



QUARTERLY REPORT 2006

SECOND QUARTER 2006

	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
<i>(millions of dollars, except return on equity and operating statistics)</i>				
Total revenue	\$ 346.5	\$ 289.2	\$ 725.9	\$ 582.8
Cost of sales	235.9	196.7	527.1	398.6
Net revenue ⁽¹⁾	110.6	92.5	198.8	184.2
Operating, maintenance and administrative expenses	60.7	56.3	116.2	108.1
Earnings before interest, income tax and non-controlling interest	49.9	36.2	82.6	76.1
Interest on long-term debt	5.4	3.7	8.7	7.2
Non-controlling interest ⁽²⁾	(0.1)	(0.1)	(0.2)	(0.1)
Income taxes:	7.6	6.9	11.8	11.8
Net earnings	\$ 37.0	\$ 25.7	\$ 62.3	\$ 57.2
Return on equity (annualized) ⁽³⁾			10%	9%
Payments to shareholder:				
Dividends	12.5	12.5	25.0	25.0
Local access fees	17.9	17.7	36.9	36.2
Operating statistics:				
Energy sold (gigawatt hours)	3,485	2,194	5,865	4,510
Energy delivered (gigawatt hours)	2,085	1,994	4,193	4,077
Natural gas sold to customers (terajoules)	1,949	1,731	7,826	5,255

(1) Net revenue better reflects performance than does revenue, as changes in the market price of electricity and natural gas affect both revenue and costs of sales. See discussion that follows in MD&A.

(2) Includes the interest of the non-controlling shareholders in the net earnings of Furry Creek Power Ltd. and Hydromax Energy Ltd.

(3) 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 15, 2006 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, 2006 and 2005, as well as the Corporation's 2005 Annual Report. All dollar amounts are stated in Canadian currency.

RESULTS OF OPERATION

Consolidated

During the quarter ended June 30, 2006, ENMAX accomplished several key elements of its strategic plan:

- acquired a 55% interest in the Battle River Power Purchase Arrangement (PPA);
- grew our customer base;
- commenced construction of the Taber wind generation facility; and
- expanded the transmission and distribution networks in Calgary and surrounding area;

all of which contributed to excellent results for the Corporation.

ENMAX's 2006 consolidated net earnings were \$37.0 and \$62.3 million for the second quarter and six months ended June 30, respectively. This compares to consolidated net earnings of \$57.2 million in the first six months of 2005, of which \$25.7 million was recorded in the second quarter. Net earnings for the six months ended June 30, 2006 increased 9% and were driven by sales volumes increases in electricity and natural gas, of 30% and 49%, respectively, compared to the same period last year.

Net revenues for the first six months of 2006 increased 8% to \$198.8 million compared to \$184.2 million for the same period in 2005. In the second quarter of 2006, ENMAX net revenues were \$110.6 million, 20% higher than \$92.5 million for the second quarter of 2005. The increase in net revenues was driven by the growth in electricity and natural gas sales volumes.

During the first six months of 2006, operating, maintenance and administrative expenses were \$116.2 million, including \$60.7 million in the second quarter. This compares to \$108.1 million in the first six months of 2005, and \$56.3 million in the second quarter. The increase of 7.5% is due to inflationary increases in salary and non labour costs across all segments in the business and to the growth in Calgary and surrounding area, which drives growth in the transmission and distribution systems and their operating costs.

Interest on long-term debt has increased to \$8.7 million for the first six months of 2006, of which \$5.4 million related to the second quarter. This compares to \$7.2 million and \$3.7 million, respectively, for the same periods in 2005. The increase is the result of additional long-term debt issued in March 2006, the proceeds of which are used to finance capital expenditures in ENMAX Power.

Income tax expense was \$11.8 million during the first six months of 2006, including \$7.6 million for the second quarter. This compares to \$11.8 million for the same six month period of 2005, including \$6.9 million in the second quarter. Although income tax expense remained consistent with the prior period, there were two significant and opposing future income tax adjustments recorded. A future income tax charge of \$18.1 million was recorded in June as a result of federal and provincial rate reductions reducing the value of tax deductions available to the Corporation in future periods. In addition, the Corporation recognized the benefit of previously unrecorded non-capital loss carry-forwards.

During the first half of 2006, capital expenditures totaled \$396.4 million, including \$374.1 in the second quarter. This compares to \$47.8 for the first six months of 2005, of which \$24.5 related to the second quarter. The increase in capital expenditures is the result of the acquisition of a 55% interest in the Battle River Power Purchase Arrangement (PPA) in June 2006, for \$345.0 million, continued expansion and upgrading of the electrical distribution and transmission systems in Calgary and surrounding area and the commencement of construction on the Taber wind farm.

In the second quarter of 2006, ENMAX paid The City of Calgary \$12.5 million as part of its annual dividend of \$50 million declared earlier in the year, which amounts are consistent with 2005.

SELECTED QUARTERLY FINANCIAL DATA

<i>(millions of dollars)</i>	2006		2005				2004	
	Second	First	Fourth	Third	Second	First	Fourth	Third
Total revenue	\$ 346.5	\$ 379.4	\$ 405.8	\$ 309.8	\$ 289.2	\$ 293.6	\$ 306.0	\$ 257.6
Net earnings	\$ 37.0	\$ 25.3	\$ 28.5	\$ 31.0	\$ 25.7	\$ 31.5	\$ 26.3	\$ 64.2
Funds generated from operations ⁽¹⁾	\$ 61.6	\$ 43.4	\$ 34.0	\$ 49.9	\$ 47.5	\$ 46.2	\$ 35.3	\$ 83.7

⁽¹⁾ Non-GAAP financial measure. See discussion that follows in MD&A.

NON-GAAP FINANCIAL MEASURES

The Corporation provides non-GAAP financial measures in this Management's Discussion and Analysis. These measures do not have any standardized meaning prescribed by Canadian generally accepted accounting principles and may not be comparable to similar measures presented by other companies. The purpose of these financial measures and their reconciliation to GAAP financial measures are shown below.

<i>(millions of dollars)</i>	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Funds generated from operations (Non-GAAP financial measure)	\$ 61.6	\$ 47.5	\$ 105.0	\$ 93.7
Changes in non-cash working capital	\$ (4.6)	\$ (5.9)	\$ (57.8)	\$ (72.2)
Cash provided by operating activities (GAAP financial measure)	\$ 57.0	\$ 41.6	\$ 47.2	\$ 21.5

Funds generated from operations is provided to assist in determining the ability of ENMAX to generate cash from operations, after interest and taxes and non-controlling interest, without regard to changes in the Corporation's non-cash working capital in the period.

LIQUIDITY AND CAPITAL RESOURCES

Capitalization

<i>(millions of dollars)</i>	June 30, 2006	December 31, 2005
Long-term debt ⁽¹⁾	\$ 375.6	\$ 234.3
Shareholder's equity		
Share capital	280.1	280.1
Contributed surplus	36.0	–
Retained earnings	1,037.6	1,025.3
Total shareholder's equity	1,353.7	1,305.4
Total capitalization	\$ 1,729.3	\$ 1,539.7

(1) Includes current portion of \$40.2 million (2005 – \$29.8 million). Maturity dates range from June 2006 to June 2024.

Coverage ratios

	For the Six Months Ended June 30, 2006	For the Year Ended December 31, 2005
Debt to total capitalization ⁽¹⁾	22.0%	15.2%
Net debt to total capitalization ⁽²⁾	21.4%	2.4%
Interest coverage ratio ⁽³⁾	9.5X	10.9X

(1) As at period end, debt to total capitalization is equal to long-term debt divided by long-term debt plus shareholder's equity.

(2) As at period end, net debt to total capitalization reduces long-term debt by cash and cash equivalents and marketable securities for purposes of this calculation. Cash and cash equivalents and marketable securities amount to \$7.6 million and \$201.9 million at June 30, 2006 and December 31, 2005, respectively.

(3) The interest coverage ratio is equal to earnings before interest and taxes divided by interest expense.

Cash used in operating activities

Cash provided in operating activities increased 120% to \$47.2 million in the first six months of 2006, including \$57.0 million in the second quarter. This compares to \$21.5 million, of which \$41.6 million related to the second quarter, in the same periods of 2005. The improvement is driven by increased earnings before taxes combined with changes in non-cash working capital resulting from lower income tax payments, deferred costs of electricity and natural gas supply, partially offset by increased accounts receivable attributable to the growing sales volumes.

ENMAX's ongoing cash requirements for operations, including future capital additions, will be satisfied by cash flow from operations, available lines of credit and a commercial paper program.

Investing activities

Capital spending was \$396.4 million in the first six months of 2006, primarily for the acquisition of a 55% interest in the Battle River Power Purchase Arrangement in June of 2006. Capital spending also includes \$45.0 million relating to the expansion of the electrical distribution and transmission systems and \$6.8 million relating to the construction of the Taber wind farm, which is anticipated to cost approximately \$133.0 million, and expansion of billing and other information systems. In 2006, ENMAX expects to invest in excess of \$100.0 million in transmission and distribution system expansion.

Financing activities

During the six months ended June 30, 2006, ENMAX repaid \$13.0 million of long-term debt in regularly scheduled principal payments. In the first quarter of 2006, \$154.3 million in long-term debt was obtained from the City of Calgary through arrangements with the Alberta Capital Finance Authority to finance regulated capital expenditures by the Corporation's subsidiary, ENMAX Power.

In July 2006, ENMAX increased its credit facilities by \$100.0 million, to \$450.0 million, to facilitate additional credit requirements associated with the acquisition of the Battle River Power Purchase Arrangement.

ENMAX declared a dividend of \$50.0 million to The City of Calgary, its sole shareholder, earlier in the year which is consistent with the 2005 amount, paying \$12.5 million in each quarter of 2006 for a total of \$25.0 million in the six month period. In March 2006, the City contributed \$36.0 million to ENMAX to fund capital projects in the distribution and transmission businesses.

BUSINESS SEGMENT RESULTS

The operating businesses of ENMAX Corporation are managed principally in two business segments, ENMAX Power and ENMAX Energy. The results of those segments are discussed in the comments that follow.

In 2006, ENMAX realigned its reportable segments to be consistent with changes in its internal management structure, combining the regulated operations of the business in one segment. The significant changes were to move reporting of Regulated Rate Option (RRO) and Envision business lines from ENMAX Energy to ENMAX Power. Comparative amounts have not been restated.

ENMAX Power

ENMAX Power's results are driven by the Corporation's distribution, transmission and regulated rate tariffs, all subject to regulation by the Alberta Energy and Utilities Board (EUB), as well as earnings from its non-regulated power services and fibre-optic business lines.

ENMAX Power recorded net earnings of \$13.2 million in the first six months of 2006, including \$2.1 million in the second quarter. This compared to net earnings of \$15.8 million during the first half of 2005, including \$5.8 million in the second quarter of 2005. The decrease in earnings year-to-date is driven by the inclusion of results from non-regulated operations in 2006, previously reported in the ENMAX Energy segment.

During the first six months of 2006, revenues totaled \$322.1 million, of which \$161.8 relates to the second quarter. This compares to \$168.5 million and \$82.3 million, respectively, for the same periods in 2005. The increase in revenues is substantially attributed to the reporting of the Corporation's RRO operating results in ENMAX Power rather than ENMAX Energy commencing January 2006.

ENMAX Power delivered 4,193 GWh of electricity during the first six months of 2006, including 2,085 GWh in the second quarter. This compared to 4,077 GWh delivered in the first half of 2005, of which 1,994 GWh was delivered in the second quarter of 2005. The increased volumes are attributed to the continued growth in Calgary and surrounding area. Of the total electricity sold, 1,472 GWh was purchased by RRO customers in the six months ended June 30, 2006, including 667 GWh in the second quarter. This compared to 1,863 GWh in the first six months of 2005, of which 845 GWh was sold in the second quarter. The lower volume reflects the movement of Calgary RRO customers to the competitive EasyMax product which was first introduced in October 2005 by ENMAX Energy.

ENMAX Power's cost of services provided for the first six months of 2006 totaled \$273.0 million including \$141.9 million during the second quarter of 2006. This compared to \$123.2 million during the first six months of 2005, of which \$61.7 million was incurred in the second quarter of 2005. Electricity purchases, grid charges and customer care expenses attributable to the Calgary RRO customer base being included in ENMAX Power's cost of services provided in 2006 are the main drivers of this increase.

In May 2006, ENMAX Power received regulatory approval to price energy for a five-year period for RRO customers based on a negotiated settlement with the Utility Consumers Advocate (UCA), Public Institutional Consumers Association (PICA) and the Consumer Coalition of Alberta (CCA). Certain elements of the negotiated settlement remain open including the non-energy component for which the EUB released an interim decision in May, 2006. A hearing will commence in August with a final decision required by November 1, 2006. In addition, an oral hearing on the RRO margin for the period January 1, 2006 to June 30, 2006 is scheduled to be held on August 22 and 23, with a final decision anticipated later in 2006.

The EUB released its decision on July 25, 2006, on the Corporation's 2006 Transmission Tariff (TT) application resulting in disallowances of approximately \$0.6 million.

Certain estimates are necessary since the regulatory environment that the Corporation operates in often requires amounts to be recorded at estimated values until finalization and adjustment pursuant to subsequent regulatory decisions, or other regulatory proceedings, is determined. Adjustments to previous estimates, which will impact net income and could be material, will be recorded in the period they become known.

ENMAX Energy

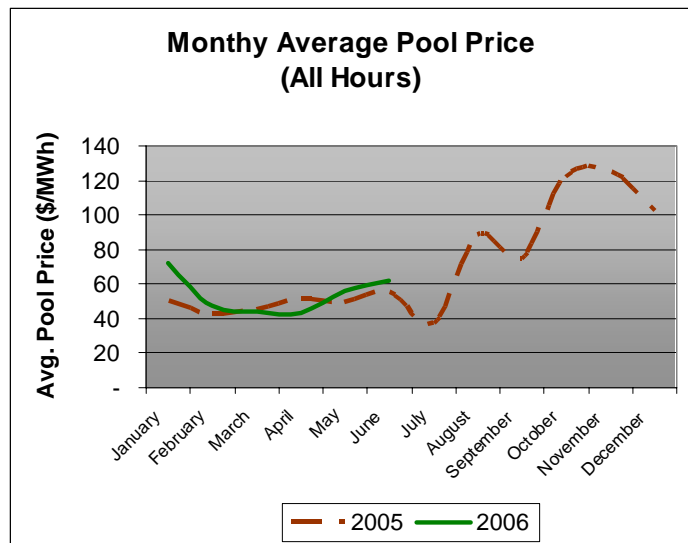
ENMAX Energy is in the business of wholesale electricity marketing and retail electricity and natural gas marketing. ENMAX Energy has coal fired generation supply through Power Purchase Arrangements (PPA's) and interests in wind electrical generation capacity. This generation is required to supply retail customer load. Natural gas is purchased to meet the sales commitments made by retail marketing operations to its natural gas customers.

ENMAX Energy earnings are driven by its wholesale and retail electricity and retail natural gas sales. Electricity from its generation supply is sold to retail customers and to the Alberta power pool. Natural gas sales commitments are supplied through purchases from producers. ENMAX Energy expects to contribute to the Corporation's strategy of delivering long-term stable cash flows to its shareholder, and has implemented rigorous risk management processes and systems to carefully monitor and manage its business in light of certain price and commodity risks it faces.

For the six months ended June 30, 2006 ENMAX Energy recorded net earnings of \$11.5 million of which \$17.2 million related to the second quarter. This compares to net earnings of \$3.9 and \$1.0 million, respectively, for the same periods of 2005. The growth was driven by higher electricity and natural gas sales volumes, of 30% and 49%, respectively, compared the same periods in 2005. Partially offsetting these gains were the effects of increased purchased volumes and prices for natural gas combined with higher amortization and interest expense corresponding to the growth in the Energy segment.

During the first six months of 2006, revenues totaled \$501.6 million, including \$240.9 million in the second quarter. This compares to \$513.0 million in the first six months of 2005, of which \$254.8 related to the second quarter. The revenue reduction is primarily attributed to the change in reporting of the results of ENMAX's RRO business, which is included in the ENMAX Power segment for 2006. Partially offsetting this reduction is an increase in sales volumes and average prices in the natural gas business, which generated revenues of \$80.9 million in the first six months of 2006 compared to \$44.8 million in the same period in 2005. The increase in volumes is attributed mainly to the success of the EasyMax program which offers customers savings of \$100 annually if they purchase electricity and natural gas from ENMAX. Variable priced and flow through rate electricity sales and grid charge revenues also increased as a result of higher Power Pool prices in the second quarter of 2006, all of which drive an offsetting increase in cost of services provided.

The average wholesale Power Pool price was \$55 per megawatt hour (MWh) in the first six months of 2006 compared to \$49 per MWh in the same period in 2005. In the second quarter of 2006, wholesale prices were \$54 per MWh compared to \$51 per MWh in the second quarter of 2005. Second quarter 2006 pool prices were higher primarily due to increased demand across the province in the absence of new generation. Natural gas prices averaged \$6.43 per gigajoule (GJ) in the second quarter of 2006 compared to \$6.75 per GJ in the second quarter of 2005.



ENMAX Energy sold 4,393 GWh of electricity to customers in the six months ended June 30 2006 compared to 2,647 GWh in the first six months of 2005. Excluding the impact of reporting RRO sales volumes in the ENMAX Power segment in the current periods, electricity sales are up 66%.

Cost of services provided during the first six months of 2006 was \$430.5 million compared to \$451.8 million for the same period in 2005. This reduction was driven by lower cost of electricity supply primarily due to the reporting of the ENMAX RRO results in ENMAX Power combined with the impact of acquiring the Battle River PPA. Partially offsetting this was an increase in costs associated with the growing natural gas business, attributable to increased sales volumes and higher commodity costs. In addition, costs associated with variable priced and flow through rate electricity purchases have increased as a result of higher purchased volumes and the rising cost of electricity.

ENMAX Energy's income tax expense in the first six months of 2006 was \$8.6 million, including \$4.8 million in the second quarter. This compares to \$11.4 million and \$6.7 million for the same periods, respectively, in 2005. The decrease is primarily attributable to the impact of corporate income tax rate decreases enacted by the federal and provincial governments in the second quarter of 2006.

ENMAX Corporate

ENMAX Corporate segment incurs all costs related to the provision of shared services to ENMAX Power and ENMAX Energy and provides financing to these business segments, generating interest income. During the six months ended June 30, 2006, net earnings for ENMAX Corporate were \$37.6 million, including \$17.7 million in the second quarter, compared to \$37.5 and \$18.9 million for the same periods, respectively, in 2005.

RISK MANAGEMENT AND UNCERTAINTIES

ENMAX follows an integrated approach to risk management across its businesses. For further information on risks, refer to Management's Discussion and Analysis in the 2005 Annual Report, available on the ENMAX website at www.enmax.com.

OUTLOOK

ENMAX expects 2006 full year earnings to compare favorably to 2005 based on expectations for electricity prices, generation acquisition opportunities and the strength of the Alberta economy.

ENVIRONMENT

ENMAX continues to focus on renewable sources of energy, including wind generating facilities and run-of-river hydro electricity generating facilities. In May, ENMAX began construction of its 80 MW wind power generating facility in the Municipal District of Taber in southern Alberta. Foundations for the 37 wind turbines are currently being poured and the project is expected to be completed and fully commissioned by the first quarter of 2007.

The company currently owns a 50% interest in the McBride Lake wind power generating facility in southern Alberta, a 99% interest in the Furry Creek run-of-river hydro facility near Squamish, BC and a 65% interest in Hydromax, a Vancouver based company focused on developing run-of-river hydro projects.

FORWARD-LOOKING INFORMATION

Certain information in this quarterly report is forward-looking information 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 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. Management does not intend and does not assume any obligation to update these forward looking statements.

CONTACT INFORMATION

ENMAX Corporation and its predecessors have provided Albertans with safe and reliable electricity for 100 years. ENMAX provides electricity, natural gas, renewable energy and value-added services to residential, commercial and industrial customers in Alberta through its subsidiary companies. ENMAX Energy owns low-cost electricity generation output from the Keephills and Battle River coal-fired plants and, through a subsidiary, is one of Alberta’s largest investors in renewable energy assets with 100 per cent ownership of output from the McBride Lake Wind Farm and Taber Wind Farm. ENMAX Energy has the largest green power marketing program of its kind in Canada and in 2006 received the Consumer Champion Award for its ground-breaking EasyMax™ program.

ENMAX welcomes questions from stakeholders.
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Visit the ENMAX website at www.enmax.com

CONSOLIDATED BALANCE SHEETS

(unaudited)	June 30, 2006	December 31, 2005
(millions of dollars)		
ASSETS		
Cash and cash equivalents	\$ 7.6	\$ 27.1
Temporary investments, at lower of cost or market	-	174.8
Accounts receivable (Note 2)	317.5	329.6
Inventories	18.9	13.0
Other current assets	3.5	2.7
	347.5	547.2
Property, plant and equipment (Note 2)	895.4	874.9
Power purchase arrangements (Note 3)	485.7	149.8
Intangible assets	22.2	22.6
Future income tax asset	171.2	180.5
Other long-term assets	11.5	11.1
	\$ 1,933.5	\$ 1,786.1
LIABILITIES		
Accounts payable and accrued liabilities	\$ 131.4	\$ 190.9
Dividend payable	25.0	-
Income taxes payable	18.8	22.5
Customer deposits	13.5	13.7
Current portion of long-term debt (Note 4)	40.2	29.8
	228.9	256.9
Long-term debt (Note 4)	335.4	204.5
Future income tax liability	8.3	8.6
Other long-term liabilities	6.7	10.0
	579.3	480.0
NON-CONTROLLING INTEREST	0.5	0.7
SHAREHOLDER'S EQUITY		
Share capital	280.1	280.1
Contributed surplus (Note 5)	36.0	-
Retained earnings	1,037.6	1,025.3
	1,353.7	1,305.4
COMMITMENTS AND CONTINGENCIES (Notes 3 and 8)		
	\$ 1,933.5	\$ 1,786.1

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(unaudited)	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
(millions of dollars)				
REVENUE				
Sales of electricity and natural gas	\$ 254.9	\$ 199.1	\$ 542.1	\$ 397.6
Transmission and distribution revenue	66.4	67.1	131.9	136.1
Contractual services and other	25.2	23.0	51.9	49.1
	<u>346.5</u>	<u>289.2</u>	<u>725.9</u>	<u>582.8</u>
COST OF SERVICES PROVIDED				
Electricity and natural gas costs	195.6	162.0	450.3	328.2
Local access fees	17.9	17.7	36.9	36.2
Operations, maintenance and administration (note 7)	60.7	56.3	116.2	108.1
	<u>274.2</u>	<u>236.0</u>	<u>603.4</u>	<u>472.5</u>
EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAX				
	72.3	53.2	122.5	110.3
Amortization	22.4	17.0	39.9	34.2
Interest on long-term debt	5.4	3.7	8.7	7.2
EARNINGS BEFORE INCOME TAX AND NON-CONTROLLING INTEREST				
	44.5	32.5	73.9	68.9
Income tax	7.6	6.9	11.8	11.8
Non-controlling interest	(0.1)	(0.1)	(0.2)	(0.1)
NET EARNINGS				
	37.0	25.7	62.3	57.2
RETAINED EARNINGS, BEGINNING OF PERIOD				
	1,000.6	940.1	1,025.3	958.6
Dividend declared	-	-	(50.0)	(50.0)
RETAINED EARNINGS, END OF PERIOD				
	<u>\$ 1,037.6</u>	<u>\$ 965.8</u>	<u>\$ 1,037.6</u>	<u>\$ 965.8</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
(millions of dollars)				
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net earnings	\$ 37.0	\$ 25.7	\$ 62.3	\$ 57.2
Amortization	22.4	17.0	39.9	34.2
Future income taxes	4.6	1.7	7.7	3.6
Non-controlling interest	(0.1)	(0.1)	(0.2)	(0.1)
Change in unrealized market value of financial contracts	(2.3)	3.2	(4.7)	(1.2)
	<u>61.6</u>	<u>47.5</u>	<u>105.0</u>	<u>93.7</u>
Change in non-cash working capital items	(4.6)	(5.9)	(57.8)	(72.2)
	<u>57.0</u>	<u>41.6</u>	<u>47.2</u>	<u>21.5</u>
INVESTING ACTIVITIES				
Proceeds on disposition of marketable securities	174.8	-	174.8	-
Purchase of power purchase arrangements	(345.0)	-	(345.0)	-
Purchase of capital assets	(29.1)	(24.5)	(51.4)	(47.8)
Contributions in aid of construction	1.9	1.7	1.8	4.5
2000 deficiency rider receivable	-	-	-	5.3
Acquisitions, net of cash acquired	-	(2.2)	-	(9.4)
Customer deposits	(0.2)	(0.5)	(0.2)	(1.8)
Other long-term assets	(0.4)	(1.5)	(0.4)	(1.3)
	<u>(198.0)</u>	<u>(27.0)</u>	<u>(220.4)</u>	<u>(50.5)</u>
FINANCING ACTIVITIES				
Long-term debt issued	-	-	154.3	-
Contributed surplus (Note 5)	-	-	36.0	-
Other long-term liabilities	(2.2)	(4.5)	1.4	(2.9)
Long-term debt repaid	(4.1)	(6.2)	(13.0)	(14.4)
Dividend paid	(12.5)	(12.5)	(25.0)	(25.0)
	<u>(18.8)</u>	<u>(23.2)</u>	<u>153.7</u>	<u>(42.3)</u>
Decrease in cash and cash equivalents	(159.8)	(8.6)	(19.5)	(71.3)
Cash and cash equivalents, beginning of period	167.4	290.6	27.1	353.3
Cash and cash equivalents, end of period	<u>\$ 7.6</u>	<u>\$ 282.0</u>	<u>\$ 7.6</u>	<u>\$ 282.0</u>
Interest paid	\$ 3.6	\$ 4.0	\$ 7.2	\$ 8.0
Income taxes paid	\$ 1.8	\$ 2.5	\$ 7.6	\$ 43.0

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. The accounting policies applied are consistent with those outlined in the Corporation’s annual consolidated financial statements for the year ended December 31, 2005. These interim consolidated financial statements do not include all disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements included in ENMAX’s 2005 Annual Report. Amounts are stated in millions of 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.

Temporary investments

Temporary investments are carried at the lower of cost and fair market value. At June 30, 2006, the fair market value was nil (December 31, 2005 – \$179.0 million).

2. Financial statement effects of rate regulation

In May 2005, the Canadian Institute of Chartered Accountants issued Accounting Guideline 19, Disclosures by Entities Subject to Rate Regulation (AcG-19). AcG-19 expands disclosure requirements relating to circumstances in which the accounting for transactions or events is affected by rate regulation. The guideline is effective for fiscal years ending on or after December 31, 2005.

Under regulatory accounting, the timing of recognition of certain assets, liabilities, revenues and expenses may differ from what is otherwise expected under Canadian GAAP for non-regulated operations.

Regulatory assets

<i>(millions of Canadian dollars)</i>	June 30, 2006	December 31, 2005
Regulatory assets		
Distribution assets – intercompany profit on underground residential development ⁽¹⁾	\$ 21.2	\$ 18.6
Accounts receivable – Purchased power price variance ⁽²⁾	3.0	4.2
Total regulatory assets	\$ 24.2	\$ 22.8

(1) Distribution assets for the regulated operations of ENMAX include intercompany profit relating to construction work performed by an ENMAX subsidiary. Such profit is deemed to be realized to the extent that the transfer price is recognized for rate-making purposes by the regulator and included in the capital cost. In the absence of rate regulation, generally accepted accounting principles would require that intercompany profits be eliminated upon consolidation. The impact on earnings for the three and six months ended June 30, 2006 would be a reduction of \$1.5 million (2005 – \$1.3 million) and \$2.6 million (2005 – \$1.8 million), respectively, representing the profit on these services. The balances for property, plant and equipment and retained earnings at June 30, 2006 would further be reduced by \$21.2 million (December 31, 2005 – \$18.6 million).

(2) Purchased power costs are included in allowed rates on a forecast basis. For rate-setting purposes, differences between forecast and actual purchased power costs in the rate year are held until the following year, when their final disposition is decided. ENMAX recognizes purchased power cost variances as a regulatory asset or liability, based on the expectation that amounts held from one year to the next for rate-setting purposes will be approved for collection from, or refund to, future customers. The regulatory receivable represents the excess of actual over forecast purchased power costs. In the absence of rate regulation, generally accepted accounting principles would require that actual purchased power costs be recognized as an expense when incurred. In this case, operating results for the three and six months ended June 30, 2006 would have been \$1.1 million (2005 – \$1.6 million) higher and \$1.2 million higher (2005 – unchanged). The regulatory asset is included in accounts receivable.

Other items affected by rate regulation

The regulator permits an allowance for funds used during construction (AFUDC), based on ENMAX's weighted-average cost of capital, to be included in the rate base. AFUDC is also included in the cost of property, plant and equipment for financial reporting purposes, and is depreciated over future periods as part of the total cost of the related asset, based on the expectation that depreciation expense, including the AFUDC component, will be approved for inclusion in future customer rates. Since AFUDC includes not only an interest component, but also a cost-of-equity component, it exceeds the amount allowed to be capitalized in similar circumstances in the absence of rate regulation. For the three and six months ended June 30, 2006, AFUDC and capitalized interest totaling \$1.1 million (2005 – \$0.5 million) and \$2.0 million (2005 – \$1.0 million) were included in property, plant and equipment.

3. Power Purchase Arrangements

In June 2006, the Corporation purchased a 55% interest in the Battle River Power Purchase Arrangement for \$345.0 million. The agreement also provides that the Corporation purchase the remaining 45%, in annual increments of 10 – 15% over the next 3.5 years for total additional consideration of \$222.0 million.

Amortization is provided on a variable charge method based on production, over the life of the asset.

4. Long-term debt

In 2006, the Corporation issued \$154.3 million in five- and 15-year debentures to the City of Calgary through arrangements with the Alberta Capital Finance Authority. Interest on \$139.3 million of the debt, which matures in January 2016, is compounded semi-annually at 4.600%, with the remaining \$15.0 million, maturing in January 2011, bearing interest at 4.349%. The funds will be used for capital expenditures in ENMAX Power.

5. Contributed surplus

In 2006, the City of Calgary contributed \$36.0 million to the Corporation. The funds will be invested in growing the distribution systems throughout the Calgary area.

6. Segmented information

	ENMAX Energy		ENMAX Power		Corporate & Intersegment Eliminations		Consolidated Totals	
	2006	2005	2006	2005	2006	2005	2006	2005
Three months ended June 30 - ⁽¹⁾								
(millions of dollars)								
REVENUE								
Sales of electricity and natural gas	\$ 237.2	\$ 246.1	\$ 66.6	\$ -	\$ (48.9)	\$ (47.0)	\$ 254.9	\$ 199.1
Transmission and distribution revenue	-	-	66.4	67.1	-	-	66.4	67.1
Contractual services and other	3.7	8.7	28.8	15.2	(7.3)	(0.9)	25.2	23.0
	240.9	254.8	161.8	82.3	(56.2)	(47.9)	346.5	289.2
COST OF SERVICES PROVIDED								
Electricity and natural gas costs	171.3	196.3	76.3	13.3	(52.0)	(47.6)	195.6	162.0
Local access fees	-	-	17.9	17.7	-	-	17.9	17.7
Operations, maintenance and administration	17.8	27.7	47.7	30.7	(4.8)	(2.1)	60.7	56.3
	189.1	224.0	141.9	61.7	(56.8)	(49.7)	274.2	236.0
EARNINGS BEFORE AMORTIZATION, INTEREST, INCOME TAX AND NON-CONTROLLING INTEREST	51.8	30.8	19.9	20.6	0.6	1.8	72.3	53.2
Amortization ⁽²⁾	11.0	7.5	12.7	10.1	(1.3)	(0.6)	22.4	17.0
Interest	18.9	15.7	5.1	4.7	(18.6)	(16.7)	5.4	3.7
Income tax	4.8	6.7	-	-	2.8	0.2	7.6	6.9
Non-controlling interest	(0.1)	(0.1)	-	-	-	-	(0.1)	(0.1)
NET EARNINGS	\$ 17.2	\$ 1.0	\$ 2.1	\$ 5.8	\$ 17.7	\$ 18.9	\$ 37.0	\$ 25.7
CAPITAL ADDITIONS	\$ 349.7	\$ 4.5	\$ 23.8	\$ 19.4	\$ 1.0	\$ 0.6	\$ 374.5	\$ 24.5
Six months ended June 30 - ⁽¹⁾								
(millions of dollars)								
REVENUE								
Sales of electricity and natural gas	\$ 494.7	\$ 494.8	\$ 136.7	\$ -	\$ (89.3)	\$ (97.2)	\$ 542.1	\$ 397.6
Transmission and distribution revenue	-	-	131.9	136.1	-	-	131.9	136.1
Contractual services and other	6.9	18.2	53.5	32.4	(8.5)	(1.5)	51.9	49.1
	501.6	513.0	322.1	168.5	(97.8)	(98.7)	725.9	582.8
COST OF SERVICES PROVIDED								
Electricity and natural gas costs	397.2	398.4	145.9	27.9	(92.8)	(98.1)	450.3	328.2
Local access fees	-	-	36.9	36.2	-	-	36.9	36.2
Operations, maintenance and administration	33.3	53.4	90.2	59.1	(7.3)	(4.4)	116.2	108.1
	430.5	451.8	273.0	123.2	(100.1)	(102.5)	603.4	472.5
EARNINGS BEFORE AMORTIZATION, INTEREST, INCOME TAX AND NON-CONTROLLING INTEREST	71.1	61.2	49.1	45.3	2.3	3.8	122.5	110.3
Amortization ⁽²⁾	17.0	15.2	25.5	20.2	(2.6)	(1.2)	39.9	34.2
Interest	34.2	30.8	10.4	9.3	(35.9)	(32.9)	8.7	7.2
Income tax	8.6	11.4	-	-	3.2	0.4	11.8	11.8
Non-controlling interest	(0.2)	(0.1)	-	-	-	-	(0.2)	(0.1)
NET EARNINGS	\$ 11.5	\$ 3.9	\$ 13.2	\$ 15.8	\$ 37.6	\$ 37.5	\$ 62.3	\$ 57.2
CAPITAL ADDITIONS	\$ 351.3	\$ 8.7	\$ 45.0	\$ 39.0	\$ 0.5	\$ 0.1	\$ 396.8	\$ 47.8

1. In 2006, ENMAX realigned its reportable segments to be consistent with changes in its internal management structure. In addition to moving reporting of Regulated Rate Option (RRO) and Envision business lines from ENMAX Energy to ENMAX Power, this realignment also transferred reporting of Corporate Development from ENMAX Corporate to ENMAX Energy. Comparative amounts have not been restated.

2. Includes the amortization of amounts related to the PPA, previously reported in electricity and natural gas costs, in the amount of \$6.8 million (2005 - \$2.5 million) and \$9.1 million (2005 - \$5.1 million) for the three and six months ended June 30, respectively. Comparative amounts have been restated to conform to this presentation.

6. Segmented information (continued)

Segmented Total Assets (millions of dollars)	June 30, 2006	December 31, 2005
ENMAX Energy	\$ 989.0	\$ 839.6
ENMAX Power	820.0	708.9
ENMAX Corporate	124.5	237.6
	<u>\$ 1,933.5</u>	<u>\$ 1,786.1</u>

7. 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 rules under the Income Tax Act. In addition, the Corporation provides employees with other post retirement benefits including extended health and dental benefits beyond those provided by government-sponsored plans, life insurance and a lump sum allowance payable at retirement.

The total benefit cost recorded in the consolidated statements of earnings for the three and six months ended June 30, 2006 is \$3.2 million (2005 – \$2.4 million) and \$6.4 million (2005 – \$4.8 million), respectively.

8. Commitments and contingencies

Property, plant and equipment

At June 30, 2006, the Corporation's commitment to major capital projects is \$102.4 million (December 31, 2005 – \$106.8 million), the completion of which is expected in early 2006.

Income tax

Alberta Finance, Tax and Revenue Administration (Alberta Finance) is responsible for assessing the income tax returns filed under the payment in lieu of taxes (PILOT) regulation of the Electric Utilities Act (EUA). In August 2004, Alberta Finance notified the Corporation that it was reviewing the value of certain assets established for the purpose of this regulation. At January 1, 2001 the balance of the future income tax asset associated with the assets in question was \$195.0 million, based on an estimated fair market value of \$855.0 million.

In May 2006, the Corporation received a Notice of Assessment from Alberta Finance relating the to 2002 taxation year, in the amount of \$23.7 million, including \$3.9 million of interest. This assessment is in addition to that which was received in June 2005, when the Corporation received a notice of assessment in respect of the 2001 taxation year, which amounted to \$16.9 million, including \$3.2 million of interest. The assessments relate primarily to the value of certain assets established for the purpose of the PILOT regulation and the allocation of costs and benefits of the energy supply portfolio between taxable and non-taxable operations for those years.

The Corporation does not agree with the assessments and has filed a Notice of Objection in September 2005 for the 2001 audit and is in the process of preparing its Notice of Objection for the 2002, which will be filed in September 2006. ENMAX expects this process to be successful and will vigorously pursue all options available should the appeals process result in an unfavorable outcome. The amount of possible adjustment, which could have a material impact on net earnings, cannot be reasonably estimated at this time and no provision has been made in the consolidated financial statements for any additional income tax expense which may be payable relating to this assessment.

9. Comparative figures

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