zittau	25.10	15,262 [2)]
68	Technische Werke Schussental GmbH & Co. KG	Ravensburg	25.10	21,819 [2)]
69	FairEnergie GmbH	Reutlingen	24.90	87,466 [2)]
70	Stadtwerke Weinheim GmbH	Weinheim	24.90	25,260 [2)]
71	Mátrai Erömü Rt.	Visonta/Hungary	21.71	159,628 [2)]
72	Stadtwerke Karlsruhe GmbH	Karlsruhe	20.00	165,710 [2)]

Major shareholdings of Energie Baden-Württemberg AG

Gas segment

	Fully consolidated companies	Registered office	Capital share as %	Equity in € thousands
73	EnBW Gas GmbH	Karlsruhe	100.00	108,587
74	EVS-Gasversorgung Nord GmbH	Stuttgart	100.00	3,579
75	Gasversorgung Unterland GmbH	Heilbronn	100.00	511
76	RBS-Genius GmbH	Stuttgart	100.00	29
77	Thermogas Gas- und Gerätevertriebs GmbH	Stuttgart	100.00	259
78	Gasversorgung Süddeutschland GmbH	Stuttgart	97.81	181,270 [3]
79	Badenwerk Gas GmbH	Karlsruhe	51.00	18,190
80	EVS-Gasversorgung Süd GmbH	Stuttgart	51.00	9,431
81	EnBW Eni Verwaltungsgesellschaft mbH	Karlsruhe	50.00	170,461 [5]

Companies included at equity

82	Gasversorgung Dornstadt GmbH	Dornstadt	50.00	926 [2]
83	Gasversorgung Pforzheim Land GmbH	Pforzheim	49.00	13,540 [2]
84	GSW Gasversorgung Sachsen Ost Wärmeservice GmbH & Co. KG	Dresden	23.50	1,278

Energy and enviromental services segment

Fully consolidated companies

85	EnBW Akademie Gesellschaft für Personal und Managemententwicklung mbH	Stuttgart	100.00	100
86	EnBW Energy Solutions GmbH	Stuttgart	100.00	8,348
87	EnBW Senergi Immobilien GmbH	Karlsruhe	100.00	123
88	EnBW Kundenservice GmbH	Karlsruhe	100.00	10,684
89	EnBW Service GmbH	Karlsruhe	100.00	16,499
90	Objektschutzdienst Schäfer GmbH	Karlsruhe	100.00	26
91	TAE Thermische Abfallentsorgung Ansbach GmbH	Ansbach	100.00	1,534
92	TDL Gesellschaft für anlagentechnische Dienste und kaufmännische Leistungen mbH	Karlsruhe	100.00	1,160
93	Thermoselect Südwest GmbH Thermische Abfallbehandlungsanlagen	Karlsruhe	100.00	1,534
94	U-plus Umweltservice AG	Karlsruhe	100.00	43,986 [1]
95	EnBW VersicherungsVermittlung GmbH	Stuttgart	51.00	2,572

Companies included at equity

96	Zweckverband Bodensee-Wasserversorgung	Stuttgart	33.33	199,094 [2]
97	Zweckverband Landeswasserversorgung	Stuttgart	33.33	148,740 [2]

Discontinuing operations

	Fully consolidated companies	Registered office	Capital share as %	Equity in € thousands
98	DiTRA Gesellschaft für Kabelnetze und Telekommunikation mbH	Karlsruhe	100.00	1,282
99	Melvo GmbH	Kornwestheim	100.00	4,040
100	Salamander AG	Kornwestheim	100.00	-133,484
101	Salamander Industrie-Produkte GmbH	Türkheim	100.00	19,448
102	regelmatic GmbH	Rödermark	100.00	2,598
103	Euro Sourceline GmbH	Karlsruhe	100.00	5,119
104	APCOA Parking AG	Leinfelden-Echterdingen	98.21	91,565

	Companies included at equity			
105	GegenbauerBosse Holding GmbH & Co. KG	Berlin	49.00	14,703
106	DIW Deutsche Industriewartung AG	Stuttgart	45.20	104,522

1) Figure for sub-group
2) Prior-year figure
3) Diverging fiscal year: 01.10.2002 to 30.09.2003
4) Preliminary figures on basis of Spanish GAAP
5) Full consolidation due "casting vote"

Five-year summary

EnBW group		**2003 IFRS/IAS**	2002 IFRS/IAS	2001 HGB	2000 HGB	1999 HGB	1998 HGB
Result							
Sales	€ millions	10,609	8,489	7,861	5,829	3,998	4,167
EBITDA	€ millions	1,014	1,141	919	600	842	1,229
EBIT	€ millions	-190	394	204	30	281	658
EBT	€ millions	-1,094	-134	296	230	435	844
Result after tax	€ millions	-1,183	-31	272	180	138	367
Earnings per share	€	-5.40	-0.19	0.74	0.43	0.53	1.43
Balance sheet							
Fixed assets	€ millions	20,732	19,397	11,833	11,934	7,350	7,260
Current assets	€ millions	4,399	4,616	6,817	5,119	3,965	3,721
Total net assets	€ millions	25,220	24,107	18,744	17,148	11,388	11,024
Equity/minority interests	€ millions	1,544	2,392	2,483	2,434	1,726	1,722
EnBW share							
Cash from operating activities per share	€	4.0	2.2	1.9	0.2	3.5	6.3
Distribution	€ millions	-	146	161	112	111	111
Dividends per share	€	-	0.66	0.66	0.46	0.46	0.46
Ratios							
Equity ratio	%	6.1	9.9	13.2	14.2	15.2	15.6
EBIT margin	%	-1.8	4.6	2.6	0.5	7,0	15.8
EBITDA margin	%	9.6	13.4	11.7	10.3	21.1	29.5
Finance and capital expenditures							
Cash from ordinary activities	€ millions	885	517	461	59	836	1,578
Amortisation and depreciation	€ millions	1,204	747	725	587	560	571
Capital expenditures (intangible assets, property, plant and equipment)	€ millions	566	604	701	1,108	405	678
Financial assets	€ millions	6,235	5,784	6,031	6,070	4,847	4,534
Financial liabilities	€ millions	8,049	7,183	3,190	1,540	711	688
Net indebteness/balance	€ millions	-1,184	-1,399	2,841	4,530	4,136	3,846
Employees (annual average)	number	34,719	38,501	37,053	27,327	12,581	12,605
Energy sales of the EnBW group							
Electricity (incl. all electricity supply companies in which shares are held)	billions of kWh	142	121	110	88	-	-
Electricity (incl. all consolidated companies)	billions of kWh	127	109	97	78	55	51
Gas	billions of kWh	83	21	18	11	4	3
District heat	billions of kWh_{th}	4	4	4	3	2	2
Provision of electricity of the EnBW group by primary source of energy							
Coal, oil, gas	%	21	24	23	22	26	32
Nuclear power	%	32	37	40	41	50	53
Water and other renewable energies	%	11	12	10	11	10	9
Primary source of energy unknown	%	35	26	27	26	14	6

Mathematical rounding in the sums may give rise to apparent differences throughout the annual report.

Run-of-river power station in Laufenburg

Glossary

Accruals
Certain liabilities whose date of settlement and/or amount are not completely certain, but which can be determined with a high degree of certainty are referred to as accruals.

Best Practice
Continuous process to measure products, services and practices against the strongest competitor or the firms considered to be market leaders.

Borrowing costs
Interest and other costs incurred by a company when borrowing debt capital.

Cash flow
Cash and cash equivalents received and paid.

Combined heat and power (CHP)
When generating electrical energy in thermal power stations, it makes sense to use the waste heat as heating or process heat. For this purpose, the usable heat is uncoupled from the power station process. The resulting simultaneous generation of electrical energy and usable heat is referred to as co-generation. A power station that simultaneously generates electrical energy and usable heat is also called a heating power station. Heating power stations are characterised by more efficient primary energy usage than power stations used purely to generate electricity.

Corporate Governance
Principles and rules geared to the interests of the shareholder on organisation, behaviour and transparency which, while preserving the decision-making ability and efficiency of the management, aim to achieve a balance of management and control at the top level of the company. These principles are also referred to as Code of Best Practice.

CO_2
Chemical nomenclature for carbon dioxide.

Credit rating
Creditworthiness of a company.

Cross border deals
Transactions across national borders

Derivative financial instruments
Financial instruments such as options, futures, forwards, interest swaps and currency swaps which generate rights and obligations so that financial risks contained in the underlying primary financial instruments can be transferred between the contracting parties as separate rights and obligations. Upon conclusion of the contract, the derivative financial instruments do not result in a transfer of the underlying primary financial instrument; nor is the execution of such contracts necessarily linked with the transfer of the primary financial instrument.

Downstream
Gas supply companies with regional distribution and final customer business that procure from the midstream stage.

EBIT
Earnings before Interest and Taxes.

EBITDA
Earnings before Interest, Taxes, Depreciation, and Amortisation.

EBT
Earnings Before Taxes.

EEG
Erneuerbare-Energien-Gesetz (Renewable Energy Law). The “Gesetz für den Vorrang Erneuerbarer Energien” has been in force since April 1, 2000. The aim of the law is to significantly increase the role of renewable energies in the supply of electricity and to double their share in energy consumption in Germany by the year 2010. Specifically, it promotes the generation of electricity from hydropower, wind power, solar energy, geothermal energy, landfill gas, sewage gas, pit gas and biomass.

Emission rights
On the question of which companies will have to purchase emission rights on what scale and at what conditions, the following rulings are emerging: companies from the industries energy, steel, paper, construction materials and ceramic with the highest greenhouse gas emissions representing 46% of total emissions. At the beginning, the emission rights will be distributed free of charge. The total volume of emission rights will be reduced annually, forcing a continuous reduction of greenhouse gases. The parameters for the initial allocation are still disputed. In a discussion paper, the ministry of the environment demanded that new low-emission gas power stations be taken as a basis for the allocation. This would, however, mean that even the most modern coal power stations would have to buy in pollution rights as their efficiency is still significantly lower than that of gas power stations.

Emissions trading
On December 12, 2003, the Federal Cabinet enacted the legal basis for EU-wide emissions trading. The national allocation plan (NAP) for the CO_2 emissions rights for 2 631 plants in Germany is currently being negotiated between industry and the German government. It is to be laid down in a separate law by April 1, 2004. The directive on the implementation of the emissions trading guidelines for plants in accordance with the German Emissions Control Act (34th BimSchV) was also enacted. The upper house of the German parliament also has to be approve the directive. The greenhouse gas emissions trading law (TEHG), on the other hand, can be delayed by appeal to the mediation committee by the upper house of parliament, but not completely blocked.

EnWG
Energiewirtschaftsgesetz (Energy Industry Act). The EnWG enacted in April 1998 revoked the existing territory monopolies of the energy providers in Germany. This created the basic prerequisites for the liberalisation of the electricity market. It prescribes that network access is governed by a system of negotiated network access. The network user costs may not exceed the costs which a network operator would collect from its own electricity supply company or affiliated company.

Equity method
Accounting method under which the shares in a company are initially posted at purchase cost and subsequently corrected by the owner's share in the changing net assets of the company in which an investment is held. The income statement shows the owner's share in the profit of the company in which an investment is held.

Equity ratio
Ratio of equity to total net assets.

EStG
Einkommensteuergesetz (German Income Tax Act).

Euro Commercial Paper Programme
Financing platform via which unsecured bonds with maturities of 1 day to 364 days can be issued in a standardised form on the euro capital market.

Euro Medium Term Note Programme
Financing platform for the standardised issue of bonds. Both private placements and publicly syndicated bonds are possible with a flexible choice of all major currencies and different maturities.

Facility
Line of credit that can be utilised as required.

Finance lease
A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. Ultimately, the title can be transferred or not.

Fuel cells
The fuel cell is an electrochemical converter which combines hydrogen and oxygen in a controlled electrochemical process rather than burning or an explosion. Electrical current and heat are generated in the process. Hydrogen for the fuel cells is not necessarily generated from renewable energies. However, fuel cells generate energy and heat at the point of use and more efficiently than engines driven by fossil fuels. The Proton Exchange Membrane (PEM) is a fuel cell which works at temperatures of up to 100 degrees Celsius. PEM is the core of the fuel cell and – put simply – is a plastic film which allows the controlled reaction of the combustible gases.

GbR
Gesellschaft bürgerlichen Rechts (civil law partnership).

Geothermal energy
Power harnessed by means of heat from the interior of the earth, for example using the Hot Dry Rock method (HDR) or Enhanced Geothermal System (EGS).

Grid load
Sum (correctly signed) of all transfers from the transmission networks via directly connected transformers and lines to distribution networks and end consumers.

Gross domestic product (GDP)
The total economic output of an economy within a certain period of time. Measurement of value of economic performance resulting from domestic production.

HGB
Handelsgesetzbuch (German Commercial Code)

IASB (IASC)
International Accounting Standards Board (formerly: International Accounting Standards Committee). This technical decision-making body is a private-law accounting committee based in London that is made up of accounting specialists from various countries.

IFRIC (SIC)
International Financial Reporting Interpretation Committee (formerly: Standing Interpretations Committee). Its task is to interpret and specify the Standards promulgated by the IASB.

IFRS/IAS
International Financial Reporting Standards (formerly: International Accounting Standards). They are issued by the IASB.

Impairment test
Test in which the carrying amount of an asset is compared with its recoverable amount. If the recoverable amount falls short of the carrying amount, an impairment loss has to be recorded on the asset. The recoverable amount is the higher of the net realisable value and the value in use of the asset. The value in use is the present value of the estimated future cash flows expected from the continued used of an asset and its disposal at the end of its useful economic life.

Investment properties
Real estate held as financial assets.

KonTraG
Gesetz zur Kontrolle und Transparenz im Unternehmensbereich (Law on Control and Transparency in Business).

kWh
Kilowatt-hour. Unit of measurement for power. It indicates in kilowatt how much electrical power is generated or used in an hour.

KWKG
Kraft-Wärme-Kopplungs-Gesetz (Law to promote co-generation, CHP law). Law to protect electricity generation from combined heat and power plants. Came into force on May 18, 2000. According to the KWKG, network operators are obligated to accept and remunerate electricity from existing CHP plants under certain conditions. For this electricity, the respective transfer network operator pays a financial compensation to the network operator. The transfer network operators carry out a financial burden equalisation between one another which equalises the payments from the KWKG. The network operators allocate the burdens from the KWKG between the user network charges.

Limit
To restrict the risk of a price fluctuation when buying or selling shares, investors can set limits. When buying shares, the price high is set as the limit. If the market price exceeds this, the transaction is not carried out. When selling, the limit fixes the minimum price at which the investor is still prepared to sell.

Mark to market
Daily valuation of open positions to determine gains and losses on account of price developments from contracts.

Midstream
Import and transportation of natural gas via district pipe system, sale to gas supply companies at the distribution stage.

MWh
Megawatt-hour. Unit of measurement for power. 1 MWh = 1 million watt-hours = 1,000 kWh = 3,600 million joules.

NAP
National Allocation Plan. -> emission rights

Network access
Negotiated network access can be claimed pursuant to Sec. 6 EnWG. For this purpose, the electricity supplier enters into a supply agreement with a customer. To avoid having to lay mains twice, the network operator is obligated in the territory of the electricity customer to provide these customers with electricity at the conditions of the new supply agreement. Appropriate transmission fees can be claimed from third-party electricity providers. Transmission may, however, be unreasonable if electricity from environmentally-friendly, resource-saving and technically and economically recommendable co-generation plants or from plants for the use of renewable energies are squeezed out or the economical operation of these plants is prevented as a result. In this way, the legislator has given a certain priority to environmentally-compatible electricity generation.

No par shares
Shares without a par value which embody a certain share of the capital stock of a company.

Option
Right to buy (call) or sell (put) the underlying option asset (for example securities or foreign currency) at a predetermined price (strike price) at a certain point in time or within a certain period of time from/to the contracting party (writer of option).

Performance
Development of the value of a financial asset over a certain period of time.

Projected unit credit method
The obligation and costs of pension benefits are determined using this method (IAS 19). The projected unit credit method considers not only the pensions and future claims known on the cut-off date but also future anticipated increases in salaries and pensions.

Rating
Independent rating agencies use ratings to appraise the ability of a company to settle its contractual obligations. Classification in a certain credit rating category helps investors to evaluate the creditworthiness of a company. A rating is not, however, a recommendation to buy or sell securities. Nor is it a guarantee as the rating is based on data provided by the company to the rating agency.

Scorecard
In the scorecard of the DVFA (German Association for Financial Analysis and Investment Counselling), an excel spreadsheet is used to make reference to the German Corporate Governance Code by means of appropriate questions. In individual and overall evaluations it calculates to what extent the company has satisfied the recommendations and suggestions of the Code. The aim is to provide analysts and investors with a practical way of evaluating the actual Corporate Governance situation in a company.

TransPuG
Transparency and Publicity Law. It is based on the Corporate Governance Code and is laid down in Sec. 161 AktG. This law requires the commitment of the members of the supervisory board and management board. Each year, they have to declare whether they have complied with the Code or not.

TWh
Terawatt-hour. Unit of output. One TWh equals 1 000 gigawatt-hours or one million mega-watt hours or one billion kilowatt-hours.

Unbundling
The separate accounting required by the electricity market law for the areas generation, transmission and distribution and any other activities of a vertically integrated company.

Value at risk
The market risk of the trading book is calculated using the value at risk indicator which determines the loss potential with a certain probability and holding period.

Financial calendar

March 5, 2004
Press briefing on annual results

April 29, 2004
Annual general meeting

May 14, 2004
Publication 1st quarterly report

August 13, 2004
Publication 2nd quarterly report

November 12, 2004
Publication 3rd quarterly report

Contact

Shareholder Hotline/Investor Relations
Phone: 0800 1020030 or 0800 AKTIEENBW
Fax: 0800 9999977
email: info@investor.enbw.com
Internet: www.enbw.com

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

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

Upon request, we would be pleased to send your additional copies of the annual report and other group publications such as the innovation report and the sustainability report. Please contact the shareholder hotline.

About this publication

Published by
EnBW Energie Baden-Württemberg AG
Durlacher Allee 93
76131 Karlsruhe
Internet: www.enbw.com

Edited by
Ursula Meister
Corporate Communication,
Karlsruhe

Corinna Salzer
Public Relations,
Karlsruhe

Co-operation
Barbara Männle
Public Relations,
Karlsruhe

Andrea Krieg
Public Relations,
Karlsruhe

Layout and design
Büro Franck
Visuelle Kommunikation,
Düsseldorf

Lithography
digit!
Digitale Medienproduktion GmbH,
Düsseldorf

Printed by
Kraft Druck und Verlag GmbH,
Ettlingen

Paper
PhoenixMotion Xenon,
Content 150 g/m^{2}.
Cover 250 g/m^{2}

ISBA: B.0782.0403
EnBW Annual Report published March 5, 2004

Index

EnBW
Energie Baden-Württemberg AG
Durlacher Allee 93
76131 Karlsruhe
www.enbw.com