

2010 RESULTS FOR ROMANDE ENERGIE GROUP

Continued financial strength, bringing ambitious targets increasingly within reach

Romande Energie will present its results for 2010 today. They show a significant increase in gross margin as well as a small decrease in total revenues, a dip in net income and financial expenses affected by euro depreciation. The Group's strategy for the 2011-2020 period is aimed at increasing the number of direct customers, broadening supply networks, ensuring competitive prices and developing own-power production.

Morges, 28 March 2011 – Romande Energie Group's business performance in 2010 may be summed up as follows:

- Increase in the volume of electricity distributed (+3.9%) and sold (+2.5%) to end-customers.
- Small decrease in net revenues (-1.1%) to CHF 577 million.
- Considerable improvement in gross margin (+7.4%) to CHF 237 million.
- Net income of CHF 84 million, in line with expectations but showing a fall of 17%.
- Shareholders' equity of CHF 2.6 billion – testifying to the Group's solid finances.

Dip in net revenues

Net revenues fell by 1.1% to CHF 577 million. Reflecting the buoyant local economy in Western Switzerland, energy sales to end customers (+2.5%) and power distribution across the grid (+3.9% at constant scope) both rose in relation to 2009. However, the resultant rise in revenue was not sufficient to offset the contraction in sales on the energy markets and powerbalancing activities. Other income was stable at CHF 129 million.

Stable energy costs

The drop in energy sales on the markets also led to a decline in the cost of energy purchases. Conversely, the reduction in prices in Swiss and European power markets had little impact on the Group, which relies on long-term contracts for its power supplies. Consequently, supply costs were similar to those in 2009. Hydroelectric generation also rose 5% in 2010 relative to 2009, although it was still well below average in a multi-annual comparison.

Rise in gross margin

Gross margin was up 7.4% at CHF 237 million, representing an increase of CHF 16 million over the year.

Higher operating expenses

The Group continued to keep a tight grip on operating expenses, with personnel expenses down 3.5% in 2010. However, operating expenses were up 24% at CHF 53 million, due mainly to development at the Environment business unit, increased capital expenditure on generation facilities and PR spending to enhance the Romande Energie brand in the face of increasingly tough competition.

Financial income and expenses

A substantial proportion of Romande Energie's energy supplies and purchases is denominated in euros. As a result, financial expenses were heavily influenced by the plunge in this currency last year. Valuation adjustments led to the recognition of expenditure amounting to CHF 19 million. In addition, a new CHF 100 million borrowing to finance investments for development of the Group's own-power production pushed up financial expenses by CHF 1 million.

Income from affiliated companies

Earnings for 2009 had been boosted by exceptional income of CHF 612 million paid to shareholders of EOS Holding SA in connection with the creation of the Alpiq Group, leading to income from affiliated companies of CHF 675 million. In 2010, this item came to CHF 66 million, in line with the preceding year's figure after adjustment for the above exceptional gain.

Decline in net income

The Group posted net income of CHF 84 million, marking a 17% decline compared with 2009 (CHF 101 million excluding the exceptional contribution from the transaction leading to the creation of Alpiq).

2010 dividend

On 17 May, the Board of Directors will seek approval from the General Meeting of Shareholders for a dividend of CHF 25 per share, an increase of 14% in relation to the previous year's payout. Based on the number of shares outstanding, the total distribution will be CHF 27.4 million.

Outlook for 2011

Challenges and costs of energy supply

Even though Romande Energie is working hard to promote energy efficiency amongst its customers, this will not curb growth in energy needs in Vaud Canton over the short or medium term. Indeed, over the next decade, demographic and economic growth in the Canton is projected to exceed the national average. Pierre-Alain Urech, CEO of Romande Energie, spells this out as follows: "Our prime responsibility is to have sufficient power at our disposal to meet the needs of our customers on a daily basis". To do this, the Group will continue balancing out its own production, long-term supply contracts and power sourcing on Swiss and European markets. "As 95% of our energy-supply portfolio for 2011 is covered, EBITDA has little exposure to market volatility. This is reassuring after what has happened in Fukushima," notes Denis Matthey, CFO.

Investing in production

To gain more independence and exert greater control over charges and tariffs, Romande Energie intends to expand initiatives to step up own-power production. Substantial investments will be needed to achieve such a target. "Our projects for the next 10 years represent a financial commitment of over CHF 900 million," explains Denis Matthey. Two-thirds of investments currently planned concern hydroelectric installations or projects leveraging new renewable energy sources, while the remaining one-third relates to conventional gas-fired plants. For 2011 alone, the Group is looking to invest CHF 80 million in renewable generation facilities. "Despite the reservations expressed about certain projects, we are sticking to our targets in this field," reaffirms Pierre-Alain Urech.

Competitiveness and customer focus

Increasing the number of customers through cooperation with other power companies and the acquisition of distribution grids is another potential area of development for the Group. The asset-management strategy implemented during recent years makes it possible to optimize network investments – approximately CHF 60 million annually – and make economies of scale "in order to improve the competitiveness of our grid usage tariff and offer our clients ever-better value for money," says Denis Matthey.

Strategy for 2011-2020

To meet the challenges posed by the growing number of direct customers, larger networks, competitive pricing and expansion of own-power production, Romande Energie has recalibrated its strategy for the 2011-2020 period. It is planning to launch multi-energy activities (power, gas and heat) and increase autonomy in each business line (generation, energy management, distribution, product and service marketing). "This strategy confirms our strong commitment to civil society and our customer-oriented approach in today's competitive marketplace," concludes the CEO.

Romande Energie Group Key Figures	2010	2009	Change as %
Energy distributed on the Group's grid (GWh)	2,777	2,649	4.8%
Energy sold to end-clients (GWh)	2,843	2,775	2.5%
Net revenues (CHF 000)	577,111	583,745	-1.1%
Gross margin (CHF 000)	237,117	220,784	7.4%
EBITDA (CHF 000)	107,592	98,923	8.8%
Depreciation and valuation adjustments (CHF 000)	(58,767)	(47,393)	24.0%
EBIT (CHF 000)	48,825	51,530	-5.2%
Income from affiliated companies (CHF 000)	65,738	675,163	
Net income (CHF 000)	83,994	713,037	
Staff numbers at 31 December	674	660	2.1%

Note to editorial desks

This press release is being issued outside the trading hours of the SIX Swiss Exchange as required by the SIX Listing Rules on ad hoc publicity.

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Pierre-Alain Urech, CEO, and Denis Matthey, CFO, will take questions:

From the media

At the press conference to be held on the premises of Romande Energie (rue de Lausanne 53, Morges) at 10:30 am on Monday 28 March 2011.

From analysts and investors

- At the Alpha-Palmiers hotel in Lausanne (rue du Petit-Chêne 34) at 12 pm on Monday 28 March 2011.
- In the Au Premier conference room at Les Trouvailles hotel, Zurich main station, at 10 am on Tuesday 29 March 2011.

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The 2010 Financial Review of Romande Energie Holding SA Group (in French) can be downloaded at www.romande-energie.ch or ordered from the Group's head office in Morges by phone (+41 (0)21 802 91 11) or by email (info@romande-energie.ch).

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Romande Energie Group at a glance

Meeting the electricity needs of 280,000 direct clients (representing a catchment population of 500,000 people) spread over 318 municipalities in the cantons of Vaud, Valais, Fribourg and Geneva, Romande Energie Group is one of Switzerland's top five electricity distributors. Its core businesses are the **production, distribution and marketing of electricity**, and the **management of power grids**. The Group's priorities are to provide its clients with high-quality services and guarantee reliable, competitively priced electricity supplies on a long-term basis; to expand its own-power production by investing primarily in new renewable energy sources; and to promote innovative solutions in the field of energy efficiency.

For more information on Romande Energie Group, visit www.romande-energie.ch