

Energy is our business



The nation's energy landscape continues to evolve, creating a multitude of opportunities and challenges for our industry and our company. Looking ahead, we believe energy will increasingly become a super-regional business with a handful of very large players.



DTE Energy intends to be among the top competitors. Our utilities provide a solid foundation with more than a century of service to our customers. We continue to build on this rich heritage. A focused portfolio of energy-related non-utility businesses allows us to leverage our utility expertise and broaden our reach. This strong business mix, coupled with a disciplined growth strategy, positions us well to respond to the changing marketplace.

DTE Energy Chairman and Chief Executive Officer Tony Earley.

I expected 2005 to be a rebound year and it was. Our 2005 diluted earnings per share were \$3.05 compared to \$2.49 in 2004, a 22.5 percent increase. Reflected in these results was the improved financial performance of our two utilities. Rate increases authorized for both Detroit Edison and MichCon had a major impact on our bottom line. So did the favorable weather.

I believe both utilities are poised to grow at a level we have not seen for two or three decades. Combined, their earnings could increase 5 percent annually through 2010. To achieve this we must:

- Continue the good progress we're making to establish a constructive regulatory environment in Michigan.



DTE Energy is a leader in keyhole technology designed to minimize gas leak repair time and costs. Fitters Fred Drys (left) and Alphonso Hill.

- Complete a series of utility investments that will increase the asset base on which we earn the 11 percent allowed return. (These investments are reviewed later in this report.)
- Lower costs and streamline processes through our Performance Excellence Process.

One caveat to this generally positive picture is Michigan's economy. A return to more robust levels would give the company more growth opportunities.

Our non-utility businesses also are on a growth trajectory. We plan to redeploy approximately \$1 billion of cash to build these

businesses through 2008. We expect this cash will be generated primarily from synfuel tax credits, assuming the tax credits are not phased out and sufficient taxable income exists to use the credits. The phase out of credits depends on the price of oil.

We're focused on three core non-utility business segments: power and industrial projects, unconventional gas production, and fuel transportation and marketing. Each segment has the potential to produce net income of \$50 million to \$100 million by 2008.

In 2005, we made good progress. We closed four on-site energy transactions. We began operating our first petroleum coke processing plant. We acquired three landfill gas recovery projects in two states. We substantially ramped up our Barnett Shale business. We expanded our gas storage and pipeline capacity.

To build on our progress, in 2006 we are focused on significantly improving our cost profile and our operating performance. We believe that across the board top quartile performance will not only improve our bottom line, but will also help us respond appropriately to the changes occurring in our industry.

Our ultimate goal is to provide superior service to our customers and premium returns to our shareholders. As we worked through our regulatory issues in 2004 and 2005, our shareholder returns were disappointing. Now we are ready to reap the value we have developed at DTE Energy.

Thank you for your continued support as we build an exciting future for your company.

Sincerely,

A handwritten signature in black ink that reads "Anthony F. Earley Jr.".

Anthony F. Earley Jr.

Chairman and Chief Executive Officer

March 1, 2006