

Romande Energie 2008 results satisfactory despite decline in net income

For Romande Energie Group, 2008 was a year geared to the achievement of two major objectives: demonstrating its environmental commitment through ambitious projects undertaken by its new Environment business unit, and developing processes, services and marketing approaches to meet the requirements of partial market deregulation on 1 January 2009. The Group's full-year net income amounted to CHF 123 million, a decline of almost 29% compared with 2007.

Morges, 30 March 2009 – In financial terms, the main features of Romande Energie's business performance in 2008 are as follows:

- increase of CHF 99.6 million in net revenues to CHF 572.5 million, due to growth of 17.2% in the volume of energy sales following the creation of the Group's marketing company, Romande Energie Commerce SA;
- explosive rise in the cost of energy supplies. Up 39.6%, this item represents additional expenditure of CHF 82.9 million;
- decline of 28.6% in net income, mainly due to the fall in affiliated companies' earnings, which were influenced on the upside by an exceptional accounting operation in 2007.

Net revenues up

The increase of CHF 96 million in energy revenues reflects substantial growth in sales volume, which rose by 502 GWh (+17.2%). This is explained by the creation of Romande Energie Commerce SA, which brings together the marketing activities of several electricity distributors in Vaud Canton, and by the favourable sales trend on the wholesale market.

Sharp rise in energy purchases

The cost of energy supplies rose by 39.6%, exceeding the 2007 figure by CHF 82.9 million. This increase was due to larger purchasing volumes (up 22.9%), an average purchase price considerably higher than a year earlier, and a fall of 9.5% in own-power generation.

Operating expenses under control

Operating expenses amounted to CHF 163.4 million, showing an increase of CHF 5.1 million over the year, or CHF 4.4 million at constant scope. This rise is attributable to the costs associated with the upgrading of IT and management systems to meet the new legal requirements resulting from market deregulation and, to a smaller extent, the decline in income from sales of fixed assets.

Drop in income from affiliated companies

The main source of income from affiliated companies was the investment in EOS Holding SA, which contributed CHF 58.7 million to Group earnings last year (CHF 96 million in 2007). However, in 2007 the reversal of an impairment charge of CHF 71 million, which was not related to operating activities and was non-recurrent, was included in the Group's share in EOS' net income. Excluding the effect of this operation, equity in net income of affiliated companies rose by CHF 33.7 million.

Net income down 28.6%

The fall of 28.6% in net income to CHF 122.6 million was mostly due to the decline in earnings from affiliated companies. Excluding this factor, the Group's net income for 2008 dropped by 7.3% to CHF 58.8 million.

Higher dividend

On 15 May, the Board of Directors will be seeking approval from the General Meeting of Shareholders for a dividend of CHF 22. If the Board's proposal is adopted, this will be the seventh increase in succession and the total distribution – based on the number of shares outstanding – will be CHF 24.2 million.

Key figures	2008 CHF 000	2007 CHF 000
Net revenues	572,455	472,807
EBITDA	129,794	116,239
EBIT	84,719	72,728
Equity in net income of affiliated companies	63,835	108,202
Group net income	122,669	171,618
Number of employees (in full- time equivalents) at year-end	643	644*

*excluding outsourced activities

Romande Energie Group**Long-term development strategy, initiatives on numerous fronts***Environment*

Convinced as it is of the development potential of new renewable energies and the legitimacy of promoting rational energy use, Romande Energie created the Environment business unit on 1 February 2008 to conduct activities built around four basic lines of Group strategy: hydraulic production (existing installations and new large-scale projects), research and development, energy efficiency and – through its subsidiary, Romande Energie Renouvelable – power generation using renewable energy sources (wind, biomass, mini hydraulics and solar). The Group has set ambitious goals for this new business unit, including the production of 250-300 GWh of electricity from renewable energy sources by 2020-25 and annual sales of 500 turnkey heat pumps by around 2013.

Distribution

Romande Energie intends to keep pace with technical and technological advances, meet the challenges of demographic trends and respond to the needs of economic players, while extending the life cycle of existing installations. This is why it invests around CHF 60 million a year in the upkeep and renovation of its grids, which ensure electricity supplies for its clients. The Group also attaches great importance to cutting operating costs and grid usage tariffs, as well as maintaining high distribution quality. The objective is to offer a service with the best price/quality ratio in order to support the regional economy and underpin consumers' purchasing power.

Marketing

Market deregulation has entered its first phase without arousing the enthusiasm that was expected among eligible clients (those consuming over 100,000 kWh/per year per site) and electricity companies, which are finding it hard to give up their century-old monopoly. Romande Energie, for its part, has done all it can to overcome the technical, operational and financial constraints arising from deregulation, in particular by enhancing the range and quality of its services and conducting targeted marketing campaigns. The efforts of the teams at Romande Energie and Romande Energie Commerce have been rewarded by some initial positive results, encouraging them to carry on in the same vein to gain the loyalty of eligible clients and win new business in the run-up to full deregulation in 2014, when all customers will have freedom of choice in the electricity market.

Outlook for 2009

In 2009, Romande Energie Group will press ahead with the developments and innovations necessary to provide ever-higher levels of customer satisfaction and guarantee competitive tariffs, while adjusting to the deterioration in global economic conditions. The Group will enter into long-term agreements and step up its own-power production in order to ensure security of supply. In accordance with Swiss energy policy, the investments undertaken for this purpose will be geared to expanding generation based on new renewable energies and the acquisition of shareholdings in high-production power plants in Switzerland and abroad. Romande Energie will also be taking concrete steps this year to implement its strategy of promoting energy efficiency.

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