

ROMANDE ENERGIE INVESTS IN GERMAN THERMAL POWER STATION PROJECT

**Indispensable contribution
to security of energy supplies on competitive terms**

Romande Energie has decided to invest in a thermal power station project at Brunsbüttel, Germany, in order to reinforce its energy portfolio and meet two major strategic objectives:

- guarantee supplies for its clients on a long-term basis;**
- ensure stable and competitive prices for clients by reducing its dependence on the market.**

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Several studies addressing the issue of Switzerland's energy supplies have been published recently and others are due to be released shortly. All of them highlight the need for new supply sources to deal with constantly rising consumption, the expiry of long-term import contracts and the programmed decommissioning of the country's first-generation nuclear power stations.

Mindful of their responsibilities and their mission, Swiss electricity utilities are striving to find short- and medium-term solutions in the face of these developments. Large-scale power station projects of all types are being widely curbed in Switzerland and investments abroad cannot be avoided today. This is the background to Romande Energie's decision to invest in a new coal-fired thermal power station that will be built at Brunsbüttel in Germany.

Swiss government's strategy

According to government specialists and numerous other sources that have reached the same conclusion, a shortfall in the country's electricity supplies – a critical factor in winter – looks set to emerge between 2012 and 2019. To deal with this nationwide problem, the government has drawn up a four-pronged strategy focusing on energy efficiency, promotion of new forms of renewable energy, replacement and construction of electricity plants and Switzerland's international energy policy.

Switzerland has set the following medium-term targets for its energy policy:

- reduce fossil fuel consumption by 20% between 2010 and 2020;
- increase the share of renewable energy by 50% from current levels in order to achieve, at best, 10% coverage of total needs in the next 20 to 30 years;
- limit the rise in electricity consumption to a maximum of 5% between 2010 and 2020.

The government also intends to pursue an active incentive-based strategy to increase energy efficiency on the part of companies and households.

As can be seen from the government's approach – and despite the measures outlined above – large-scale power plants are essential to ensure Switzerland's electricity supply.

However, opportunities for developing such plants in Switzerland are very limited. There is no possibility of building new dams, the future of nuclear power is fraught with uncertainty and the granting of new concessions is an extremely lengthy process, not to mention the difficulties involved in building gas-fired thermal plants given the restraints imposed by Swiss carbon offsetting regulations. The government has therefore decided to step up cooperation with other countries to guarantee security of supply. By the same token, investments by Swiss electricity companies in production units abroad are becoming indispensable, as they contribute significantly to providing the country with sufficient, safe and economical power supplies.

Romande Energie's response

Romande Energie presented its strategy in April 2006. On the supply front, the Group plans to reduce dependence on the market by substantially increasing the proportion of its own-power production. It intends to do this by:

- building alone, or in partnership with other players, power stations based on renewable energy sources (hydraulics, mini hydraulics, solar, wind, biomass), through Romande Energie Renouvelable SA, a subsidiary created at end-2006;
- entering into long-term agreements in Switzerland and abroad;
- acquiring shareholdings in projects for power generation plants in Switzerland and abroad.

Since it announced its strategy, Romande Energie has freed up more than CHF 115 million for the construction of production units based on renewable energy sources.

The Group is committed to new hydroelectric plant projects on the Rhône and at Hongrin (FMHL+) and it is taking part in the gas-fired thermal power plant projects at Chavalon (CTV) and Cornaux. During the next five to ten years, a total amount of over CHF 1 billion will be invested in these four projects by the partners and production companies involved.

Furthermore, like several other Swiss groups, Romande Energie is on the lookout for shareholdings in energy production facilities in Europe. The decision to invest in the Brunsbüttel project is a logical consequence of this approach.

Concurrently with its efforts to increase own-power generation capacity, Romande Energie wants to play a key role in promoting energy saving and rational energy use. This mission has been entrusted to the Environment business unit, which was created on 1 February 2008 and whose tasks will include contributing actively to the development of heat pumps in French-speaking Switzerland.

Substantial increase in own-power generation capacity

On 31 July 2008, in accordance with the decision taken by its Board of Directors, Romande Energie signed a subscription with the German company SüdWestStrom for a tranche of 50 megawatts in the coal-fired thermal power station project at Brunsbüttel. For the record, 50 megawatts is equivalent to the production of some 300 GWh a year, or the consumption of around 85,000 households.

This investment will raise own-power generation by Romande Energie from 500 GWh to 800 GWh, which represents approximately 30% of the energy distributed in 2007, i.e. an increase of some 11% on current levels. The subscription consists of the acquisition of a partnership share of EUR 2.5 million (CHF 4 million) in the German company. Subsequently, Romande Energie will participate in the capital increases that will be determined according to how the work progresses.

Apart from this investment, Romande Energie has no intention of abandoning its stake in the Chavalon and Cornaux power stations, the necessity of which is not called into question. The Group remains firmly committed to these two projects, even though they are badly penalized by the current framework conditions.

A project strongly supported by the German public authorities

The support provided by the regional authorities ensures the development of the Brunsbüttel project. Moreover, no less than 50 utilities in Southern Germany are involved in the project as shareholders. The advantages of the Brunsbüttel power station include an energy return which is considerably higher than older coal-fired plants and much better ecology credentials, particularly in terms of CO₂ emissions. The authorization to build the plant is expected in the third quarter of 2009, with commissioning scheduled for early 2013.

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Note to editorial desks

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