

## SECOND QUARTER 2004

	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
<i>(unaudited - millions of dollars, except return on equity and operating statistics)</i>				
Total revenue	\$ 273.2	\$ 276.9	\$ 567.0	\$ 608.7
Operating expenses	231.9	223.9	476.4	505.7
Earnings before interest and income tax	41.3	53.0	90.6	103.0
Interest	3.7	3.3	6.5	6.8
Income tax	9.3	13.6	24.7	25.2
Net earnings	\$ 28.3	\$ 36.1	\$ 59.4	\$ 71.0
Return on equity (annualized) <sup>1</sup>			11%	14%
Payments to shareholder:				
Dividends	12.6	12.5	25.2	25.0
Local access fees	17.6	17.6	34.7	35.5
Operating statistics:				
Electricity sold to customers (gigawatt hours)	2,141	2,208	4,493	4,594
Energy delivered (gigawatt hours)	1,912	1,918	3,976	3,906

1. Return on equity (annualized) is equal to annualized net earnings divided by average monthly shareholder's equity for the period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis, prepared as at August 18, 2004, should be read in conjunction with the accompanying unaudited interim consolidated financial statements of ENMAX Corporation (ENMAX or the corporation) as at and for the three and six months ended June 30, 2004 and 2003, as well as the 2003 Annual Report. Additional information relating to ENMAX can be found on SEDAR @ [www.sedar.com](http://www.sedar.com). Amounts are stated in Canadian dollars.

## RESULTS OF OPERATIONS

### Consolidated

In the first six months of 2004, ENMAX net earnings were \$59.4 million, including \$28.3 million in the second quarter. This compares to net earnings of \$71.0 million in the first six months of 2003 of which \$36.1 million was recorded in the second quarter. Declining net earnings are due to lower margins in the competitive energy business and higher grid charges in the wires business.

Total revenue for the first six months of 2004 was \$567.0 million compared to \$608.7 million in the first half of 2003. In the second quarter of 2004, ENMAX recorded total revenue of \$273.2 million compared to \$276.9 million in the second quarter of 2003. In the first six months of 2004, the decrease in revenues reflects lower electricity volumes sold to customers and a decline in average market prices for electricity as compared to the first half of 2003.

Total revenue in the first six months of 2004 consisted of \$386.2 million from sales of electricity and natural gas; \$142.5 million from distributing electricity and leasing transmission facilities; and \$38.3 million from contractual services and other revenue. Sales of electricity include energy trading revenue of \$14.3 million during the first six months of 2004 compared to \$13.8 million in the first half of 2003.

During the first half of 2004, cost of services provided was \$430.7 million, including \$208.0 million in the second quarter. This compares to cost of services provided of \$454.1 million in the first six months of 2003, including \$197.1 million in the second quarter. Cost of services provided declined in the first six months of 2004 compared to the same period in 2003 due to decreased electricity sales volumes and lower overall market prices for electricity. During the second quarter of 2004, cost of services provided increased as a result of higher supply costs driven by higher second quarter 2004 electricity prices, as well as higher transmission costs due to rate rider charges in 2004 and rate rider credits in 2003.

General and administrative expenses were \$18.3 million during the first six months of 2004 down from \$25.1 million in the first six months of 2003 due to lower staffing and consulting costs. Income tax expense was \$24.7 million during the first half of 2004 compared to \$25.2 million in the first half of 2003. Decreased income tax expense reflects lower earnings offset by the impact of the provincial tax rate change in the first quarter of 2004.

In the first six months of 2004, ENMAX paid a dividend installment to The City of Calgary of \$25.2 million, slightly higher than the dividend paid in the first half of 2003.

## SELECTED QUARTERLY FINANCIAL DATA

Three months ended (millions of dollars, unaudited)

	2004		2003		2002	
	Total Revenue	Net Earnings	Total Revenue	Net Earnings	Total Revenue	Net Earnings
<b>March 31</b>	\$ 293.8	\$ 31.1	\$ 331.8	\$ 34.9		
<b>June 30</b>	\$ 273.2	\$ 28.3	\$ 276.9	\$ 36.1		
<b>September 30</b>			\$ 299.2	\$ 50.4	\$ 282.1	\$ 42.8
<b>December 31</b>			\$ 300.9	\$ 46.7	\$ 321.7	\$ 38.4

## LIQUIDITY AND CAPITAL RESOURCES

### Capitalization

(millions of dollars, unaudited)

	June 30, 2004	December 31, 2003
Cash and cash equivalents	\$ 307.0	\$ 100.9
Long-term debt <sup>(1)</sup>	271.7	160.6
Shareholder's equity		
Share capital	280.1	280.1
Retained earnings	881.2	847.0
Total shareholder's equity	1,161.3	1,127.1
Total capitalization	\$ 1,433.0	\$ 1,287.7

(1) Includes current portion of \$33.6 million (2003 - \$22.9 million). Maturity dates range from October 2004 to June 2019.

### Coverage Ratios

	For the Six Months Ended June 30, 2004	For the Year Ended December 31, 2003
Debt to total capitalization (as at period end) <sup>(1)</sup>	19.0%	12.5%
Net debt to total capitalization (as at period end) <sup>(1)</sup>	nil	5.0%
Interest coverage ratio <sup>(2)</sup>	13.9X	18.1X

(1) Debt to total capitalization is equal to long-term debt divided by long-term debt plus shareholder's equity. Net debt to total capitalization reduces long-term debt by cash and cash equivalents for purposes of this calculation.

(2) Interest coverage on long-term debt is equal to earnings before interest and taxes divided by interest expense.

### Cash Provided by Operating Activities

Cash provided by operating activities was \$125.4 million in the first half of 2004 compared to \$143.2 million in the first half of 2003. The decline in cash provided was due to lower net earnings in the first six months of 2004. Funds for ongoing cash requirements will come from cash flow from operations, available lines of credit and a commercial paper program. ENMAX continues to generate adequate amounts of cash and cash equivalents to meet short-term requirements.

### Investing Activities

Capital spending was \$32.1 million in the first half of 2004, primarily for expansion of the distribution system. Capital expenditures in 2004 are budgeted to be about \$203 million for ongoing business requirements and smaller growth projects. Approval of capital projects in excess of \$30 million is sought from the shareholder.

### Financing Activities

During the past six months, \$119.5 million in financing was obtained from the Alberta Capital Finance Authority through arrangements with The City of Calgary. The funds will be used for capital expenditures in ENMAX Power, which is consistent with the corporation's regulatory position.

## **NEW ACCOUNTING STANDARDS**

### **Hedging Relationships**

In December 2001, the Canadian Institute of Chartered Accountants issued Accounting Guideline 13, Hedging Relationships (AcG-13). AcG-13 establishes certain conditions when hedge accounting may be applied. The guideline is effective for fiscal years beginning on or after July 1, 2003.

Upon the adoption of AcG-13 by ENMAX on January 1, 2004, certain hedging relationships did not satisfy all of the conditions for hedge accounting. As a result, ENMAX adjusted the carrying value of the affected financial contract to fair market value of \$2.1 million at January 1, 2004 and recorded a deferred credit of the same amount in other long-term liabilities, with the current portion in accounts payable and accrued liabilities. The deferred credit is being amortized over the remaining term of the financial contract.

At June 30, 2004, the fair market value of the financial contract was an unrealized loss of \$1.6 million. This is included on the consolidated balance sheet within other long-term liabilities. For the three and six months ended June 30, 2004, the change in fair market value, combined with amortization of the related deferred credit, amounted to a gain of \$1.3 million and a charge to earnings of \$3.5 million, respectively, which are included in electric and natural gas costs on the consolidated statement of earnings.

### **Asset Retirement Obligations**

The Canadian Institute of Chartered Accountants issued Handbook Section 3110, Asset Retirement Obligations in March 2003. The standard requires an entity to record the fair market value of a legal obligation associated with the retirement of tangible long-lived assets in the period in which it is incurred. This standard is effective for fiscal years beginning on or after January 1, 2004. ENMAX has adopted this accounting standard commencing with the first quarter of 2004. Prior periods have not been restated because the impact is immaterial.

ENMAX has electricity transmission and distribution assets operating under various land leases and rights of way. A legal obligation exists on final retirement of the assets. As these transmission and distribution assets are operated under regulatory and contractual terms providing for perpetual operation, ENMAX is unable to reasonably estimate the fair market value of the asset retirement obligation and no amount has been recorded in the financial statements.

For other assets owned by ENMAX, an asset retirement obligation has been recorded as at January 1, 2004 in the amount of \$0.5 million and included as part of other long-term liabilities on the consolidated balance sheet, with a corresponding increase in capital assets.

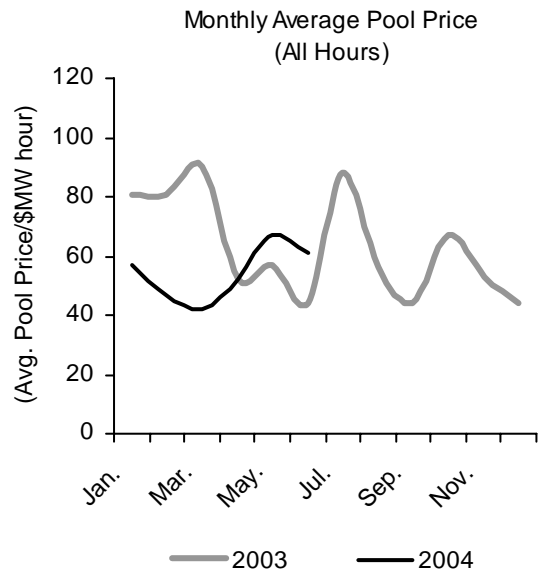
## BUSINESS SEGMENT RESULTS

### ENMAX Energy

ENMAX Energy recorded net earnings of \$33.9 million in the first six months of 2004, including \$15.7 million in the second quarter. This compares to net earnings of \$41.3 million in the first six months of 2003, including \$22.1 million in the second quarter. Net earnings declined due to lower margins reflecting a business decision to reduce large commercial customers' rates in exchange for extending existing contracts. This impacts current margins but provides for longer term profitability. During the second quarter of 2004, ENMAX Energy restructured its business to reduce costs and reflect changing market dynamics.

Total revenue during the first six months of 2004 was \$509.5 million, including \$244.6 million in the second quarter. In the first six months of 2003, ENMAX Energy had total revenue of \$548.5 million, including \$246.0 million recorded in the second quarter. The decrease in revenue was mainly due to lower wholesale prices putting downward pressure on customer rates and declining sales volumes.

The average Power Pool price was \$55 per megawatt hour (MWh) in the first six months of 2004 compared to \$68 per MWh in the same period in 2003. In the second quarter of 2004, wholesale prices were \$60 per MWh compared to \$51 per MWh in the second quarter of 2003 and \$49 per MWh in the first quarter of 2004. Second quarter 2004 prices rose due to higher natural gas prices and outages at coal generating units. Natural gas prices averaged \$7 per gigajoule (GJ) in the second quarter of 2004 compared to \$6 per GJ in both the second quarter of 2003 and in the first quarter of 2004.



ENMAX Energy sold 2,141 gigawatt hours (GWh) of electricity to customers in the second quarter of 2004 compared to 2,208 GWh in the second quarter of 2003. Declining sales volumes among commercial and industrial customers were partially offset by higher sales volumes among small business and residential customers. The competitive energy business continues to offer contracts for natural gas and electricity, and reintroduced the popular Price Protection Plan.

In the second quarter of 2004, ENMAX Energy examined its late payment policies relative to a Supreme Court of Canada decision pertaining to another Canadian utility and subsequently reduced previously charged late payment penalty revenue by \$1.8 million. A process to reimburse customers is being determined and payment practices have been adjusted to reflect the ruling.

## ENMAX Power

ENMAX Power recorded net earnings of \$23.9 million in the first six months of 2004, including \$11.8 million in the second quarter. This compared to net earnings of \$28.4 million during the first half of 2003, including \$13.6 million in the second quarter. The reduction in net earnings in the first half of 2004 compared to the same period in 2003 is primarily due to higher grid charges (the cost to use Alberta's transmission system).

Total revenue during the first half of 2004 was \$169.9 million, including \$83.5 million in the second quarter. In the comparable periods in 2003, total revenue was \$170.0 million and \$86.2 million respectively. Revenues declined slightly due to lower revenues in the unregulated services business.

Grid charges were \$30.4 million in the first six months of 2004 and \$13.9 million in the second quarter of 2004. In the first six months of 2003, ENMAX Power recorded \$25.9 million for grid charges, including \$10.9 million in the second quarter. Grid charges were higher in the first half of 2004 compared to the first half of 2003 due to increased deferral account charges from the Alberta Electric System Operator. ENMAX has requested regulatory approval to recover these incremental costs from customers.

ENMAX Power delivered 3,976 GWh of electricity during the first six months of 2004, including 1,912 GWh in the second quarter. This compared to 3,906 GWh delivered in the first half of 2003, including 1,918 GWh in the second quarter. Growing customer demand in and around Calgary is attributed with increasing delivered volumes in the first half of 2004 compared to the same period in 2003.

ENMAX Power measures reliability performance based on frequency of system interruptions and total duration of interruptions over a 12-month period. On average, customers experienced 1.06 interruptions, which totaled 27 minutes of interruption time for the 12 months ended June 30, 2004. This compares to an average of 1.15 interruptions, which totaled 37 minutes of interruption time during the previous 12-month period. During the second quarter, ENMAX was listed as one of the 350 recipients of the Work Safe Alberta 2003 Best Safety Performer Award.

## RISK MANAGEMENT AND UNCERTAINTIES

ENMAX has an integrated approach to risk management across all ENMAX companies. The Risk Management Committee, consisting of ENMAX senior executives, oversees risk management and reports risk exposures to the board of directors. Financial and business risks reported in the 2003 Annual Report remain substantially unchanged during the first six months of 2004. For further information on risks, refer to Management's Discussion and Analysis in the 2003 Annual Report, available on the ENMAX website at [enmax.com](http://enmax.com).

## OUTLOOK

In July 2004, the Alberta Energy and Utilities Board (EUB) ruled on the Generic Cost of Capital proceedings for Alberta's electricity and natural gas distribution and transmission companies. The proceeding standardized the approach used to determine the rate of return on common equity and capital structure, and developed a formula to adjust return on common equity over the next five years. The EUB decision permits a 9.6% rate of return on common equity and a 61% debt and 39% equity structure for ENMAX Power. On August 13, 2004,

the EUB provided initial decisions regarding ENMAX's 2004 Distribution Tariff and 2004 Regulated Rate Tariff (RRT) for electricity customers in Calgary. ENMAX is required to re-file portions of both applications to reflect the directions of the EUB. A final decision is then expected by September 24, 2004.

The overall impact of these decisions is estimated to be a reduction to 2004 annual net earnings of approximately \$31 million. The most significant item causing this impact is the discontinuance of the historical practice of using utility rates to fund the equity needed to expand the distribution system to meet customer demand. This has been the approved practice under City of Calgary regulation for decades. The decision also reduced RRT margins and lowered recoverable costs related to water and waste water billing services provided to The City of Calgary. ENMAX will reflect the cumulative impact of these decisions to date in the statement of earnings in the third quarter of 2004. ENMAX continues to manage its cost structure to help offset the impact of regulatory decisions and lower retail margins.

## **COMMUNITY AND ENVIRONMENT**

In the second quarter of 2004, ENMAX invested \$400,000 in community programs. Contributions were allocated in the following categories: 45% community development, 30% sports and recreation, and 25% youth and education. Second quarter highlights include awarding of Alberta High School Rodeo and Calgary Minor Soccer Association scholarships and Stephen Lewis speaking at the first Thomas Wood/ENMAX Distinguished Speakers Series at Mount Royal College.

ENMAX had no reportable, preventable releases to the environment during the first six months of 2004. ENMAX Energy entered into a five-year contract with Ivanhoe Cambridge to supply six shopping centres and two office buildings with 25% of their power from wind-generated electricity. This will result in nearly 120,000 tonnes of carbon dioxide reductions.

## FORWARD-LOOKING INFORMATION

Certain information in this quarterly report is forward-looking information and related, among other things, to anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as “anticipate”, “believe”, “expect”, “plan”, “target” or similar words suggesting future outcomes. By their nature, such statements are subject to various risks and uncertainties, which could cause ENMAX’s actual results and experience to differ materially from the anticipated results. Such risks and uncertainties include, but are not limited to, competitive factors and pricing pressures, regulatory decisions and the impact of deregulation on the industry.

## CONTACT INFORMATION

ENMAX is an energy distribution, transmission and retail supply and services company, wholly owned by The City of Calgary. The business is led by ENMAX Corporation and carried out through subsidiary companies. ENMAX Energy Corporation ensures a balanced energy supply portfolio and competes against other retailers in Alberta to provide customers with electricity and natural gas. The ENMAX Energy business segment includes the subsidiary ENMAX Encompass Inc. which provides billing, customer care and other customer services for ENMAX and a number of municipalities. ENMAX Power Corporation owns, operates and maintains the regulated distribution and transmission system transmitting electricity to customers in the Calgary area, and provides power services through an unregulated subsidiary.

ENMAX welcomes questions from stakeholders.

141 50 Avenue S.E.  
Calgary, Alberta T2G 4S7

Please direct financial inquiries to:

Bob Nicolay  
President and CEO  
(403) 514-2820

Brad Thompson, C.A.  
Interim Executive Vice-President, Finance and CFO  
(403) 514-2988

Please direct media inquiries to:

Sneh Seetal  
Public Relations Specialist  
(403) 514-3062

Visit the ENMAX website at [enmax.com](http://enmax.com)

**CONSOLIDATED BALANCE SHEETS**

(millions of dollars) (unaudited)	June 30, 2004	December 31, 2003
<b>ASSETS</b>		
Cash and cash equivalents	\$ 307.0	\$ 100.9
Accounts receivable	142.5	181.3
Inventories	14.4	12.0
Current portion of 2000 deficiency rider receivable	29.3	48.4
Other current assets	2.1	1.4
	<u>495.3</u>	<u>344.0</u>
Capital assets	734.4	729.7
Power purchase arrangements	164.8	169.6
2000 deficiency rider receivable	-	4.0
Future income tax asset	176.1	185.4
Other long-term assets	10.2	10.6
<b>TOTAL ASSETS</b>	<u><u>\$ 1,580.8</u></u>	<u><u>\$ 1,443.3</u></u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 112.1	\$ 126.4
Customer guarantee deposits	15.4	14.4
Current portion of long-term debt	33.6	22.9
	<u>161.1</u>	<u>163.7</u>
Long-term debt	238.1	137.7
Other long-term liabilities	20.3	14.8
<b>TOTAL LIABILITIES</b>	<u><u>419.5</u></u>	<u><u>316.2</u></u>
<b>SHAREHOLDER'S EQUITY</b>		
Share capital	280.1	280.1
Retained earnings	881.2	847.0
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<u><u>1,161.3</u></u>	<u><u>1,127.1</u></u>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u><u>\$ 1,580.8</u></u>	<u><u>\$ 1,443.3</u></u>

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS**

(millions of dollars) (unaudited)	Three months ended		Six months ended	
	June 30		June 30	
	2004	2003	2004	2003
<b>REVENUE</b>				
Sales of electricity and natural gas	\$ 185.2	\$ 185.6	\$ 386.2	\$ 426.6
Transmission and distribution revenue	70.5	69.7	142.5	140.2
Contractual services and other	17.5	21.6	38.3	41.9
<b>TOTAL REVENUE</b>	<b>273.2</b>	<b>276.9</b>	<b>567.0</b>	<b>608.7</b>
<b>COST OF SERVICES PROVIDED</b>				
Electric and natural gas costs	120.2	91.1	251.6	255.8
Grid charges	33.5	43.1	69.5	83.0
Local access fees	17.6	17.6	34.7	35.5
Operations and maintenance	18.7	22.5	37.0	39.0
Billing and collection	9.8	11.5	20.2	20.5
Cost of providing contractual services	8.2	11.3	17.7	20.3
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>208.0</b>	<b>197.1</b>	<b>430.7</b>	<b>454.1</b>
<b>GROSS MARGIN</b>	<b>65.2</b>	<b>79.8</b>	<b>136.3</b>	<b>154.6</b>
General and administrative	9.8	14.6	18.3	25.1
Amortization	14.1	12.2	27.4	26.5
<b>OPERATING EARNINGS BEFORE INTEREST AND INCOME TAX CHARGES</b>	<b>41.3</b>	<b>53.0</b>	<b>90.6</b>	<b>103.0</b>
Interest	3.7	3.3	6.5	6.8
<b>NET EARNINGS BEFORE INCOME TAX</b>	<b>37.6</b>	<b>49.7</b>	<b>84.1</b>	<b>96.2</b>
Income tax	9.3	13.6	24.7	25.2
<b>NET EARNINGS</b>	<b>28.3</b>	<b>36.1</b>	<b>59.4</b>	<b>71.0</b>
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	<b>865.5</b>	<b>751.3</b>	<b>847.0</b>	<b>728.9</b>
Dividends	(12.6)	(12.5)	(25.2)	(25.0)
<b>RETAINED EARNINGS, END OF PERIOD</b>	<b>\$ 881.2</b>	<b>\$ 774.9</b>	<b>\$ 881.2</b>	<b>\$ 774.9</b>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of dollars) (unaudited)	Three months ended June 30		Six months ended June 30	
	2004	2003	2004	2003
<b>CASH PROVIDED BY (USED IN):</b>				
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 28.3	\$ 36.1	\$ 59.4	\$ 71.0
Amortization	16.5	14.7	32.2	31.5
Future income taxes	1.8	13.6	9.3	24.1
Change in unrealized market value of financial contracts (Note 3)	(1.3)	-	3.5	-
	<u>45.3</u>	<u>64.4</u>	<u>104.4</u>	<u>126.6</u>
Change in non-cash working capital items	12.2	29.6	21.0	16.6
	<u>57.5</u>	<u>94.0</u>	<u>125.4</u>	<u>143.2</u>
<b>INVESTING ACTIVITIES</b>				
Purchase of capital assets	(17.3)	(50.7)	(36.0)	(105.3)
Proceeds on sale of assets	-	9.8	-	9.8
Contributions in aid of construction	1.4	2.2	3.9	5.3
2000 deficiency rider receivable collected	11.1	11.1	23.1	22.6
Customer guarantee deposits	3.2	(0.9)	1.0	(0.9)
Other long-term assets	0.2	(8.6)	0.4	(8.6)
	<u>(1.4)</u>	<u>(37.1)</u>	<u>(7.6)</u>	<u>(77.1)</u>
<b>FINANCING ACTIVITIES</b>				
Commercial paper repaid	-	(9.5)	-	-
Long-term debt issued / (repaid)	44.2	(4.3)	111.1	(9.1)
Other long-term liabilities	0.8	0.3	2.4	0.9
Dividends paid	(12.6)	(12.5)	(25.2)	(25.0)
	<u>32.4</u>	<u>(26.0)</u>	<u>88.3</u>	<u>(33.2)</u>
Increase in cash and cash equivalents	88.5	30.9	206.1	32.9
Cash and cash equivalents, beginning of period	218.5	5.3	100.9	3.3
<b>Cash and cash equivalents, end of period</b>	<u>\$ 307.0</u>	<u>\$ 36.2</u>	<u>\$ 307.0</u>	<u>\$ 36.2</u>
Interest paid	\$ 2.8	\$ 3.2	\$ 5.9	\$ 6.8
Income taxes paid	\$ 1.1	\$ 0.3	\$ 8.4	\$ 0.6

See accompanying notes to consolidated financial statements.

## **Notes to Consolidated Financial Statements**

(Unaudited)

### **1. Significant Accounting Policies**

The interim consolidated financial statements of ENMAX Corporation (ENMAX or the corporation) have been prepared in accordance with Canadian generally accepted accounting principles. Except as disclosed in Note 3, the accounting policies applied are consistent with those outlined in the corporation's annual financial statements for the year ended December 31, 2003. These interim consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements included in ENMAX's 2003 Annual Report. Amounts are stated in Canadian dollars.

ENMAX is subject to fluctuations in the demand for and price of electricity and natural gas, therefore interim results are not necessarily indicative of annual results.

## 2. Segmented Information

Three months ended June 30 (unaudited) (millions of dollars)	ENMAX Energy		ENMAX Power		Intersegment Eliminations		Consolidated Totals	
	2004	2003	2004	2003	2004	2003	2004	2003
<b>REVENUE</b>								
Sales of electricity and natural gas	\$ 236.4	\$ 238.2	\$ -	\$ -	\$ (51.2)	\$ (52.6)	\$ 185.2	\$ 185.6
Transmission and distribution revenue	-	-	70.5	69.7	-	-	70.5	69.7
Contractual services and other	8.2	7.8	13.0	16.5	(3.7)	(2.7)	17.5	21.6
<b>TOTAL REVENUE</b>	<b>244.6</b>	<b>246.0</b>	<b>83.5</b>	<b>86.2</b>	<b>(54.9)</b>	<b>(55.3)</b>	<b>273.2</b>	<b>276.9</b>
<b>COST OF SERVICES PROVIDED</b>								
Electric and natural gas costs <sup>(1)</sup>	120.2	91.1	-	-	-	-	120.2	91.1
Grid charges	71.5	85.2	13.9	10.9	(51.9)	(53.0)	33.5	43.1
Local access fees	-	-	17.6	17.6	-	-	17.6	17.6
Operations and maintenance	7.7	10.5	11.3	12.0	(0.3)	-	18.7	22.5
Billing and collection	9.8	11.5	-	-	-	-	9.8	11.5
Cost of providing contractual services	0.2	0.3	8.1	11.0	(0.1)	-	8.2	11.3
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>209.4</b>	<b>198.6</b>	<b>50.9</b>	<b>51.5</b>	<b>(52.3)</b>	<b>(53.0)</b>	<b>208.0</b>	<b>197.1</b>
<b>GROSS MARGIN</b>	<b>35.2</b>	<b>47.4</b>	<b>32.6</b>	<b>34.7</b>	<b>(2.6)</b>	<b>(2.3)</b>	<b>65.2</b>	<b>79.8</b>
General and administrative	4.9	7.1	5.5	7.7	(0.6)	(0.2)	9.8	14.6
Amortization	4.4	4.4	10.5	8.8	(0.8)	(1.0)	14.1	12.2
<b>OPERATING EARNINGS</b>	<b>25.9</b>	<b>35.9</b>	<b>16.6</b>	<b>18.2</b>	<b>(1.2)</b>	<b>(1.1)</b>	<b>41.3</b>	<b>53.0</b>
Interest	1.0	0.8	4.8	4.6	(2.1)	(2.1)	3.7	3.3
Income tax	9.2	13.0	-	-	0.1	0.6	9.3	13.6
<b>NET EARNINGS</b>	<b>\$ 15.7</b>	<b>\$ 22.1</b>	<b>\$ 11.8</b>	<b>\$ 13.6</b>	<b>\$ 0.8</b>	<b>\$ 0.4</b>	<b>\$ 28.3</b>	<b>\$ 36.1</b>
<b>CAPITAL ADDITIONS</b>	<b>\$ 0.6</b>	<b>\$ 19.2</b>	<b>\$ 16.5</b>	<b>\$ 18.5</b>	<b>\$ 0.2</b>	<b>\$ 13.0</b>	<b>\$ 17.3</b>	<b>\$ 50.7</b>

1. Included in electric costs is \$2.4 million (2003 - \$2.5 million) pertaining to the amortization of PPAs.

Six months ended June 30 (unaudited) (millions of dollars)	ENMAX Energy		ENMAX Power		Intersegment Eliminations		Consolidated Totals	
	2004	2003	2004	2003	2004	2003	2004	2003
<b>REVENUE</b>								
Sales of electricity and natural gas	\$ 491.4	\$ 532.1	\$ -	\$ -	\$ (105.2)	\$ (105.5)	\$ 386.2	\$ 426.6
Transmission and distribution revenue	-	-	142.5	140.2	-	-	142.5	140.2
Contractual services and other	18.1	16.4	27.4	29.8	(7.2)	(4.3)	38.3	41.9
<b>TOTAL REVENUE</b>	<b>509.5</b>	<b>548.5</b>	<b>169.9</b>	<b>170.0</b>	<b>(112.4)</b>	<b>(109.8)</b>	<b>567.0</b>	<b>608.7</b>
<b>COST OF SERVICES PROVIDED</b>								
Electric and natural gas costs <sup>(1)</sup>	251.6	255.8	-	-	-	-	251.6	255.8
Grid charges	145.2	163.1	30.4	25.9	(106.1)	(106.0)	69.5	83.0
Local access fees	-	-	34.7	35.5	-	-	34.7	35.5
Operations and maintenance	14.4	17.4	22.5	21.6	0.1	-	37.0	39.0
Billing and collection	20.2	20.5	-	-	-	-	20.2	20.5
Cost of providing contractual services	0.3	0.3	17.7	19.8	(0.3)	0.2	17.7	20.3
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>431.7</b>	<b>457.1</b>	<b>105.3</b>	<b>102.8</b>	<b>(106.3)</b>	<b>(105.8)</b>	<b>430.7</b>	<b>454.1</b>
<b>GROSS MARGIN</b>	<b>77.8</b>	<b>91.4</b>	<b>64.6</b>	<b>67.2</b>	<b>(6.1)</b>	<b>(4.0)</b>	<b>136.3</b>	<b>154.6</b>
General and administrative	9.5	13.8	11.4	11.8	(2.6)	(0.5)	18.3	25.1
Amortization	8.7	10.4	20.3	18.2	(1.6)	(2.1)	27.4	26.5
<b>OPERATING EARNINGS</b>	<b>59.6</b>	<b>67.2</b>	<b>32.9</b>	<b>37.2</b>	<b>(1.9)</b>	<b>(1.4)</b>	<b>90.6</b>	<b>103.0</b>
Interest	2.0	1.5	9.0	8.8	(4.5)	(3.5)	6.5	6.8
Income tax	23.7	24.4	-	-	1.0	0.8	24.7	25.2
<b>NET EARNINGS</b>	<b>\$ 33.9</b>	<b>\$ 41.3</b>	<b>\$ 23.9</b>	<b>\$ 28.4</b>	<b>\$ 1.6</b>	<b>\$ 1.3</b>	<b>\$ 59.4</b>	<b>\$ 71.0</b>
<b>CAPITAL ADDITIONS</b>	<b>\$ 2.7</b>	<b>\$ 47.6</b>	<b>\$ 32.4</b>	<b>\$ 38.0</b>	<b>\$ 0.9</b>	<b>\$ 19.7</b>	<b>\$ 36.0</b>	<b>\$ 105.3</b>

1. Included in electric costs is \$4.8 million (2003 - \$5.0 million) pertaining to the amortization of PPAs.

Total Assets (millions of dollars) (unaudited)	December 31,	
	June 30, 2004	2003
ENMAX Energy	\$ 654.1	\$ 711.6
ENMAX Power	617.4	649.1
Corporate and eliminations	309.3	82.6
	<b>\$ 1,580.8</b>	<b>\$ 1,443.3</b>

### 3. Accounting Changes

#### Hedging Relationships

In December 2001, the Canadian Institute of Chartered Accountants issued Accounting Guideline 13, Hedging Relationships (AcG-13). AcG-13 establishes certain conditions when hedge accounting may be applied. The guideline is effective for fiscal years beginning on or after July 1, 2003.

Upon the prospective adoption of AcG-13 by ENMAX on January 1, 2004, certain hedging relationships did not satisfy all of the conditions for hedge accounting. As a result, ENMAX adjusted the carrying value of the affected financial contract to fair market value of \$2.1 million at January 1, 2004 and recorded a deferred credit of the same amount in other long-term liabilities, with the current portion in accounts payable and accrued liabilities. The deferred credit is being amortized over the remaining term of the financial contract.

At June 30, 2004, the fair market value of the financial contract was an unrealized loss of \$1.6 million. This is included on the consolidated balance sheet within other long-term liabilities. For the three and six months ended June 30, 2004, the change in fair market value, combined with amortization of the related deferred credit, amounted to a gain of \$1.3 million and a charge to earnings of \$3.5 million, respectively, which are included in electric and natural gas costs on the consolidated statement of earnings.

#### Asset Retirement Obligations

The Canadian Institute of Chartered Accountants issued Handbook Section 3110, Asset Retirement Obligations in March 2003. The standard requires an entity to record the fair market value of a legal obligation associated with the retirement of tangible long-lived assets in the period in which it is incurred. This standard is effective for fiscal years beginning on or after January 1, 2004. ENMAX has adopted this accounting standard commencing with the first quarter of 2004. Prior periods have not been restated because the impact is immaterial.

ENMAX has electricity transmission and distribution assets operating under various land leases and rights of way. A legal obligation exists on final retirement of the assets. As these transmission and distribution assets are operated under regulatory and contractual terms providing for perpetual operation, ENMAX is unable to reasonably estimate the fair market value of the asset retirement obligation and no amount has been recorded in the financial statements.

For other assets owned by ENMAX, an asset retirement obligation has been recorded as at January 1, 2004 in the amount of \$0.5 million and included as part of other long-term liabilities on the consolidated balance sheet, with a corresponding increase in capital assets.

### 4. Employee Future Benefits

The corporation established a registered pension plan on January 1, 2001 to provide future pension benefits for its employees. The registered pension plan covers substantially all employees and includes both defined benefit and defined contribution provisions. The corporation also sponsors a supplemental pension plan providing an additional pension to members whose benefits are limited by maximum pension rates under the Income Tax Act. In addition, the corporation provides employees with other post-employment benefits including extended health and dental benefits beyond those provided by government-sponsored plans.

The total benefit cost recorded in the consolidated statement of earnings for the three and six months ended June 30, 2004 is \$2.2 million (2003 - \$2.2 million) and \$4.4 million (2003 - \$4.2 million), respectively.

## 5. Commitments and Contingencies

### Regulatory Decisions

On August 13, 2004, the Alberta Energy and Utilities Board (EUB) provided initial decisions regarding ENMAX Power's 2004 Distribution Tariff and ENMAX Energy's 2004 Regulated Rate Tariff (RRT) for electricity customers in Calgary. ENMAX is required to re-file portions of both applications to reflect the directions of the EUB. A final decision is then expected by September 24, 2004.

The overall impact of these decisions is estimated to be a reduction to 2004 annual net earnings of approximately \$31 million. ENMAX will reflect the cumulative impact of these decisions to date in the statement of earnings in the third quarter of 2004.

### Income Tax

Alberta Revenue, Tax and Revenue Administration (Alberta Revenue) is responsible for assessing the income tax returns filed under the payment in lieu of taxes (PILOT) regulation to the Electric Utilities Act. In August 2004, Alberta Revenue notified the corporation that it is questioning the value of certain assets established for the purpose of this regulation. ENMAX believes that it appropriately measured the value of the assets for PILOT purposes and will work diligently with Alberta Revenue to support its position. The amount of possible adjustment cannot be reasonably estimated at this time and no provision has been made in the interim consolidated financial statements for additional income tax expense.

## 6. Comparative Figures

Certain comparative figures have been reclassified to conform with the current period's presentation.