

### THIRD QUARTER 2005

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
<i>(unaudited - millions of dollars, except return on equity and operating statistics)</i>				
Total revenue	\$ 309.8	\$ 257.6	\$ 892.6	\$ 832.1
Operating expenses	269.5	223.7	776.2	705.3
Earnings before interest and income tax	40.3	33.9	116.4	126.8
Interest	3.5	3.9	10.7	10.4
Income tax	5.9	8.5	17.7	33.2
Non-controlling interest <sup>(1)</sup>	(0.1)	—	(0.2)	—
Net earnings before adjustment <sup>(2)</sup>	31.0	21.5	88.2	83.2
Adjustment relating to prior period	—	42.7	—	42.7
Net earnings	\$ 31.0	\$ 64.2	\$ 88.2	\$ 125.9
Return on equity (annualized) <sup>(3)</sup>			11%	13%
Payments to shareholder:				
Dividends	12.5	12.6	37.5	37.8
Local access fees	18.0	15.5	54.2	50.2
Operating statistics:				
Electricity sold to customers (gigawatt hours)	2,222	2,220	6,732	6,713
Electricity delivered (gigawatt hours)	2,044	1,988	6,121	5,964
Natural gas sold to customers (terajoules)	767	593	6,022	3,054

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

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

(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 November 15, 2005, 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 nine months ended September 30, 2005 and 2004, as well as the Corporation's 2004 Annual Report. All dollar amounts are stated in Canadian currency.

## RESULTS OF OPERATIONS

### Consolidated

In the first nine months of 2005, ENMAX's net earnings were \$88.2 million, including \$31.0 million in the third quarter. This compares to net earnings of \$83.2 million in the first nine months of 2004, excluding the adjustment described below. The increase was driven by customer growth and acquisitions, reduced commodity costs for the Power Purchase Arrangements ("PPA"s) and lower income tax charges. Partially offsetting these gains were increased expenses associated with a growing customer base and unhedged natural gas positions. The adjustment referred to above, recorded in 2004, was due to a change in ENMAX's estimated unbilled revenue which increased net earnings by \$42.7 million for the three and nine month periods ended September 30, 2004. No similar adjustments have been recorded in 2005.

Total revenue for the first nine months of 2005 increased 7% to \$892.6 million compared to \$832.1 million for the same period in 2004. In the third quarter of 2005, ENMAX total revenue increased 20% to \$309.8 million up from \$257.6 million in the third quarter of 2004. In the first nine months of 2005, the increase in revenues reflects the growth in natural gas volumes sold and increased revenues from the Distribution Tariff.

During the first nine months of 2005, cost of services provided was \$776.2 million, including \$269.5 million in the third quarter. This compares to cost of services provided of \$705.3 million in the first nine months of 2004, including \$223.7 million in the third quarter. Cost of services provided increased due to high purchase cost of electricity, higher volumes of natural gas purchased at higher prices to supply increased sales, increased operations, maintenance and administration costs driven by growth in the business and higher amortization as a result of growing the distribution system.

Income tax expense was \$17.7 million during the first nine months of 2005 compared to \$33.2 million in the first nine months of 2004. The decrease is due to lower earnings before income tax from the taxable portion of ENMAX's operations as a result of higher interest deductions arising out of internal debt restructuring and to the impact of a provincial tax rate reduction in 2004 which decreased ENMAX's future income tax assets by \$5.6 million through a charge to net earnings in that quarter. No comparable charge was recorded in 2005.

In the third quarter of 2005, ENMAX paid a dividend to The City of Calgary of \$12.5 million as part of its annual dividend of \$50 million declared earlier in the year, which amounts are consistent with 2004.

### SELECTED QUARTERLY FINANCIAL DATA

	2005			2004				2003
	Third	Second	First	Fourth	Third	Second	First	Fourth
Total revenue	\$ 309.8	\$ 289.2	\$ 293.6	\$ 306.0	\$ 257.6	\$ 276.2	\$ 298.3	\$ 306.0
Net earnings before adjustments <sup>(1)</sup>	\$ 31.0	\$ 25.7	\$ 31.5	\$ 26.3	\$ 21.5	\$ 29.3	\$ 32.4	\$ 47.8
Cash provided by (used in) operations	\$ 28.2	\$ 41.6	\$ (20.1)	\$ 65.2	\$ 71.6	\$ 57.5	\$ 67.9	\$ 62.8

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

## NON-GAAP FINANCIAL MEASURES

The Corporation provides non-GAAP financial measures in the Management's Discussion and Analysis. These measures do not have any standard 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.

Net earnings before adjustment <i>(unaudited - millions of dollars)</i>	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
Non-GAAP financial measure	\$ 31.0	\$ 21.5	\$ 88.2	\$ 83.2
Adjustment relating to prior period:				
Unbilled revenue accrual	—	55.0	—	55.0
Income taxes thereon	—	(12.3)	—	(12.3)
Net earnings (GAAP financial measure)	\$ 31.0	\$ 64.2	\$ 88.2	\$ 125.9

In September 2004, ENMAX refined its process of estimating unbilled revenue which resulted in an adjustment to electricity sales in the amount noted above. The purpose of providing net earnings before this adjustment is to provide comparative information on the Corporation's performance between periods.

## LIQUIDITY AND CAPITAL RESOURCES

### Capitalization

*(unaudited - millions of dollars)*

	September 30, 2005	December 31, 2004
Long-term debt <sup>(1)</sup>	247.9	252.3
Shareholder's equity		
Share capital	280.1	280.1
Retained earnings	996.6	958.6
Total shareholder's equity	1,276.7	1,238.7
Total capitalization	\$ 1,524.6	\$ 1,491.0

(1) Includes current portion of \$33.4 million (2004 - \$32.8 million). Maturity dates range from August 2005 to June 2024.

### Coverage Ratios

	For the Nine Months Ended September 30, 2005	For the Year Ended December 31, 2004
Debt to total capitalization (as at period end) <sup>(1)</sup>	16.3%	16.9%
Net debt to total capitalization (as at period end) <sup>(2)</sup>	Nil	Nil
Interest coverage ratio <sup>(3)</sup>	10.9 X	12.2 X

(1) Debt to total capitalization is equal to long-term debt divided by long-term debt plus shareholder's equity.

(2) 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 \$269.7 million and \$353.3 million at September 30, 2005 and December 31, 2004, respectively.

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

### **Cash Provided by Operating Activities**

Cash provided by operating activities was \$49.7 million in the first nine months of 2005 compared to \$200.7 million in the same period of 2004. The increase in net earnings generated increased cash for the Corporation in the first nine months of 2005 when compared to the same period of 2004 before adjustments; however cash was utilized in 2005 for the payment of the refund owed to customers relating to the 2004 EUB decision for the RRT and Distribution tariffs and for income tax amounts due at the end of 2004.

Ongoing cash requirements will be provided by cash flow from operations, available lines of credit and a commercial paper program. ENMAX continues to generate adequate amounts of cash to meet short-term requirements.

### **Investing Activities**

Capital spending was \$69.9 million in the first nine months of 2005, primarily for expansion of the distribution system. During the quarter, ENMAX invested \$250.1 million in corporate and government bonds to increase investment earnings on surplus funds.

### **Financing Activities**

In the third quarter of 2005, ENMAX reduced its syndicated credit facilities from \$350 million to \$150 million and increased its operating facilities to \$200 million, up from \$100 million, extending the terms to 3 years to take advantage of capital efficiencies and cost savings. During the nine months ended September 30, 2005, ENMAX repaid \$19.7 million of debt in regularly scheduled principal payments and assumed an additional \$15.4 million in non-recourse long-term debt with the acquisition of Furry Creek Power Ltd.

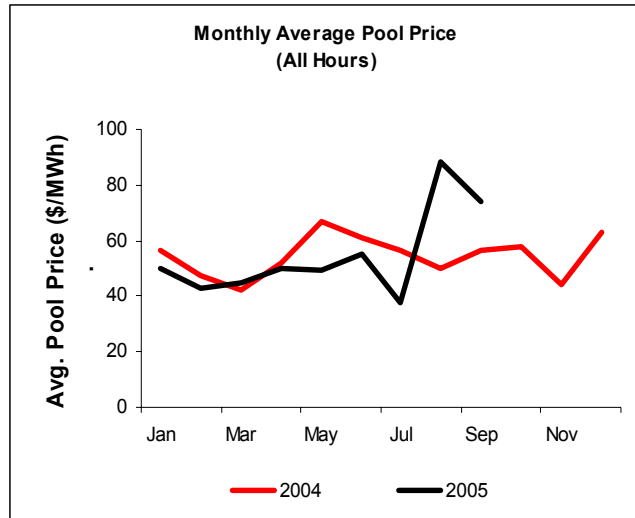
## **BUSINESS SEGMENT RESULTS**

### **ENMAX Energy**

ENMAX Energy recorded net earnings of \$8.4 million in the first nine months of 2005, including \$4.5 million in the third quarter. This compares to net earnings of \$93.0 million in the first nine months of 2004, including \$59.1 million in the third quarter. Growth in operating revenues have been more than offset by increased costs associated with a growing customer base and unhedged natural gas positions. In addition, higher interest costs in 2005 arising out of internal debt restructuring and an adjustment relating to unbilled revenue amounting to \$42.7 million, recorded in September 2004, together were the biggest drivers of the reduction in net earnings in the segment.

Total revenue during the first nine months of 2005 was \$787.1 million, including \$274.1 million in the third quarter. In the first nine months of 2004, ENMAX Energy recorded total revenue of \$735.0 million, including \$226.4 million in the third quarter, net of the adjustment described above. The increase in revenue was mainly due to an increase in natural gas revenues driven by higher sales volumes and to new revenues from the acquisitions completed earlier in the year.

The average wholesale Power Pool price was \$55 per megawatt hour (MWh) in the first nine months of 2005 compared to \$54 per MWh in the same period in 2004. In the third quarter of 2005, wholesale prices were \$67 per MWh compared to \$54 per MWh in the third quarter of 2004. Third quarter 2005 pool prices were higher primarily due to strong natural gas prices which averaged \$8.80 per gigajoule (GJ) in the third quarter of 2005 compared to \$5.90 per GJ in the third quarter of 2004.



ENMAX Energy sold 6,732 gigawatt hours (GWh) of electricity to customers in the nine months ended September 30, 2005, including 2,222 GWh in the third quarter compared to 6,713 GWh in the first nine months of 2004, including 2,220 GWh in the third quarter. Reduced sales volumes to regulated rate and flow-through customers were offset by higher sales volumes to contract customers.

ENMAX Energy recorded revenue of \$59.2 million from natural gas sales in the first nine months of 2005 compared to \$21.6 million in the same period in 2004. The increase in revenue is mainly due to higher retail natural gas sales volumes as a result of strategic growth initiatives in this business segment.

Cost of services provided during the first nine months of 2005 was \$700.4 million, including \$243.5 million in the third quarter. In the first nine months of 2004, ENMAX Energy recorded cost of services provided of \$638.0 million, including \$196.8 million in the third quarter. Increased costs in the first nine months of 2005 are mainly due to higher natural gas retail demand volumes and prices, and higher operations, maintenance and administrative costs resulting from increased retail activity. These increases were partially offset by reduced trading activity, and lower PPA transmission flow through charges.

ENMAX Energy's income tax expense in the first nine months of 2005 was \$17.1 million, including \$5.7 million in the third quarter down from \$44.3 million and \$20.6 million in the comparative periods of 2004. Higher interest expense deductions related to the recapitalization of the business segment in December, 2004, combined with the impact of a 2004 provincial tax rate reduction drove the change. The provincial rate reduction decreased ENMAX's future income tax asset balance by \$5.6 million, increasing income tax expense and reducing net earnings.

ENMAX Energy filed an RRT application with the EUB in the first quarter of 2005. The EUB process called primarily for a written submission with an oral session for the shared services and margin components of the application. The EUB's decision is expected in January of 2006.

In June, 2005 the Department of Energy, after almost 12 months of discussion, issued a policy paper that contemplated changes in the Alberta wholesale and retail electricity market design. The proposal is consistent with ENMAX's expectations which include modest changes to short term wholesale market design, an extension of hedging of Regulated Rate Tariffs on a declining basis for 5 years, and a continuation of the energy only wholesale market design with ongoing monitoring for adequacy. ENMAX continues to participate in implementation discussions with the Department of Energy and the Alberta Electric System Operator. Final regulation changes are not expected for several months.

## ENMAX Power

ENMAX Power recorded net earnings of \$22.8 million in the first nine months of 2005, including \$6.9 million in the third quarter. This compared to net earnings of \$28.3 million during the first nine months of 2004, including \$2.2 million in the third quarter. The decrease in earnings recorded in the first nine months of 2005 is primarily due to lower activity in ENMAX Power Services due to the completion of major projects in 2004 with no similar projects in the same period of 2005. Net earnings for the three months ended September 30, 2005 are higher than the same period in 2004 due to the recording of the impact of an EUB decision in the third quarter of 2004 which reduced distribution revenue for that period. No similar adjustment has been recorded in 2005.

Total revenue during the first three quarters of 2005 was \$252.4 million, including \$83.9 million in the third quarter. In the comparable periods in 2004, total revenue was \$246.3 million and \$70.7 million respectively. The increase in revenues is due primarily to increased wires revenue associated with increased volumes of electricity delivered and increases in local access fees.

ENMAX Power delivered 6,121 GWh of electricity during the first nine months of 2005, including 2,044 GWh in the third quarter. This compared to 5,964 GWh delivered in the first nine months of 2004, of which 1,988 GWh related to the third quarter. The increased volumes are attributed to growth in customer demand in the Calgary area during the first three quarters of 2005 compared to the same period in 2004.

The main component of ENMAX Power's costs are grid charges which were \$41.9 million in the first nine months of 2005 and \$14.0 million in the third quarter of 2005. In the first nine months of 2004, ENMAX Power recorded \$41.4 million for grid charges, including \$11.0 million in the third quarter. Grid charges are higher in 2005 compared to 2004 due to costs arising on the administration of the Alberta Tariff Billing Code project and higher energy consumption in the Calgary area.

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 interruption frequency of 0.53, totaling 14.4 minutes for the 12 months ended September 30, 2005. This compares to a frequency of 1.07, totaling 29.4 minutes during the previous 12-month period. Customer interruptions were lower due mainly to reliability improvement projects carried out by ENMAX and to a lesser extent to favorable winter conditions in 2005.

On August 29, 2005, the Alberta Energy and Utilities Board (EUB) commenced a hearing related to ENMAX Power's 2005 and 2006 Distribution Tariff in conjunction with ENMAX Energy's 2005 Regulated Rate Tariff (RRT) application related to electricity customers in Calgary. Information requests were received and ENMAX filed responses for both applications in October, 2005. EUB decisions are expected early January 2006. Any financial impact of the EUB's decisions will be recorded when the ruling is received.

In October ENMAX filed an application related to the 2006 Transmission Tariff. A hearing date is not yet set and therefore a decision related to this application is not anticipated until mid-2006, leaving no expectation of any impact on 2005 earnings.

## **ENMAX Corporate**

ENMAX Corporate segment incurs all costs related to shared services prior to allocating to the other business segments and provides centralized financing to the Energy and Power business segments, which generates intercompany interest income. During the nine months ended September 30, 2005, net earnings for ENMAX Corporate were \$57.0 million, up from \$4.6 million in the same period in 2004 due to higher interest charges to ENMAX Energy and ENMAX Power driven by the 2004 recapitalization.

## **RISK MANAGEMENT AND UNCERTAINTIES**

ENMAX follows an integrated approach to risk management across all ENMAX companies. For further information on risks, refer to Management's Discussion and Analysis in the 2004 Annual Report, available on the ENMAX website at [www.enmax.com](http://www.enmax.com).

## **OUTLOOK**

On October 25, 2005, ENMAX launched EasyMax, its new retail energy offer for residential and small commercial customers in Alberta. The offer provides that customers who bundle electricity and natural gas together achieve \$100 per year in savings and matches government regulated rates without long term contracts or penalties. The Company expects the offer to result in a significant increase in its residential and small commercial customer base.

## **COMMUNITY AND ENVIRONMENT**

ENMAX continues to invest in community programs and activities, with an emphasis on community development and youth and education. During the third quarter, event sponsorship included the Calgary Folk Music Festival, ENMAX Family Day and support of the Novice afternoon rodeo events at the Calgary Stampede. The annual ENMAX Bright Minds Scholarships were awarded through Mount Royal College in September 2005.

ENMAX continues to focus on renewable sources of energy, including hydro and wind generating facilities. In addition to its current ownership interest in the McBride Lake wind power generating facility, ENMAX is moving forward with plans previously announced to build and operate an 80MW wind power generating facility in the Municipal District of Taber in southern Alberta. ENMAX's newest renewable generation facility, the 11-MW Furry Creek run-of-river hydro facility in British Columbia, produced 32,500 MWh of zero emissions electricity, enough to supply 5,400 homes over an approximate nine month period.

In addition, ENMAX provided environmental training to over 70% of the ENMAX Power workforce, on track to surpass the target of having 75% of employees receive environmental training in 2005.

## 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 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 is celebrating its 100th year of providing Albertans with safe and reliable electricity. A wholly owned subsidiary of The City of Calgary, ENMAX provides electricity, natural gas, renewable energy and value-added services to more than 435,000 residential, commercial and industrial customers in Alberta through its subsidiary companies. In addition, ENMAX owns 50% of Canada’s largest wind farm and has the first and largest green power marketing program of its kind in Canada. For more information, visit our website at [enmax.com](http://enmax.com).

ENMAX welcomes questions from stakeholders.  
141 50 Avenue S.E.  
Calgary, Alberta T2G 4S7

Please direct financial inquiries to:

Gary Holden  
President and CEO  
(403) 514-2820

Kim Hubick, C.A.  
Vice President, Finance and Controller  
(403) 514-2780

Please direct media inquiries to:

Peter Hunt  
Vice President, Public Affairs  
(403) 514-1457

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

**CONSOLIDATED BALANCE SHEETS**

(millions of dollars) (unaudited)	<b>September 30, 2005</b>	December 31, 2004
<b>ASSETS</b>		
Cash and cash equivalents	\$ 19.6	\$ 353.3
Marketable securities, at lower of cost or market	250.1	-
Accounts receivable	239.7	226.5
Inventories	13.5	13.6
Current portion of 2000 deficiency rider receivable	-	5.3
Other current assets	3.0	1.5
	<u>525.9</u>	<u>600.2</u>
Capital assets	848.5	786.8
Power purchase arrangements	152.3	160.0
Future income tax asset	168.5	173.6
Other long-term assets	11.1	9.8
	<u>841.4</u>	<u>1,130.2</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 1,706.3</b></u>	<u><b>\$ 1,730.4</b></u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 128.0	\$ 203.8
Dividend payable	12.5	-
Customer deposits	15.3	15.3
Current portion of long-term debt	33.4	32.8
	<u>189.2</u>	<u>251.9</u>
Long-term debt	214.5	219.5
Future income tax liability	8.4	2.1
Other long-term liabilities	16.4	18.2
	<u>249.3</u>	<u>250.6</u>
<b>TOTAL LIABILITIES</b>	<u><b>428.5</b></u>	<u><b>491.7</b></u>
<b>NON-CONTROLLING INTEREST</b>	<u><b>0.9</b></u>	<u><b>-</b></u>
<b>SHAREHOLDER'S EQUITY</b>		
Share capital	280.1	280.1
Retained earnings	996.8	958.6
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<u><b>1,276.9</b></u>	<u><b>1,238.7</b></u>
<b>COMMITMENTS AND CONTINGENCIES (Note 6)</b>		
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u><u><b>\$ 1,706.3</b></u></u>	<u><u><b>\$ 1,730.4</b></u></u>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(millions of dollars) (unaudited)	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
<b>REVENUE</b>				
Sales of electricity and natural gas	\$ 216.6	\$ 234.4	\$ 614.2	\$ 620.6
Transmission and distribution revenue	67.9	54.0	204.0	196.5
Contractual services and other	25.3	24.2	74.4	70.0
<b>TOTAL REVENUE</b>	<b>309.8</b>	312.6	<b>892.6</b>	887.1
<b>COST OF SERVICES PROVIDED</b>				
Electricity and natural gas costs	149.2	118.0	418.9	369.6
Grid charges	34.7	28.7	98.3	98.2
Local access fees	18.0	15.5	54.2	50.2
Operations, maintenance and administration	52.8	49.3	160.9	147.5
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>254.7</b>	211.5	<b>732.3</b>	665.5
<b>EARNINGS BEFORE AMORTIZATION, INTEREST AND INCOME TAX CHARGES</b>				
	55.1	101.1	160.3	221.6
Amortization	14.8	12.2	43.9	39.8
Interest	3.5	3.9	10.7	10.4
<b>EARNINGS BEFORE INCOME TAX AND NON-CONTROLLING INTEREST</b>				
	36.8	85.0	105.7	171.4
Income tax	5.9	20.8	17.7	45.5
Non-controlling interest	(0.1)	-	(0.2)	-
<b>NET EARNINGS</b>	<b>31.0</b>	<b>64.2</b>	<b>88.2</b>	<b>125.9</b>
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>				
	965.8	868.1	958.6	856.8
Dividend declared	-	-	(50.0)	(50.4)
<b>RETAINED EARNINGS, END OF PERIOD</b>				
	<b>\$ 996.8</b>	<b>\$ 932.3</b>	<b>\$ 996.8</b>	<b>\$ 932.3</b>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of dollars) (unaudited)	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
<b>CASH PROVIDED BY (USED IN):</b>				
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 31.0	\$ 64.2	\$ 88.2	\$ 125.9
Amortization	17.4	14.6	51.6	47.0
Future income taxes	1.1	1.8	4.7	11.1
Non-controlling interest	(0.1)	-	(0.2)	-
Change in unrealized market value of financial contracts	0.5	3.1	(0.7)	6.6
Cash flow from operations	<u>49.9</u>	<u>83.7</u>	<u>143.6</u>	<u>190.6</u>
Change in non-cash working capital items	<u>(21.7)</u>	<u>(10.9)</u>	<u>(93.9)</u>	<u>10.1</u>
	<u>28.2</u>	<u>72.8</u>	<u>49.7</u>	<u>200.7</u>
<b>INVESTING ACTIVITIES</b>				
Purchase of marketable securities	(250.1)	-	(250.1)	-
Purchase of capital assets	(28.9)	(24.7)	(76.7)	(63.2)
Contributions in aid of construction	2.3	1.6	6.8	5.5
2000 deficiency rider receivable collected	0.0	11.4	5.3	34.5
Acquisitions, net of cash acquired (Note 4)	(0.0)	-	(9.4)	-
Customer deposits	1.8	-	(0.0)	1.0
Other long-term assets	0.3	0.2	(1.0)	0.6
	<u>(274.6)</u>	<u>(11.5)</u>	<u>(325.1)</u>	<u>(21.6)</u>
<b>FINANCING ACTIVITIES</b>				
Long-term debt (repaid) / issued	(5.3)	(5.4)	(19.7)	105.7
Other long-term liabilities	1.8	(3.4)	(1.1)	(1.0)
Dividend paid	(12.5)	(12.6)	(37.5)	(37.8)
	<u>(16.0)</u>	<u>(21.4)</u>	<u>(58.3)</u>	<u>66.9</u>
(Decrease) / increase in cash and cash equivalents	<u>(262.4)</u>	<u>39.9</u>	<u>(333.7)</u>	<u>246.0</u>
Cash and cash equivalents, beginning of period	<u>282.0</u>	<u>307.0</u>	<u>353.3</u>	<u>100.9</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 19.6</u>	<u>\$ 346.9</u>	<u>\$ 19.6</u>	<u>\$ 346.9</u>
Interest paid	<u>\$ 2.6</u>	<u>\$ 2.7</u>	<u>\$ 10.6</u>	<u>\$ 8.6</u>
Income taxes paid	<u>\$ 1.9</u>	<u>\$ 1.1</u>	<u>\$ 44.9</u>	<u>\$ 9.5</u>

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, 2004. 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 2004 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.

#### **Marketable Securities**

Marketable securities are carried at the lower of cost and fair market value. At September 30, 2005, the fair market value was \$250.6 million (2004 – nil).

## 2. Segmented Information

Three months ended September 30 (unaudited) (millions of dollars)	ENMAX Energy		ENMAX Power		ENMAX Corporate <sup>(1)</sup> (and intersegment eliminations)		Consolidated Totals	
	2005	2004	2005	2004	2005	2004	2005	2004
	<b>REVENUE</b>							
Sales of electricity and natural gas	\$ 264.6	\$ 271.8	\$ -	\$ -	\$ (48.0)	\$ (37.4)	\$ 216.6	\$ 234.4
Transmission and distribution revenue	-	-	67.9	54.0	-	-	67.9	54.0
Contractual services and other	9.5	9.6	16.0	16.7	(0.2)	(2.1)	25.3	24.2
<b>TOTAL REVENUE</b>	<b>274.1</b>	<b>281.4</b>	<b>83.9</b>	<b>70.7</b>	<b>(48.2)</b>	<b>(39.5)</b>	<b>309.8</b>	<b>312.6</b>
<b>COST OF SERVICES PROVIDED</b>								
Electricity and natural gas costs <sup>(2)</sup>	149.2	118.0	-	-	-	-	149.2	118.0
Grid charges	69.0	55.6	14.0	11.0	(48.3)	(37.9)	34.7	28.7
Local access fees	0.0	-	18.0	15.5	-	-	18.0	15.5
Operations, maintenance and administration	25.3	23.2	29.8	30.0	(2.3)	(3.9)	52.8	49.3
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>243.5</b>	<b>196.8</b>	<b>61.8</b>	<b>56.5</b>	<b>(50.6)</b>	<b>(41.8)</b>	<b>254.7</b>	<b>211.5</b>
<b>EARNINGS BEFORE AMORTIZATION, INTEREST, INCOME TAX AND NON-CONTROLLING INTEREST</b>								
	30.6	84.6	22.0	14.2	2.4	2.3	55.1	101.1
Amortization	5.0	4.2	10.5	8.3	(0.7)	(0.3)	14.8	12.2
Interest	15.5	0.7	4.6	3.7	(16.6)	(0.5)	3.5	3.9
Income tax	5.7	20.6	-	-	0.2	0.2	5.9	20.8
Non-controlling interest	(0.1)	-	-	-	-	-	(0.1)	-
<b>NET EARNINGS</b>	<b>\$ 4.5</b>	<b>\$ 59.1</b>	<b>\$ 6.9</b>	<b>\$ 2.2</b>	<b>\$ 19.5</b>	<b>\$ 2.9</b>	<b>\$ 31.0</b>	<b>\$ 64.2</b>
<b>CAPITAL ADDITIONS</b>	<b>\$ 5.1</b>	<b>\$ 1.2</b>	<b>\$ 23.4</b>	<b>\$ 21.5</b>	<b>\$ 0.4</b>	<b>\$ 2.0</b>	<b>\$ 28.9</b>	<b>\$ 24.7</b>

Nine months ended September 30 (unaudited) (millions of dollars)	ENMAX Energy		ENMAX Power		ENMAX Corporate <sup>(1)</sup> (and intersegment eliminations)		Consolidated Totals	
	2005	2004	2005	2004	2005	2004	2005	2004
	<b>REVENUE</b>							
Sales of electricity and natural gas	\$ 759.4	\$ 763.2	\$ -	\$ -	\$ (145.2)	\$ (142.6)	\$ 614.2	\$ 620.6
Transmission and distribution revenue	-	-	204.0	196.5	-	-	204.0	196.5
Contractual services and other	27.7	26.8	48.4	49.8	(1.7)	(6.6)	74.4	70.0
<b>TOTAL REVENUE</b>	<b>787.1</b>	<b>790.0</b>	<b>252.4</b>	<b>246.3</b>	<b>(146.9)</b>	<b>(149.2)</b>	<b>892.6</b>	<b>887.1</b>
<b>COST OF SERVICES PROVIDED</b>								
Electricity and natural gas costs <sup>(2)</sup>	418.9	369.6	-	-	-	-	418.9	369.6
Grid charges	202.8	200.8	41.9	41.4	(146.4)	(144.0)	98.3	98.2
Local access fees	0.0	-	54.2	50.2	-	-	54.2	50.2
Operations, maintenance and administration	78.7	67.6	88.9	86.6	(6.7)	(6.7)	160.9	147.5
<b>TOTAL COST OF SERVICES PROVIDED</b>	<b>700.4</b>	<b>638.0</b>	<b>185.0</b>	<b>178.2</b>	<b>(153.1)</b>	<b>(150.7)</b>	<b>732.3</b>	<b>665.5</b>
<b>EARNINGS BEFORE AMORTIZATION, INTEREST, INCOME TAX AND NON-CONTROLLING INTEREST</b>								
	86.7	152.0	67.4	68.1	6.2	1.5	160.3	221.6
Amortization	15.1	12.9	30.7	28.8	(1.9)	(1.9)	43.9	39.8
Interest	46.3	1.8	13.9	11.0	(49.5)	(2.4)	10.7	10.4
Income tax	17.1	44.3	-	-	0.6	1.2	17.7	45.5
Non-controlling interest	(0.2)	-	-	-	-	-	(0.2)	-
<b>NET EARNINGS</b>	<b>\$ 8.4</b>	<b>\$ 93.0</b>	<b>\$ 22.8</b>	<b>\$ 28.3</b>	<b>\$ 57.0</b>	<b>\$ 4.6</b>	<b>\$ 88.2</b>	<b>\$ 125.9</b>
<b>CAPITAL ADDITIONS</b>	<b>\$ 13.8</b>	<b>\$ 3.9</b>	<b>\$ 62.4</b>	<b>\$ 56.4</b>	<b>\$ 0.5</b>	<b>\$ 2.9</b>	<b>\$ 76.7</b>	<b>\$ 63.2</b>

1. In December 2004, ENMAX recapitalized its subsidiaries through a combination of inter-company loan arrangements and dividends. The recapitalization was undertaken to match the regulator approved capital structure in ENMAX Power and to make the ENMAX Energy capital structure more consistent with the fair market value of its assets. To reflect this new structure, ENMAX has revised its segmented reporting. Beginning with the first quarter of 2005, external and intercompany interest revenue and expenses incurred by ENMAX Corporation is reported as part of ENMAX Corporate. Previously these amounts were included within the operating segment results. Comparative periods have been restated to reflect these changes.

2. Included in electric costs is \$2.6 million (2004 - \$2.4 million) and \$7.7 million (2004 - \$7.2 million) pertaining to the amortization of PPAs for the three and nine months ended September 30, respectively.

Segmented Total Assets (millions of dollars) (unaudited)	September 30, 2005	December 31, 2004
ENMAX Energy	\$ 727.8	\$ 706.9
ENMAX Power	675.0	657.0
ENMAX Corporate	303.5	366.5
	<b>\$ 1,706.3</b>	<b>\$ 1,730.4</b>

### 3. Accounting Changes

#### Intercompany Profit relating to Rate-Regulated Operations

Commencing in the first quarter of 2005, the intercompany profit related to capital asset construction work performed by an ENMAX subsidiary for the regulated operations of ENMAX is deemed to be realized to the extent that the transfer price is recognized for rate-making purposes by the regulator. Comparative periods have been adjusted to conform to this treatment. The impact on capital assets and retained earnings at December 31, 2004 is an increase of \$14.7 million. The impact on net earnings for the nine months ended September 30, 2004 is an increase of \$3.3 million.

### 4. Acquisitions

In the first quarter of 2005, ENMAX purchased 100% of the outstanding shares of Valeo Power Corporation, a privately held electricity retailer and services company. The primary assets of the company are commercial and industrial electricity contracts.

In April 2005, the Corporation acquired 99% of Furry Creek Power Ltd. ("Furry Creek"), which owns a run-of-river 11 megawatt hydro-electric facility located north of Vancouver. In addition, ENMAX and Vancouver-based Eaton Power Corporation entered into a newly formed business venture to develop run-of-river hydro projects in British Columbia over the next five years. ENMAX invested \$2.0 million in exchange for a 65% interest in the newly formed company, Hydromax Energy Ltd. The company's assets include run-of-river hydro projects in the early stages of development.

ENMAX accounted for these acquisitions using the purchase method and the results of operations have been included in the consolidated financial statements since the effective dates of the acquisitions. The allocation of the purchase prices are as follows:

Net assets acquired (millions of dollars):

Current assets	\$ 1.3
Capital assets	35.7
Other long-term assets	0.3
Current liabilities	(4.7)
Long-term debt	(15.4)
Future income tax liabilities	(6.7)
Non-controlling interest	<u>(1.1)</u>
Total cash consideration, net of cash acquired	<u>\$ 9.4</u>

## 5. 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 nine months ended September 30, 2005 is \$2.4 million (2004 - \$2.3 million) and \$7.1 million (2004 - \$6.7 million), respectively.

## 6. Commitments and Contingencies

### 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 million, based on an estimated fair market value of \$855 million.

In June 2005, the Corporation received a notice of assessment from Alberta Finance in respect of the 2001 taxation year. The assessment amounts to \$16.9 million, including \$3.2 million of interest. The assessment relates 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.

The Corporation does not agree with the assessment and, on September 24, 2005, commenced the necessary steps to defend its position through the formal appeals process. 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.

## 7. Comparative Figures

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