



Press release

ROMANDE ENERGIE 2007 RESULTS

Romande Energie presses ahead with its strategy in an increasingly volatile market

2007 saw the implementation of the strategic decisions adopted in 2006, including the creation of Romande Energie Commerce SA and the partnership with Atel, as well as the reflections and in-depth studies which led to the launch of the new business unit "Environment" on 1 February 2008. On the financial front, the upsurge in expenses related to energy purchases and congestion of cross-border transmission systems was not passed on to customers, which explains the decline of CHF 23 million in EBIT. Net income of CHF 172 million (up 76% on 2006) was strongly influenced by the financial performance of the Group's affiliated companies; EOS benefited from an exceptional revaluation of its assets last year.

Morges, 13 March 2008

The following figures illustrate Romande Energie's business performance in 2007:

- Group net income excluding affiliates down 21% to CHF 63 million (CHF 80 million in 2006);
- Strong growth in net income of affiliates to CHF 108 million (CHF 17 million in 2006).

Net revenues up

The increase in energy revenues was mainly due to higher consumption. The volume of energy sold by the Group on its own grid and on the market rose by 94 GWh. Considering only the volume distributed on the Group's grid, the increase was 55 GWh (2.1%). Other revenue items were stable at CHF 70 million

Sharp rise in energy purchases

Despite growth of 11 GWh in own-power generation (2.2% more than in 2006), energy purchases rose by 3.6%, or 83 GWh, in terms of volume. There was also an increase in the average purchasing price. The auctioning of interconnection capacities associated with cross-border transmission congestion pushed up the cost of energy purchases by some CHF 15 million.

Smaller gross margin and maintenance of tariffs

The higher expenditure on electricity supplies had a strongly negative impact on gross margin, which fell by CHF 23 million, or 8.4%, to CHF 245 million. This decline reflects the Group's decision not to pass on the increased cost of energy purchases to clients. The decrease in EBIT was kept within limits thanks to continued efforts to optimize processes and enhance operational efficiency within the Group, which are contributing to good cost control.

Personnel expenses down

The reduction of CHF 3 million in personnel expenses was mainly due to the outsourcing of maintenance work on power plants to Hydro Exploitation SA, a company in which Romande Energie has a stake of 8%, and to other streamlining measures.

Operating expenses under control

Operating expenses rose by CHF 3 million compared with 2006. This increase is a logical consequence of the above outsourcing of maintenance work. The relevant costs have been carried under this position from 2007 onwards. Excluding the impact of this reclassification, other operating expenses held steady last year.

Exceptional rise in income from affiliated companies

The main source of income from affiliated companies was the investment in EOS Holding SA, which contributed CHF 96 million to Group earnings last year (CHF 15 million in 2006). This figure includes the reversal of an impairment charge of CHF 69 million (Group share). Excluding the effect of this revaluation of the company's assets, which is not related to its operating activities, the Group's share in EOS' net income amounted to CHF 27 million, or CHF 12 million more than in 2006.

Net income jumps 76%

The increase in net income to CHF 172 million was entirely due to the earnings performance posted by affiliated companies. Excluding this factor, the Group's net income for 2007 dropped by 21% to CHF 63 million (CHF 80 million in 2006).

Higher dividend

The Board of Directors will be seeking approval from the General Meeting of Shareholders for a dividend of CHF 20, and an extraordinary dividend of CHF 10. This represents the sixth increase in succession. If the Board's proposal is adopted, the total distribution – based on the number of shares outstanding – will be CHF 33 million.

Romande Energie share price up 25%

Romande Energie shares closed at CHF 2 085 at 31 December 2007, compared with CHF 1 668 a year earlier – a rise of 25%. During the same period, the Swiss Market Index (SMI) declined by 4%. The share price hit an all-time high of CHF 2 600 in February 2008.

Group strategy shaping up well

Business

In 2007, Romande Energie Group, SIE SA - Service intercommunal de l'électricité, Renens, Atel (Aar et Tessin SA d'Electricité, Olten), the City of Lausanne, the municipalities of Bussigny-près-Lausanne, Belmont s/Lausanne, Paudex, Pully and Romanel s/Lausanne created Romande Energie Commerce SA, a company whose main purpose is the marketing of electricity – based on secure supplies thanks to Atel. This is a landmark agreement between major players in the public and private sectors. Given the total number of customers currently served by the various entities involved, the new company will in due course be dealing with around 350,000 clients either directly or through partnerships.

Environment

In 2007, Romande Energie decided to step up its activities in the rapidly expanding area of sustainable development. After a period of reflection and appraisal in the second half of the year, the Group created a new business unit named "Environment". This unit, which commenced operations on 1 February 2008, will ultimately have a staff of around 50 new employees and will be active in hydroelectric production, renewable energy, rational energy use, and research and development in these fields. The objective is that it should make a profit in the next five years.

Distribution

The Distribution business unit focused its efforts on deploying new asset management tools in 2007. The first concrete results have now emerged in terms of optimizing production and investment costs while retaining an unchanged level of quality.

Outlook for 2008

Taking into account market trends, the constant rise in the cost of energy supplies will not allow Romande Energie to keep its prices at their current level. They will have to be raised in the course of the year. The new marketing company, Romande Energie Commerce SA, has already entered into suppliers' agreements that will enable the Group to continue offering its clients competitive terms. In 2008, priorities for the Group will include the business of Romande Energie Commerce SA, expansion of own-power generation capacity, optimum management of its distribution networks and development of promising activities within the new Environment business unit.

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