



Annual Report 2008

Building our energy assets
of the future



FORCE
DE LA NATURE

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|--|----|
| 1. KEY FIGURES | 02 |
| 2. MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS | 06 |
| 3. MESSAGE FROM THE CHAIRMAN OF THE BOARD OF AUTHORITIES | 12 |
| 4. STRUCTURES | 14 |
| Shareholders | 15 |
| EOS Group | 15 |
| Corporate bodies | 16 |
| Organisation chart | 17 |
| Executive management | 18 |
| 5. MESSAGE FROM THE CEO AND OVERVIEW OF FINANCIAL YEAR 2008 | 22 |
| 6. EOS IN 2008 | 28 |
| Generation | 29 |
| Transmission | 37 |
| Sales | 44 |
| 7. EOS GROUP FINANCIAL REPORT | 47 |
| Comments | 48 |
| Consolidated profit and loss account | 50 |
| Consolidated balance sheet | 51 |
| Consolidated cash flow statement | 52 |
| Changes in shareholders' equity | 53 |
| Group accounting policies | 54 |
| Scope of consolidation | 60 |
| Notes to the consolidated financial statements | 61 |
| Auditors' report | 92 |
| 8. EOS HOLDING FINANCIAL REPORT | 94 |
| Comments | 94 |
| Proposed appropriation for balance sheet profit | 95 |
| Balance sheet | 96 |
| Annex | 97 |
| Auditors' report | 98 |

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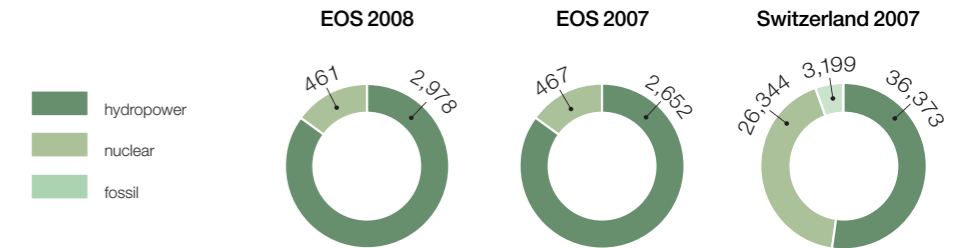
KEY FIGURES

FINANCIAL DATA

| CONSOLIDATED FIGURES, M CHF | | 2008 | 2007 |
|--|--------------------------|--------------|-------------------|
| Total operating income | | 3,499 | 2,580 |
| Trading results | | 38 | 31 |
| Earnings before interest and tax (EBIT) | | 229 | 432 ¹⁾ |
| (% of total operating revenue) | | (6.5%) | (16.7%) |
| Net profit | | 206 | 334 ²⁾ |
| (% of total operating revenue) | | (5.9%) | (13.0%) |
| Cash-flow | | 246 | 118 |
| Balance sheet assets | | | |
| | Tangible assets | 548 | 503 |
| | Intangible assets | 447 | 432 |
| | Financial assets | 3,053 | 3,272 |
| | Current assets | 675 | 472 |
| | Total assets | 4,723 | 4,679 |
| Balance sheet liabilities | | | |
| | Shareholders' equity | 3,262 | 3,376 |
| | Liabilities | 1,461 | 1,303 |
| | Total liabilities | 4,723 | 4,679 |
| Total indebtedness net of cash and cash equivalent | | 435 | 471 |
| Ratios | | | |
| Ratio Net debt to equity ratio | | 12:88 | 12:88 |
| Indebtedness as % of total balance sheet net of cash and cash equivalent | | 9.7% | 10.4% |

1) CHF 113m without effect of impairment
2) CHF 87m without effect of impairment

ENERGY IN GWH PRODUCED IN SWITZERLAND BY EOS (CALENDAR YEAR)



EOS Group employees as of 31 December 2008:711 (2007:660). HYDRO EXPLOITATION SA, 27.6% owned by EOS HOLDING and operating the Group's hydropower plants, accounts for 399 of these employees (2007:385).

SUPPLY AND DELIVERY IN 2008

DELIVERIES AND SALES - EOS

| | |
|---|------------|
| Contract deliveries to shareholders | 3,988 GWh |
| Deliveries to other Swiss clients in the EOS zone | 863 GWh |
| Pumping energy and restitutions, losses | 565 GWh |
| Sales and trading | 99,407 GWh |

Total 104,823 GWh

PRODUCTION AND PURCHASES - EOS

| | |
|--|------------|
| Total hydropower CH | 2,978 GWh |
| Total thermal power CH (KKL - Leibstadt) | 461 GWh |
| Power purchase agreements | 5,430 GWh |
| Purchases and trading | 95,954 GWh |

Total 104,823 GWh

2008 TRADING

MIO CHF

| | | | |
|---------------------|--------------------|-----------|-------------------------------------|
| Sales | 69,954 GWh | 6,886 | |
| Purchases | 69,954 GWh | -6,896 | |
| | | 48 | Mark to market (open positions) |
| Total volume | 139,908 GWh | 38 | Profit on trading operations |

Building our energy assets of the future

SINCE 1919, EOS HAS BEEN DESIGNING, BUILDING AND MANAGING THE ENERGY SUPPLY OF THE FUTURE.

TRANSMISSION GRID SINCE 1919

YESTERDAY

At the start of the 20th century, the electricity companies in western Switzerland worked – with few exceptions – in isolation. This lack of coordination led to situations that seem odd a century later: the electricity produced was unused in one place, whilst there was not enough energy in another place. There was a need to create a common policy and develop a transmission infrastructure to bring the electricity from the generating points to the centres of consumption. That transmission, over high voltage lines, was the

first task given to Énergie de l'Ouest-Suisse (EOS), a public limited company established for that purpose in 1919. The Lausanne-Geneva line, opened at the end of 1920, was the first section of this major new grid for western Switzerland. EOS was already a pioneer, the first to use steel-cored cables on a line of that size. Since 1920, the Group has never stopped adding to and improving its network, which is a real power highway of French-speaking Switzerland.

TODAY AND TOMORROW

Paradoxically, the power grid of western Switzerland suffers today from the same malady as it did in 1919: isolation. It is not in fact connected to the Swiss very high voltage grid (380kV). If there is an outage on one of these lines, French-speaking Switzerland is at great risk of a black-out. EOS has worked for many years on the construction of the two missing links needed to join the western Switzerland grid to the national grid: the Chamoson-Chippis-Môrel and Yverdon-Galmiz lines. Although the need for these lines

is now recognised, building them is a matter of urgency, given the planned production growth, especially in the Valais Canton region.



Erection of pylons during the construction of the 220kV Col du Grand St.-Bernard line in 1955

Linesman: a high-wire act

“ THROUGH OUR LINE-BUILDING PLANS, WE ARE STRENGTHENING WESTERN SWITZERLAND’S SECURITY OF SUPPLY BY LINKING IT TO THE NATIONAL 380KV GRID.”

Nell Reimann, Head of Networks Unit



2.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

2008 was a real turning point in the company's history. EOS merged with Atel, leading to the creation of Alpiq at the start of 2009. This annual report will therefore be the last in this form since EOS was founded in 1919. In the 89 years of its existence, the company has developed considerably whilst remaining faithful to the spirit of the pioneer builders of the last century. It undertook, and still undertakes today, major projects in order to fulfil its mission of guaranteeing a safe, competitive and responsible supply of electricity. This requirement is as relevant today as it ever was.



2008 began with a threefold challenge. EOS first completed the necessary changes in order to be ready for the opening of the electricity market, the first phase of which came into effect on 1 January 2009. With a shortage of electricity said to be imminent, the Group then pursued projects to strengthen the country's security of supply.

“At the start of 2009, Alpiq was born from the union of Atel and EOS.”

Finally, at the start of 2009, Alpiq was born from the union of Atel and EOS. This new entity is the leader for electricity in Switzerland and a sizeable player on the European markets. EOS has responded brilliantly to all these challenges in a rapidly changing economic and political environment.

GUARANTEEING THE SECURITY OF SUPPLY

In 1919, nobody was concerned about the adequacy of the electricity supply. At the end of the First World War, Switzerland had no national or even regional energy policy. The electricity companies operated their hydropower facilities, each on its own behalf and in a completely uncoordinated manner.

In order to improve the situation, most of the electricity companies in western Switzerland, together with the City of Geneva and the municipality of Lausanne, founded “Energie de l'ouest-suisse”, EOS, as a limited company. The company was tasked with “exploiting the hydropower of western Switzerland rationally and intensively”. To achieve this goal and to connect the power plants to each other and to the major centres of consumption, EOS was charged with “building and operating a major electrical energy transmission and distribution network”. If necessary, EOS could “take part in the construction of new plants or cause them to be built”.

Throughout its existence, EOS has pursued its mission as guarantor of western Switzerland's security of electricity supply. A year after it was founded, it built the 130kV line connecting the Lausanne generating unit at Pierre-de-Plan to the Geneva generating unit at Chèvres. This was the first link in French-speaking Switzerland's high voltage network, which was then considerably expanded. Today EOS has a high and very-high-voltage network of almost 1,000km that is interconnected with the major European grids.

“Throughout its existence, EOS has pursued its mission as guarantor of western Switzerland's security of electricity supply.”

However, to complete the Swiss 380kV grid from east to west and from south to north, and thus

reduce the risk of a black-out, it is imperative to build the two missing links: the Chamoson-Chippis and Yverdon-Galmiz lines. EOS has been asking for the completion of the grid for many years – the Chamoson-Chippis line was first put out to public inquiry 12 years ago, and the first Yverdon-Galmiz route 32 years ago! So it is high time that these long procedures were brought to a successful conclusion. In 2008, EOS, in cooperation with swissgrid and the Swiss Federal Railways, presented the last part of the proposed route to the Swiss Federal Office of Energy (SFOE), emphasising – once again – how essential this link, part of the Swiss Confederation's strategic network, is to meet the future needs of French-speaking Switzerland.

INCREASE ELECTRICITY GENERATION TO MEET GROWING DEMAND

Whilst the consumption of electricity is constantly rising in Switzerland, there is a Europe-wide shortfall in production. The situation is already worrying now, and it will become even more so in the next few years when the Swiss nuclear power plants reach the end of their useful lives and the long-term electricity import agreements with France end. If the generating fleet is not expanded, Switzerland will be faced, according to swisselectric, with an electricity shortage of around 25 to 30 billion kWh by 2035.

“Whilst the consumption of electricity is constantly rising in Switzerland, there is a Europe-wide shortfall in production.”

In its long-term energy strategy adopted in February 2007, the Federal Council proposed a four-pillar solution: increased energy efficiency, the development of renewable forms of energy, the construction of big power plants and the trading of electricity with other countries.

“In response to the shortfall, some CHF 30 billion could be invested by the industry in the four pillars defined by the Swiss Confederation.”

In response to the shortfall, some CHF 30 billion could be invested by the industry in the four energy pillars defined by the Swiss Confederation. EOS – now fully integrated into Alpiq – will be part of this vital effort on behalf of Switzerland and its economy, thanks to the Group's healthy finances and its position on the European markets.

Electricity's share of overall energy consumption is bound to grow in the future. The projections of the Swiss Federal Office of Energy for the next 30 years, based on the most optimistic

scenarios, forecast a slow but constant rise. Even if Switzerland manages to reduce the annual increase in consumption from 2% to 0.5%, demand will have risen by 14% in 2035, or almost 9 billion kWh.

Moreover EOS is convinced that in the future, electricity will play a central role in cutting greenhouse gas emissions and meeting Switzerland's climate change objectives. The energy efficiency measures rely in fact on our using more electricity at the expense of fossil fuels. The switch will be particularly noticeable in heating and transport,

“EOS is convinced that in the future, electricity will play a central role in cutting greenhouse gas emissions and meeting Switzerland's climate change objectives.”

which alone account for 76% of Switzerland's total CO₂ emissions. The replacement of traditional heating by heat pumps, wood-fired boilers or thermal solar-powered systems, the massive development of public transport and of plug-in electric vehicles are some promising examples.

The company's strategy is in line with the energy policy defined in 2007 by the Federal Council. The Group has projects within all four pillars of Federal policy, including renewable forms of energy. Already a leader in renewable energy with its vast hydropower generating fleet, EOS is expanding its new renewable activities in Switzerland and Europe. The company is convinced that these new forms of energy are bound to grow. However, even if the ambitious goals of the Swiss Confederation – which is counting on 5.6 billion kWh being generated long term, i.e., 10% of current electricity consumption – were achieved, this would not be enough to make up for the shortage.

In order to meet the country's twofold challenge of energy supply and climate change, it is therefore imperative for the industry to invest in the renewal of its generating fleet, including big power plants. EOS and Atel, now one company,

“To meet the country's twofold challenge of energy supply and climate change, it is therefore imperative for the industry to invest in the renewal of its generating fleet, including big power plants.”

have always defended a diversified production development policy. In a tight European market where supply is scarcely sufficient to cover demand, Switzerland must act if it does not want simply to be exposed to market prices.

A PROMISING FUTURE

In 2002, EOS made a far-reaching change to its organisation. The company converted to a strategic holding company with a business division structure, mandated to operate and consolidate the key businesses of electricity generation, transmission, commerce and trading in Switzerland and abroad. We have fully realised these goals. The Group achieved the aim set when EOS Holding was established in 2002 by successfully completing the merger with Atel.

“The Group achieved the aim set when EOS Holding was established in 2002 by successfully completing the merger with Atel.”

In early 2009, this created the leading electricity company in Switzerland: Alpiq. As Chairman of EOS Holding, I am particularly proud of how far we have come and more especially of the sizeable challenge we met successfully. With the creation of this new energy platform for western Switzerland, the future of EOS and its shareholder-clients looks very promising.

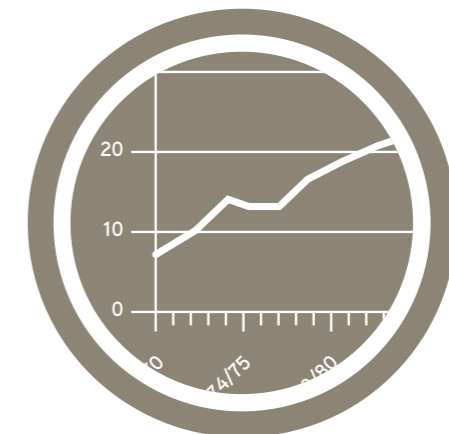
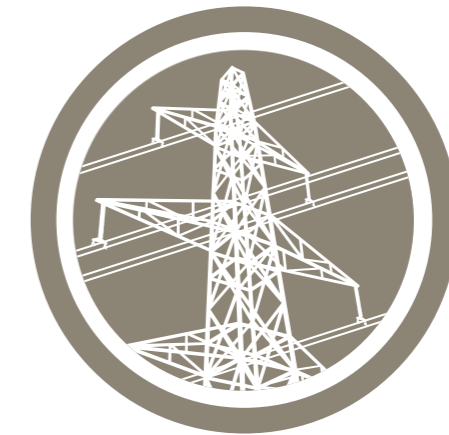
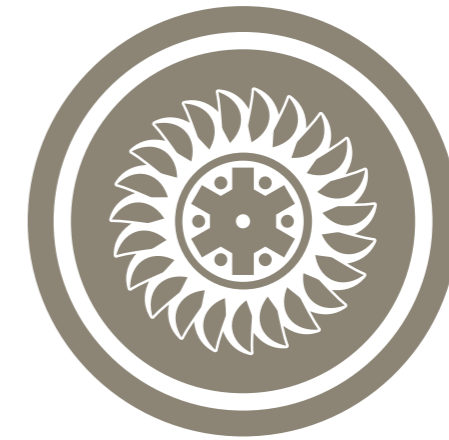
All these successes could not have been achieved without the unfailing commitment shown by all the EOS staff, executives and management team to whom I express my sincere thanks. The Group can therefore be calmly confident as it faces 2009, a year that will be marked by the opening of the electricity market and the first steps of Alpiq.

The EOS Holding shareholders, the principal electricity companies in western Switzerland, will remain together in the Holding in order to produce a common definition of the corporate policy they want to support. The fact that EOS Holding will continue to exist will also enable them, if they so wish, to realise joint projects in western Switzerland with a view to promoting energy efficiency or to develop the generating capacity.

Finally, I thank all the members of the Board of Directors. With determination and vision, they have successfully defined and implemented the task entrusted to us in 2002: establishing a strong energy platform for western Switzerland. Due to their trust and support, EOS can pursue its objectives, innovatively and ambitiously, as it has always done.



Dominique Dreyer
Chairman of the Board of Directors



Building our energy assets of the future

SINCE 1919, EOS HAS BEEN DESIGNING, BUILDING AND MANAGING THE ENERGY SUPPLY OF THE FUTURE.

CHAVALON SINCE 1965

YESTERDAY

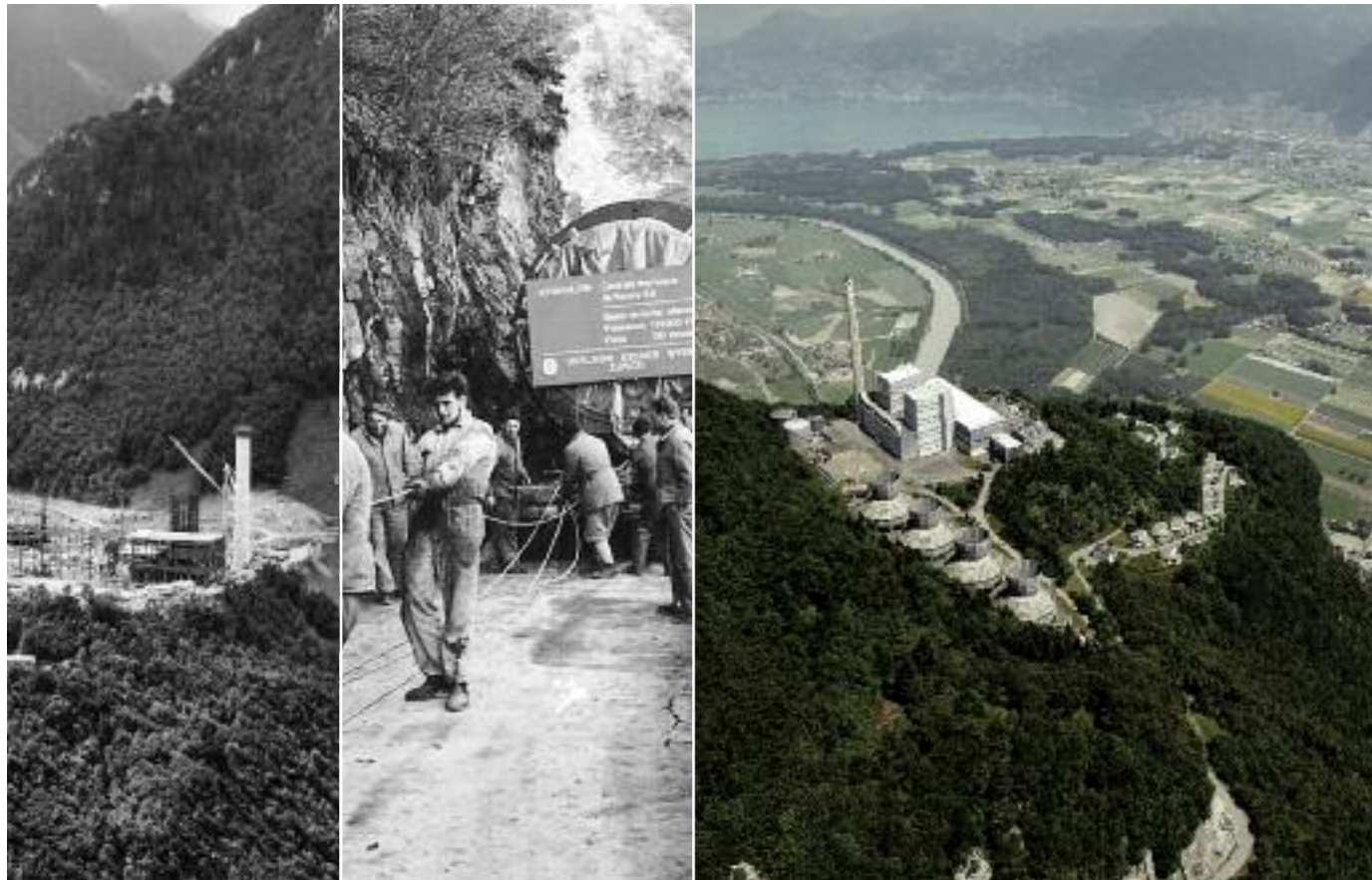
At the end of the 50s, a major imperative for EOS was to build a large power plant to meet the strong rise in demand. The builders of the time chose a thermal power plant. The facility was of a size never seen before and was to remain the first and only power plant of its type in Switzerland. This is the Chavalon site, on a rocky spur overhanging the end of Lake Geneva, chosen for the environmental advantages provided by the thermal inversion recorded at that altitude. To build the plant, a road first had to be built at 1,200 metres!

In September 1965, Chavalon generated its first kWh. Valiantly, for more than three decades, the plant supplied a good proportion of French-speaking Switzerland with electricity. In 1999 however, it was decided to close its doors : its technology was growing old and its profitability falling. But today, exactly as was the case 50 years ago, Chavalon could well – with a more environmentally-friendly natural gas technology – be an efficient solution to ensure a secure supply to French-speaking Switzerland.

TODAY AND TOMORROW

The shortage of electricity could already affect Switzerland in the medium term and, according to swisselectric, reach some 30 billion kWh by 2035. To make up the shortfall, our country must develop its generating fleet, in renewables but also by building new large power plants. The replacement of Switzerland's nuclear power plants will take around 20 years. Combined cycle natural gas-fired power plants, which can be brought on stream quickly, offer an indispensable transitional solution. The plan to restore the Chavalon

power plant is therefore a must, as an excellent response to present and future energy challenges. It would be the very first combined cycle natural gas power plant in Switzerland, much "cleaner" than the old plant, and capable of generating 2.2 billion kWh per year. Moreover, Chavalon could supply control energy, which is increasing in demand as the new renewable energies grow. A fantastic second life.



Aerial view of the power plant during construction in 1964

Transport of a turbine stator between Vouvry and Chavalon by road in 1965

Chavalon power plant at the end of the nineteen-sixties

“CHAVALON OFFERS A DUAL RESPONSE TO THE SHORTAGE OF ELECTRICITY AND THE GROWTH OF THE NEW RENEWABLE ENERGIES.”

Andrew Neville, Chavalon Project Director



3.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF AUTHORITIES

Energy and climate issues were at the heart of the political debate during 2008. The players in the electricity value chain now face a twofold challenge. They must ensure a reliable and competitive supply for Switzerland under all circumstances, but also one that respects the environment and the climate. EOS, an active and responsible contributor to this debate, is successfully taking forward numerous projects to expand its production, especially from renewable energy sources, a central pillar of its energy mix.



ONE MISSION FROM 1919 TO 2008: GUARANTEEING FRENCH-SPEAKING SWITZERLAND'S ELECTRICITY SUPPLY

When it was established in 1919, EOS's prime task was to guarantee electricity transmission in French-speaking Switzerland. Its founders and first shareholders were the principal electricity companies in western Switzerland, plus the Industrial Services of the City of Geneva and its counterpart in Lausanne. The company has worked closely with the local authorities ever since.

"The company has worked closely with the local authorities ever since."

Today, the Group still transmits electricity, generates and trades it. Its mission remains the same: ensure a reliable, sustainable and competitive supply to western Switzerland. It will now pursue this objective as part of Alpiq, the result of the merger of Atel and EOS. As the leading electricity concern in Switzerland and a heavyweight player on the European markets, Alpiq will further strengthen the position of the shareholder-clients of EOS, and consequently ensure that the interests of the local authorities of western Switzerland are taken into account.

RENEWABLES: EOS CONFIRMS ITS POSITION

Although EOS, as part of Alpiq, will continue to supply businesses and households in western Switzerland with electricity as in the past, it now faces a twofold challenge. On the one hand it must meet a constantly rising demand for electricity and on the other hand it must cope with the new conditions of supply in a liberalised market. It must also define its strategy in a context of concern about climate change, worries definitely shared by all those with a public role.

"It must also define its strategy in a context of concern about climate change, worries largely definitely shared by all those with a public role."

By significantly developing its hydropower production and its new renewable energy projects, EOS is bringing sustainable solutions to present and future energy challenges. Since its inception, EOS has played a decisive role in renewable energy, as its generating fleet is 85% hydropower-based. The creation of Alpiq doubles the hydropower available to EOS's shareholder-clients, and consequently to the businesses and households they supply. In 2008, EOS expanded its renewable energy operations. It launched numerous new renewable energy projects in Switzerland and in Europe. Within this general framework, EOS will

diversify its business operations into small hydropower, wind power, solar power and biomass enterprises. In the future, EOS Holding also intends to develop energy efficiency skills to ease the market tightness caused by the increased demand for electricity.

"It launched numerous new renewable energy projects in Switzerland and in Europe."

Absolutely essential though they may be, energy savings and the growth of the new renewable forms of energy alone will not be enough to guarantee a sufficient supply of electricity for the country in the coming years. That is especially true as electricity's share of the total energy consumed is expected to rise further in the near future as a response to the climate challenge. The fact is that if we want to reduce the use of fossil energy and fuels, because they are the biggest emitters of CO₂, we will have to exploit processes like double flow heating systems, which consume electricity, or use public transport more for travel, especially trains, trams and trolleybuses.

Given the apparent need for a larger supply, it is preferable to ensure that the country has the means of producing it rather than looking to imports. We could then better control the environmental impact, at the same time making sure that the CO₂ emissions are offset.

Under these circumstances, combined-cycle gas turbine plants are interesting because they enable us to respond rapidly to demand. However, they remain a transitional solution and in future we must control our energy consumption so that it can be met from CO₂ emission-free sources.

EOS, intent on ensuring a supply of electricity that is as reliable, competitive and environmentally friendly as it has been in the past, has continued and added to its renewable energy projects. That is also the direction and the commitment that Alpiq will pursue in the future.

Robert Cramer
Councillor of the Canton of Geneva
and Chairman of the Board of Authorities

4.

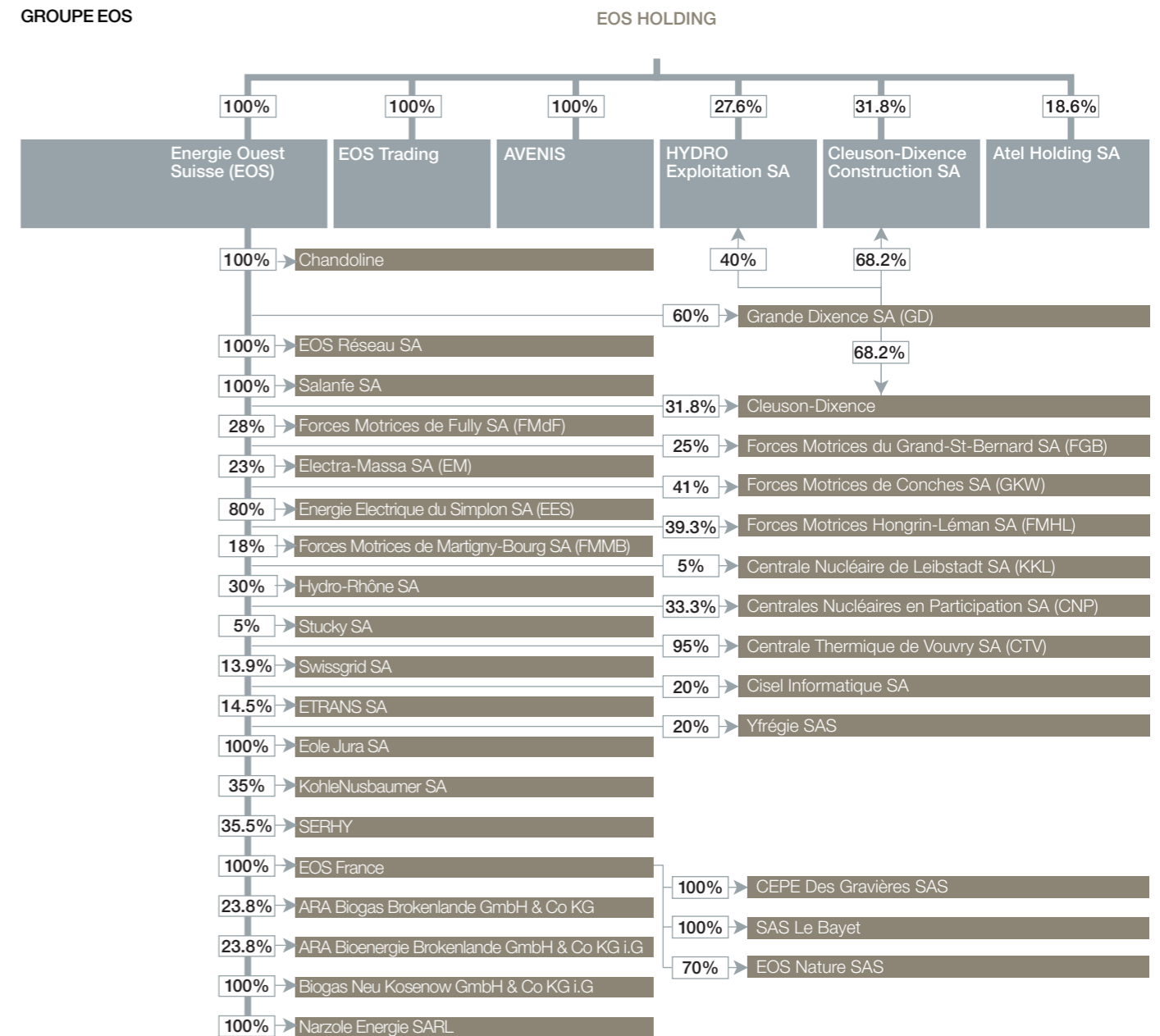
STRUCTURE

SHAREHOLDERS

Five shareholders own 100% of the capital of EOS HOLDING

| | |
|--------------------------------|---------|
| Romande Energie SA | 28.72 % |
| Services Industriels de Genève | 23.02 % |
| Groupe E SA | 22.33 % |
| Ville de Lausanne (SIL) | 20.06 % |
| FMV SA | 5.87 % |

GROUPE EOS



CORPORATE BODIES – BOARD OF DIRECTORS

EOS HOLDING

| | Term of office begins | Term of office ends at AGM called to receive the accounts |
|--|-----------------------|---|
| DOMINIQUE DREYER* Chairman, lawyer, Fribourg | 2002 | 2010 |
| GUY MUSTAKI* Vice-Chairman, Chairman of Romande Energie Holding SA, Pully | 2006 | 2010 |
| DANIEL BRÉLAZ Mayor of the City of Lausanne, Lausanne | 2002 | 2010 |
| MICHEL PITTET* Chairman of GroupeE, Vuistemens-devant-Romont | 2008 | 2010 |
| DANIEL MOUCHET* Chairman of Services Industriels de Genève, Veyrier | 2003 | 2010 |
| WOLFGANG MARTZ*** Member of the Board of Romande Energie Holding SA, Le Mont-sur-Lausanne | 2008 | 2010 |
| CLAUDE HAEGI*** Member of the Board of Services Industriels de Genève, Genève | 2006 | 2010 |
| JEAN PRALONG** Chairman of FMV SA, St-Martin | 2002 | 2010 |
| JEAN-YVES PIDOUX*** Lausanne City Councillor, Lausanne | 2006 | 2010 |
| DANIEL SCHMUTZ** Member of the Board of Romande Energie Holding SA, La Tour-de-Peilz | 2002 | 2010 |
| PIERRE STEPHAN** Vice-Chairman of Groupe E SA, Fribourg | 2002 | 2010 |

Company Secretary (not a member of the Board):
BENOÎT REVAZ

* Member of the Executive Committee
 ** Member of the Audit Committee
 *** Member of the Nominations and Compensation Committee

Mr Michel Pittet has replaced Mr Jean Deschenaux since the 2008 Annual General Meeting.
 Mr Wolfgang Martz has replaced Mr Hubert Barde since the 2008 Annual General Meeting.

AUDITORS

ERNST & YOUNG SA, Lausanne

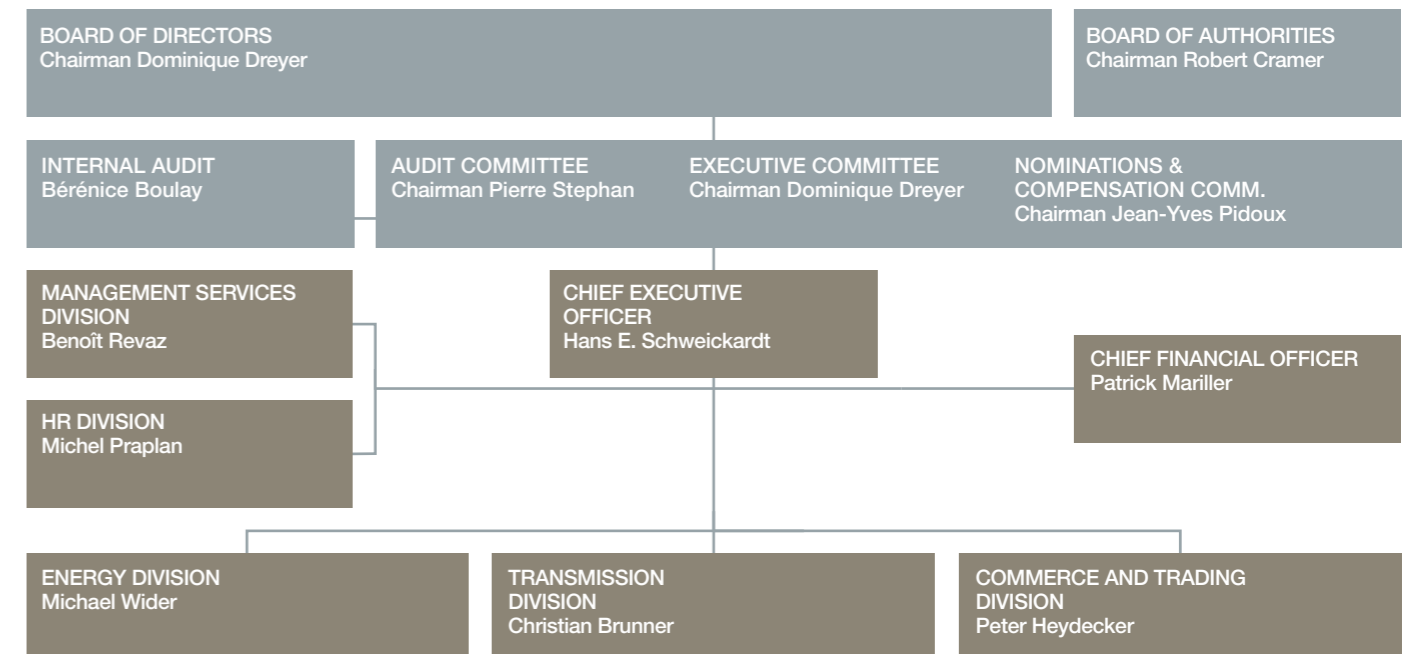
BOARD OF AUTHORITIES

The Board of Authorities is composed of representatives of the territorial authorities who manage or supervise the shareholder bodies. It is consulted by the Board of Directors concerning the main issues of public interest (especially public service, energy policy and energy supply policy).

| | |
|---|--|
| ROBERT CRAMER, Chairman THOMAS BURGNER* FERNAND CUCHE JACQUELINE DE QUATTRO BEAT VONLANTHEN OLIVIER FRANÇAIS | Councillor, Canton of Geneva Councillor, Canton of Valais Councillor, Canton of Neuchâtel Councillor, Canton of Vaud Councillor, Canton of Fribourg City Councillor, Lausanne |
|---|--|

*until the 31st December 2008

ORGANIGRAMME



EXECUTIVE MANAGEMENT



CEO:
HANS E. SCHWEICKARDT



ENERGY DIVISION:
MICHAEL WIDER



CFO:
PATRICK MARILLER



COMMERCE AND TRADING
DIVISION: PETER HEYDECKER



TRANSMISSION DIVISION:
CHRISTIAN BRUNNER



HR DIVISION:
MICHEL PRAPLAN



MANAGEMENT SERVICES
DIVISION: BENOÎT REVAZ

Building our energy assets of the future

SINCE 1919, EOS HAS BEEN DESIGNING, BUILDING AND MANAGING THE ENERGY SUPPLY OF THE FUTURE.

ENERGIE ELECTRIQUE DU SIMPLON (EES) SINCE 1947

YESTERDAY

To devise and design the power generation resources Switzerland needs often means leaving the beaten track. The pioneers of hydropower did not hesitate to build schemes in areas that were hard to get to, to meet both local and national needs. Énergie Électrique du Simplon (EES) is a good example. Established in 1947, this complex built its network of dams, catchments and pipework in remote Alpine valleys, on the Valais Canton-Italy border. That hard-earned water now turns three power plants – Gondo (opened in 1952),

Gabi (1958) and Tannuwald (1981) – generating 240 million kWh every year. These facilities demonstrate how forward-thinking were those early pioneers who succeeded in taming the forces of nature.

TODAY AND TOMORROW

The constant improvement of the installations and the creation of new facilities are essential, whatever the size of the power plants or their location. When an electricity shortage threatens, every opportunity must be grasped. The development of EES is actually EES+: a project that involves raising the Fah dam and linking it to the Serra reservoir by a pump-turbine system. This building work will allow the production of the Gondo plant to rise considerably, improving the management of the Zwischbergental water, thereby increasing the

production of the control energy that is essential to complement the growth of the new forms of renewable energy.



Concreting the Serra - Gondo inlet tunnel in 1951

Casing and concreting the Serra dam in 1951

Fah dam

“EVERY EFFORT IS IMPORTANT: ALL THE POWER PLANTS TOGETHER ENSURE OUR WELL-BEING.”

Alexandre Oberholzer, Secretary to the Board of Directors of EES



5.

MESSAGE FROM THE CEO AND OVERVIEW OF FINANCIAL YEAR 2008

EOS begins its future as part of Alpiq from a position of strength. With a turnover of CHF 3.5 bn in 2008, the Group has confirmed its status as a leader in the generation, transmission, commerce and trading of electricity in Switzerland. While continuing to realise the inherent value of the country's hydropower assets, it has invested massively in the new renewable forms of energy at home and in neighbouring countries. EOS is in the best possible shape to face 2009 as well as the new challenges posed by the opening of the electricity market and the integration of its operations into Alpiq.



In 2008, even more than the previous year, energy problems were very much to the fore, in Switzerland and internationally. The sudden oil price swings, the threat of an electricity shortage due to growing consumption and the ageing of the Swiss and European generating assets have fuelled an impassioned debate.

In Switzerland, another major feature of 2008 was the fact that the final preparations were made for the opening of the market, the first stage of which took place on 1 January 2009. The industry was facing one of the biggest upheavals in its history. In that environment of great change, EOS completed its merger with Atel, creating Alpiq, the leading electricity supplier in Switzerland and a commanding European electricity operator.

THE MARKET IN 2008 AND EOS FINANCIAL RESULTS

For EOS, as for the industry as a whole, 2008 was a continuation of the positive trend the electricity market has been experiencing for some years. This success is due above all to the professionalism and high level of competency of the people who work in the Group. Fully aware of the asset represented by its 312 employees, EOS pursued its policy of providing continuous training for them through 2008. Thanks to their individual skills, the Group successfully grew its business operations and thus strengthened its position on the Swiss and European markets.

Although 2008 began with a strong rise in electricity prices - a direct effect of the increase in the price of commodities, especially oil - this trend reversed in the autumn because of the financial crisis. The markets were very volatile in fact with successive price rises and falls. The bearish trend was confirmed at the end of the year when the financial crisis impacted the real economy. Thanks to controlled risk-taking and good anticipation of market trends throughout the year, EOS successfully managed the situation.

OPENING OF THE ELECTRICITY MARKET: A MAJOR CHALLENGE SUCCESSFULLY MET

Ready for the opening of the market

The electricity market in Switzerland opened on 1 January 2009 for big customers consuming more than 100,000kWh per year, and will be opened for all Swiss consumers on 1 January 2014. The completion of this first stage caused far-reaching changes to energy management in Swiss electricity companies and EOS in particular. As operator of western Switzerland's high and very-high-voltage network, the company prepared for the transfer of control over its network to swissgrid, in accordance with the Federal Electricity Supply Act (Loi sur l'approvisionnement en électricité - LApEI).

“The completion of this first stage caused far-reaching changes to energy management in Swiss electricity companies and EOS in particular.”

Transfer of assets to EOS Réseaux

To ensure that consumers have non-discriminatory access to the network, LApEI requires electricity producers to legally separate and independently operate their transmission business. Under LApEI, the companies had to make this change within one year of the effective date of the law, that is, before 1 January 2009.

Anticipating the deadline, EOS established EOS Réseaux at the end of 2007 and integrated the employees of the Transmission Division into this company. The 220/380kV voltage assets and usage rights were transferred to this independent company, backdated to 1 January 2008. The new company now deals with the transmission grid management operations and intervenes on the 125/65kV grids of its shareholder-clients as their authorised representative. By the end of 2013, in accordance with the wishes of the legislator, it must transfer ownership of the very-high-voltage lines to swissgrid, Switzerland's national grid operator.

ROME: a corporate project

Given the belated publication of the Federal Electricity Supply Ordinance (Ordonnance d'application de la Loi sur l'approvisionnement en électricité - OApEI), the Group's employees had to accomplish a considerable amount of work in record time. EOS therefore set up a project, known as ROME (“Réussir l'Ouverture du Marché de l'Electricité” - “Succeed in Opening the Electricity Market”), involving all its divisions. Working groups were assigned to develop all the systems needed to manage and invoice services and the supply of electricity.

“Given the belated publication of the Federal Electricity Supply Ordinance (Ordonnance d'application de la Loi sur l'approvisionnement en électricité - OApEI), the Group's employees had to accomplish a considerable amount of work in record time.”

This major project was a success thanks to the commitment of all the divisions: on 1 January 2009, the EOS control area was transferred to swissgrid.

Given the belated publication of the Federal Electricity Supply Ordinance (OApEI), the Group's employees had to accomplish a considerable amount of work in record time.

Creation of balance groups

A consequence of the opening of the market and the consumer's option to choose his electric-

ity producer is the creation of balance groups to bring together all the customers of one supplier. EOS thus now operates its own balance group, which four of its shareholder-clients, together with other Swiss companies, elected to join. The balance group will be tasked with producing control energy schedules (the energy needed to achieve a balance between actual and scheduled electricity consumption) with the help of its generating facilities.

PROJECTS TO ENSURE SWITZERLAND'S ENERGY INDEPENDENCE

To cope with the forecast shortage of electricity, Switzerland could choose to rely only on imports. The idea may seem attractive but it hides the real facts about the electricity market in Europe. In neighbouring countries as in Switzerland today, supply is already less than peak consumption demand. Moreover, like its Swiss counterpart, the European generating fleet is ageing and will require major investment in the future. Relying on imports also means forgetting about the fluctuations in the kWh selling price on a tight European market and the transmission grid congestion problems at the borders. Switzerland must therefore maintain its independence of electricity supply. In fact, this idea is very largely supported by the population of French-speaking Switzerland: when asked as part of an opinion survey commissioned by EOS in spring 2008, 8 out of 10 inhabitants of western Switzerland said they thought the issue of energy independence was 'very' or 'quite important'.

Imports are certainly essential, but they must be a top-up to the energy generated on Swiss soil rather than a substitute for it. Switzerland must therefore further develop its generating assets and in particular build large power plants.

“Imports are certainly essential, but they must be a top-up to the energy generated on Swiss soil rather than a substitute for it.”

Chavalon: a power plant more necessary than ever

With an annual production of 2.2 billion kWh, the proposed combined-cycle gas turbine plant at Chavalon is still a priority for EOS. From the legislative point of view, the case has made promising progress. In October 2008, the Federal Council adopted the bill governing the requirement on combined-cycle gas turbine power plants to offset their CO₂ emissions. This draft legislation provides for half the offsetting to take place abroad and the other half in Switzerland.

This is a step in the right direction, although EOS is still at a disadvantage in this area compared with

European producers. Moreover, the Group, in accordance with the rights set out in the Kyoto Protocol, is still demanding that the 170,000 tonnes of CO₂ emissions from the old Chavalon power plant be taken into account when calculating the offsets to be made in Switzerland. If the project is to come to fruition, the framework conditions at Chavalon must be competitive with those of other European power plants of the same type.

EOS remains convinced that the country must start building combined-cycle gas turbine plants sooner or later. These plants are in fact indispensable to compensate for some of the electricity deficit, which, according to swisselectric, will amount to between 25 and 30 billion kWh by 2035. Thanks to its flexibility, Chavalon will also be very useful for the generation of the control energy that swissgrid will need to balance electricity supply and demand in real-time.

“Chavalon will be very useful for the generation of the control energy that swissgrid will need to balance electricity supply and demand in real-time.”

The combined-cycle gas turbine plants, which can be built and brought into service quickly, will supply substantial quantities of electricity for the 20 years it will take to build new nuclear power plants in Switzerland.

Expansion of the hydropower generating fleet

Whilst backing natural gas-fired power plants, EOS continues to develop its existing hydropower schemes. The Group plans to expand its hydropower capability, the traditional backbone of its energy production in Switzerland, thanks to two major projects. The first involves a 75% increase in the capacity of the Forces Motrices Hongrin-Léman (FMHL) facilities, to 420MW. The second will be implemented by Energie Electrique du Simplon SA (EES) and involves building a new dam on the present Fah reservoir. This will be linked to the Serra dam by means of a pump-turbine system; the new facility will have 40% more capacity and generate 360 million kWh.

Massive investment in the new renewable forms of energy

Convinced that the new renewable forms of energy must further strengthen its portfolio, the Group has invested heavily in this sector, in Switzerland and in neighbouring countries.

For example, in French-speaking Switzerland, EOS has 8 projects involving small-scale hydropower, wind power and biomass. This should enable some 52 million additional kWh, or 10% of household consumption in Vaud Canton, to be generated from renewable sources. To that end, EOS will invest as close to CHF 80 million over the next five years.

EOS has also invested in renewable forms of energy abroad. In France, in April 2008, it acquired a 35.5% stake in SEHRY, a company with small-scale hydropower operations. The Group also acquired a six-unit wind farm near Montélimar. In Germany, EOS signed a joint venture with GreenStream GmbH enabling it to be part of two biomass projects with an annual production of 7.8 million kWh. Finally in Italy, at Narzole, EOS acquired a small hydropower plant generating 11 million kWh per year.

By 2012, EOS plans to generate 165 million kWh from renewables, over 30% of which will come from French-speaking Switzerland.

“By 2012, EOS plans to generate 165 million kWh from renewables, almost 30% of which will come from French-speaking Switzerland.”

ALPIQ - THE LEADING SWISS ENERGY COMPANY IS BORN

A strong, diversified group of shareholders

Begun in 2002, the plan to create the West Swiss Energy Group entered its final stage on 18 December 2008 with the signing of the agreements to create Alpiq, a leading Swiss energy company with a European dimension. Under the consortium agreements of 2005, the shareholders of Alpiq are EOS Holding (31%), the Swiss minority shareholders of Atel Holding (31%) and EDF (25%). The presence in the new Group of EDF, world leader for electricity, is a major strategic advantage for the development of Alpiq's business operations.

“The shareholders of Alpiq are EOS Holding (31%), the Swiss minority shareholders of Atel Holding (31%) and EDF (25%).”

The shareholders of Alpiq are EOS Holding (31%), the Swiss minority shareholders of Atel Holding (31%) and EDF (25%).

Each of the three shareholder groups has four seats on the Board of Directors of Alpiq. The representatives of EOS Holding are Daniel Mouchet, non-executive director of EOS Holding and Chairman of Services Industriels de Genève; Guy Mustaki, Chairman of EOS Holding and Chairman of Groupe Romande Energie Holding S.A.; Jean-Yves Pidoux, non-executive director of EOS Holding and Councillor of the City of Lausanne and Claude Lässer, Councillor of the Canton of Fribourg, Vice-Chairman of Groupe E and non-executive director of EOS Holding. I have been appointed Chairman of the Board of Directors.

Executive Board

The new company has an Executive Board with nine members. They are Giovanni Leonardi (CEO), Michael Wider (deputy CEO, Energy Switzerland), Kurt Baumgartner (CFO), Reinhold Frank (Energy Central Europe), Peter Heydecker (Trading and Services), Herbert Niklaus (Energy Services), Benoît Revaz (Business Development), Heinz Saner (Management Services) and Antonio Taormina (Energy Western Europe).

Organisational structure

The operational start of the renamed Holding took place on 1 February, 2009. Alpiq Holding SA and the Business Development Functional Division will have their headquarters in Neuchâtel. The Executive Board, the Corporate Center with the Financial Services and Management Services Functional Divisions, together with the decision centres for the Trading and Services, Energy Western Europe and Energy Central Europe Business Divisions are in Olten. The Energy Switzerland Business Division is in Lausanne and the Energy Services Business Division is in Zurich and Heidelberg, Germany.

“The operational start of the renamed Holding took place on 1 February, 2009.”

Alpiq: a new Swiss company with a European dimension

The Alpiq name recalls the history of Atel and EOS. Their roots are in Switzerland, cradle of the Alps and symbol of quality and excellence. The Alps, at the very heart of Europe, link east and west and form a bridge between north and south. They thus cover the Swiss market of Alpiq and its European markets. The “PIQ” part of the name conjures up a mountain summit, synonymous with openness and vastness. It also stands for “peak”, i.e. the peak energy generated by the Group's hydropower schemes. The abbreviation “IQ” finally illustrates the intelligent solutions proposed and developed within the energy sector.

“The Alpiq name recalls the history of Atel and EOS. Their roots are in Switzerland, cradle of the Alps and symbol of quality and excellence.”

Alpiq key figures

Alpiq has power generation, transmission, sales and trading and energy service operations in Switzerland and in Europe. With 26 sales companies and a workforce of more than 10,000, the company will be actively present in 29 European countries. In 2007, Atel and EOS achieved a combined turnover of CHF 15.8 billion and an EBITDA - earnings before interest, taxes, depreciation and amortisation - of CHF 1.7 billion. Alpiq will be the leading energy services provider in Switzerland and be responsible for around one third of

Switzerland's electricity supply. It has a diversified energy mix.

Diversified production mix

The activities of Alpiq are concentrated in the two segments Energy and Energy Services. The Energy segment consists of generation, transmission, optimisation and trading, sales and marketing. Alpiq operates nuclear, hydroelectric, gas-fired and coal-fired power stations, as well as systems for the generation of new renewable energies such as small hydroelectric, wind and biomass plants throughout Europe. The total output of all its power stations is 6,595MW, their annual production is over 26TWh. Alpiq is the largest transmission grid owner in Switzerland and builds and operates 2,671 kilometres of extra-high voltage grid. Over 50 percent of Alpiq's electricity generation is CO₂-free: 29.3% is nuclear power and 23.5% comes from hydroelectric and renewable energy. Alpiq is represented on all large European electricity exchanges and trading platforms. The company trades in electricity, gas, coal and oil products, with standardised and structured products and with emission certificates on all energy exchanges and over-the-counter markets. Alpiq pursues a strategy of underpinning trading and sales in every market and every country with its own generating capacities. Its power stations secure the electricity procurement.

“Alpiq's electricity generation is over 50% CO₂-free: 29.3% is nuclear power and 23.5% comes from hydroelectric or renewable energy.”

In the Energy Services Segment, Alpiq offers system solutions for the complete process chain of generation, transmission, distribution and use of energy, as well as complete solutions in the field of telecommunications and traffic engineering.

As CEO of EOS, I am proud of how far we have come since 2002 and more especially of the successful completion of this ambitious project. This could not have been achieved without the commitment, skills and enthusiasm of all those who work for EOS and Atel. As the new Chairman of the Group, I look forward to continuing to manage the business operations of Alpiq with the same workforce.

The future looks bright

Thanks to its past and present successes and to the long-term vision that has been its strength throughout its history, the company faces the future with quiet confidence. Now part of Alpiq, along with Atel, the company is embarking on a new venture worthy of those experienced by the pioneers of this industry. The new entity will continue to supply electricity to its shareholder-clients and it will offer them a wide range of new services. 2009 therefore looks to be full of new challenges and the prospects look very bright.

“Now part of Alpiq, with Atel, the company is embarking on a new venture worthy of those experienced by the pioneers of this industry.”

The Group is entering a new era, which I am convinced will be marked by many successes. Because major progress is always the result of a joint effort, I wish to thank most heartily all the men and women who work for EOS for all our past successes and most especially for the Group's achievements in 2008.

I also wish to thank all the members of the Board of Directors for their trust and their effectiveness in achieving the strategic and operational objectives of the Group during recent years.



Hans E. Schweickardt
CEO

Building our energy assets of the future

SINCE 1919, EOS HAS BEEN DESIGNING, BUILDING AND MANAGING THE ENERGY SUPPLY OF THE FUTURE.

GRANDE DIXENCE SINCE 1965

HISTORY

More than any other facility, Grande Dixence symbolises the forward-thinking nature of EOS: dare to think big in order to build the future better. Today, it is still the highest gravity dam in the world. During the 50s, the gigantic size of the structure was impressive. "What robust simplicity, what a span those concrete shoulders had as they straddled the valley!", wrote the Poet of the Peaks, Maurice Chappaz, who worked at Grande-Dixence as an assistant surveyor. On 22 September 1961, 1,500 manual and non-manual workers

– and they were just the ones who had been working there for over 500 days – watched the casting of the last 6 million m³ of concrete. All in all, the building project took over 15 years. The water held behind this 285 m-high wall is collected from 35 glaciers and runs through 100km of tunnels excavated in the Alps by the miners. Grande Dixence – "this ode to strength", Chappaz called it – feeds four power plants and supplies electricity to seventeen cantons.

TODAY AND TOMORROW

Now being restored, the lined shaft at Cleuson-Dixence, which turns the turbines of the Bieudron plant, should be brought back into service in 2010. Given the ever increasing needs of the Swiss, bringing the Bieudron plant back into service will allow 1,200MW of power to be injected into the grid in a few minutes. As a result, the whole of the Grande Dixence complex will cover the needs of 400,000 households. Supported by "its" mountains, this stone colossus will stimulate the imagination of walkers for many a long day.



Excavating the dam in 1956



Blava tunnel, 1951-1961



Grande Dixence dam

“THE DAM IS PART OF THE LANDSCAPE, AND THIS LANDSCAPE IS PART OF MY LIFE, OF MY REGION.”

Karine Dayer, daughter and grand-daughter of Grande Dixence dam-builders



EOS IN 2008



GENERATION

The mission...

By building the largest hydroelectric schemes in French-speaking Switzerland, EOS has been a pioneer since its foundation. The Group, which has a generating fleet that is mainly hydropower based, is a major player in the renewable energy sector. Continuing in that direction, it has initiated many projects to expand its existing facilities while at the same time taking forward new renewable energy projects in Switzerland and Europe. Its work is in line with the mission it has always had: to ensure a reliable and competitive supply of environmentally friendly electricity for western Switzerland.

To satisfy the purpose for which it was established and enable the country to satisfy its energy requirements, EOS played a key role in the past in the dam building epic; even now, it is still developing and diversifying its generating fleet. As one of its key priorities in 2008, EOS' objective was to advance several major projects to increase the capacity of existing hydropower facilities. At the same time, it backed up its strategy by developing the new renewable forms of energy – mini-hydropower, wind power, biomass and photovoltaic – in Switzerland and Europe, through the acquisition of shares in companies that have mastered these technologies.

“To meet its objectives and enable the country to satisfy its energy requirements, EOS played a key role in the epic dam building saga; even now, it is still developing and diversifying its generating fleet.”

HIGHER PRODUCTION AND GROWING SUPPLY IN 2008

In 2008, the EOS generating fleet and power purchase agreements produced an electricity volume totalling 8,869 GWh, (6,444GWh in 2007).

2008 featured hydropower production levels that were almost identical to those of 2007 and the multi-year average. However, there were large variations depending on the type of facility. The weather conditions that prevailed in the summer produced higher than average levels of glacier melt, but run-of-river plant levels were close to the mean.

A large proportion of the increase is the result of the coming into effect of a new long-term supply contract.

SERVICE AND MAINTENANCE: ENSURING PLANT RELIABILITY

During 2008, the Group continued to work on improving the reliability and availability of its hydropower schemes. Service and maintenance of existing facilities to increase energy yield and reduce equipment breakdowns are a constant concern. For greater efficiency, EOS entrusted these tasks in 2003 to HYDRO Exploitation, a company providing hydropower operation and maintenance services.

The operational management of hydropower schemes is a core business for EOS and HYDRO Exploitation. The two companies have identified the key elements of the various dams, penstocks, lined shafts, electromechanical equipment and electricity transmission installations. The compa-

nies monitor these facilities regularly and, in addition to standard service and maintenance, undertake substantial work to restore and renew the installations to prevent incidents. They carried out such work on several occasions during 2008.

In April, as part of the repairs to the Serra dam, Énergie Électrique du Simplon (EES) published a call for tenders for the civil engineering work. The EES board of directors awarded the project to Zenklusen Bau AG for a sum on the order of CHF 4.8 million. The work should be done during the winter of 2009-2010. In addition, Theler of Brig renovated the bellmouth at the foot of the Gebidem dam (Electra-Massa); the project was budgeted at CHF 2.2 million. Forces Motrices Hongrin-Léman (FMHL) continued its “Measurement, monitoring and analysis of the Veytraux power plant concrete structures” project.

FORCES MOTRICES DE MARTIGNY-BOURG (FMMB) celebrated its hundredth anniversary in 2008. The application for a building permit to restore the three generating units of the Martigny-Bourg power plant and the environmental impact statement were put out to public inquiry in June. The work should start in 2009 and cost some CHF 20 million.

The Miéville power plant in the Salanfe hydropower scheme is to be renovated so that the electricity it generates can be injected into the 65kV FMV substation at Vernayaz. The first phase of this work is complete. The burial of the medium voltage cables over a distance of 1.1km was done on time and on budget. The units were switched to the new 65kV trunk line on 15 September, allowing the dismantling of six pylons and 1km of the 65kV Miéville – Vernayaz line, which passes in front of the wonderful site of Pissevache. The second phase of the project, involving the restoration of the whole plant, is under way and the two generating units should be brought back into service in 2010, increasing plant capacity by 8MW. The complete project is estimated to cost around CHF 27 million.

With a view to improving the existing installations, EOS also undertook the renovation of the Tortin intake on the Cleuson dam at the start of September.

EXPANDING GENERATING FLEET CAPABILITY

Consumption continues to rise in Switzerland and this trend will become more marked in the years to come. The switch from fossil fuel-based energy to electricity, especially for heating and mobility, will go hand-in-hand with increased demand for electricity. EOS must therefore develop its generating capability quantitatively as well as qualitatively. To increase the availability and quantity of energy generated as well as its flexi-

bility, the Group has initiated a number of major projects that are currently under study.

“To increase the availability and quantity of energy generated as well as its flexibility, the Group has initiated a number of major projects that are currently under study.”

HONGRIN- LÉMAN PLUS

Forces Motrices Hongrin-Léman (FMHL), the company that owns the Hongrin dam and the Veytraux power plant, plans to increase the capacity of its installations by 75%, or an additional 180MW. The project aims to optimise the facilities belonging to four enterprises in western Switzerland – Romande Energie (41.13%), EOS (39.31%), Groupe E (13.13%) and City of Lausanne (6.43%). The planned expansion will enable FMHL to meet increased demand for control energy, i.e., energy needed to match peak hour production with consumption at all times. There is greater demand for control energy on the European market because the new renewable energies - wind and solar - produce electricity irregularly and must be compensated. A pump-turbine operation is thus indispensable to complement the growth of the new renewable energies.

“There is greater demand for control energy on the European market because the new renewable energies - wind and solar - produce electricity irregularly and must be compensated.”

The Hongrin dam, the inlet tunnel and the lined shafts will not be changed. The work, entirely underground, will involve drilling a new cavern and adapting the surge shaft. A new cavern will be opened near the existing one close to the Veytraux plant, so that new pumps and turbines

with additional capacity of 180MW can be installed. The facility, with a total capacity of 420MW, will thus be capable of generating 1,100GWh per year on average. The preliminary inquiry report resulting from the environmental impact assessment was lodged in September 2008 with the Water Protection, Soils and Waste Management Office of Vaud Canton. The project was awarded to GIHLEM (Stucky SA, EDF-CIH, Emch + Berger AG), an engineering consortium. Increasing the capacity of the facility represents an overall investment of around CHF 200 million and it should be operational in 2012.

EES +

Énergie Électrique du Simplon SA (EES), 80% owned by EOS, plans to increase its generating capability. It intends to build a new dam on the current Fah reservoir and link it to the Serra dam by means of a pump-turbine system.

“It intends to build a new dam on the current Fah reservoir and link it to the Serra dam by means of a pump-turbine system.”

This new facility will increase capacity by 40% and broaden the generation of electricity better throughout the year.

The preliminary inquiry and the specifications – the first phase of the environmental impact assessment – were filed with the Service de l’Energie et des Forces Hydrauliques (Energy and Hydropower Office) of Valais Canton at the end of August. At the same time, the CUBE engineering consortium (Bonnard & Gardel, Coyne et Bellier, PRA, SRP) was commissioned to design and monitor the execution of this project. The extension of the Simplon dam, representing an investment of some CHF 160 million, could be operational in 2012.

CHAVALON: AN ESSENTIAL PROJECT

One of the four pillars of Switzerland’s energy policy concerns the recognition by the Federal Council of the need to maintain large traditional power plants to cope with the increased demand for electricity. Under those circumstances, the construction of a combined-cycle gas turbine plant like the one planned for Chavalon is an excellent transitional solution. Such a plant can be built quickly and Chavalon, with its annual 2.2 billion kWh, is an essential constituent of the Swiss energy mix to help compensate the electricity shortfall forecast for the near future.

“Chavalon is an essential constituent of the Swiss energy mix to help compensate the electricity shortfall forecast for the near future.”

Progress of the project in 2008

We have made three applications to the authorities concerned: the building permit for the power plant, permission to extend the gas pipeline from Chessel to Chavalon and permission to alter and strengthen the VHV line linking Roche and Chavalon. Valais and Vaud Cantons as well as the Federal Office for the Environment have all given a favourable preliminary opinion on these three dossiers, which are of key importance for the future of the project. The first of these applications has been sent back to Valais Canton and the municipality of Vouvry, and the other two are being analysed by the Swiss Federal Office of Energy. Final consent is thus still pending.

“Valais and Vaud Cantons as well as the Federal Office for the Environment have all given a favourable preliminary opinion on these three dossiers, which are of key importance for the future of the project.”

Communication about the project

In addition to the numerous visits organised regularly at the site of the former production unit, we published three new issues of “Chavalon” magazine in 2008. Intended to inform the public about the progress of the project, they were widely distributed to the population of the Chablais area and the main parties involved. In spring 2008, there was a public opinion survey of the electricity consumption habits of people living in western Switzerland. When asked about the Chavalon project, Chablais inhabitants demonstrated strong support for the project, with 67% in favour.

Carbon offsetting

The Chavalon power plant will emit 750,000 tonnes of CO₂ every year, whereas the old thermal power plant emitted on average 1.2 million tonnes. These emissions must be seen in the light of the 50 million tonnes or so of CO₂ emitted every year in Switzerland. However, intent on respecting the environment and in accordance with the Kyoto Protocol on climate change, the Group has undertaken to offset all its emissions. The debate that started in 2008 concerned the share of offsetting that must be done in Switzerland and the proportion that can be offset abroad. In order to deal with the climate problem affecting the planet as a whole, it is in fact much more efficient to contribute to the reduction of CO₂ emissions in various other countries where, for 1 Swiss franc invested, at least 8 times as much carbon dioxide can be offset as in Switzerland. Forcing operators to adopt disproportionate offsetting measures in our country would make the kWh produced in Chavalon considerably more expensive without benefiting the global climate.

In October 2008, the Federal Council approved draft legislation to increase the share of CO₂ emissions offset abroad by 50%. The text also includes a clause exempting existing power plants from recovering heat for distance heating if they are unable to do so because of their geographical

location. By taking the special position of existing power plants into account, the Swiss Confederation thus recognises the vital contribution these power plants, especially Chavalon, make to Switzerland’s security of electricity supply. However, the project can be implemented only once the arrangements for offsetting CO₂ emissions in Switzerland have been defined and the 170,000 tonnes of CO₂ emitted by the old plant in 1990 taken into account in the calculation of the offsetting to be done in Switzerland.

“By taking the special position of existing power plants into account, the Swiss Confederation thus recognises the vital contribution these power plants, especially Chavalon, make to Switzerland’s security of electricity supply.”

A REAL DETERMINATION TO DEVELOP NEW RENEWABLE ENERGIES

EOS, custodian of a fabulous Alpine heritage, has always been involved in developing renewable forms of energy and today the bulk of its production comes from hydropower plants. In 2008, the Group undertook to expand its activities in new renewable forms of energy and to invest massively in that area. Like the Federal Council, which has made the development of these energy sources one of the four pillars of its energy policy, EOS is convinced that new renewable energies play an important role and must feature in Switzerland’s energy portfolio. Having studied various opportunities in 2007, the Group entered a practical phase in 2008 with a strategy based on four priorities: small-scale hydropower, wind power, biomass and photovoltaic production. By 2012 EOS intends to generate 165 million kWh from new renewable sources in Switzerland and neighbouring countries, more than 30% of it in French-speaking Switzerland.

“EOS is convinced that new renewable energies play an important role and must feature in Switzerland’s energy portfolio.”

For speed and efficiency, the Group has taken on partners who have a good command of these technologies.

In French-speaking Switzerland

EOS has 8 new renewable energy projects in French-speaking Switzerland that have already been approved by swissgrid. Altogether, some 52 million additional kWh would be generated from renewables in these projects. EOS plans to invest almost CHF 80 million in French-speaking Switzerland over the next four years.

The company has chosen specialist partners to develop and successfully complete these projects. In Switzerland for example, the Group has taken a 35% stake in KohleNusbaumer SA, a Lausanne company specialising in new renewables.

In neighbouring countries

EOS is also investing in new renewable forms of energy in neighbouring countries, mainly France, Germany and Italy. Total planned production between now and the end of 2009 amounts to some 113 million kWh per year.

1. France

In April 2008, EOS acquired a 35.5% shareholding in SEHRY, a French company with small-scale hydropower operations. This company has an annual production of 55.4 million kWh from eight small hydropower plants, and a vast portfolio of new renewable energy projects. Through this cooperation, EOS bought the small hydropower plant of Le Bayet in the Alps, which has an annual production of 12.1 million kWh. The Group also acquired a six-unit wind farm near Montélimar, in the Rhône Valley, with a generating capacity close on 27 million kWh per year.

“The Group also acquired a six-unit wind farm near Montélimar, in the Rhône Valley, with a generating capacity close on 27 million kWh per year.”

2. Germany

In Germany, EOS has entered into a joint venture with GreenStream GmbH to develop commissioned projects. For example, it is involved in a biomass project comprising two units at Brokenlande; one of these is already operational and the other should come into service during the first six months of 2009. These two plants, with a total annual production of about 7.8 million kWh, recover heat that is sold to a horticulture company for warming its greenhouses.

3. Italy

EOS acquired a small hydropower installation in Italy, at Narzole, with an annual production of 11 million kWh.

CLEUSON-DIXENCE

Legal situation

On 12 December 2000, an accident affected the Cleuson-Dixence (CD) facility: the steel-lined shaft that takes water from the Grande Dixence dam to the Bieudron plant burst.

The civil case brought by the owners of the dam against the consortium charged with supplying and installing the lining is now closed following an out-of-court settlement between the two parties.

The criminal case ended in January 2009 with the decision of the Swiss Federal Supreme Court upholding the February 2008 verdict of the Cantonal Court of Valais.

Restoration of the complex

The excavation of the by-pass, enabling the accident site to be avoided having been completed in 2007, the lining of the old penstock with new cylindrical steel sections started in 2008. This work, which is being carried out simultaneously on four sites, is complex and requires a very high degree of accuracy. The pipes, 12 metres long and weighing between 25 and 50 tonnes, are taken down into the shaft on specially-designed wagons: they must then be connected to the cylindrical lining sections already installed.

This metalwork, which should be completed during the first quarter of 2009, will be followed by anti-corrosion treatment. The refilling of water and rehabilitation of the site are planned for the second half of the same year. After start-up testing of

the power plant, the majority of the installations should be operational by 1 January 2010.

The total budget (excluding interbank interest) for this huge restoration project is CHF 365 million. When the Cleuson-Dixence scheme is running again, it will supply 1,200MW of additional capacity to turbine the water from Grande Dixence (compared with 800 MW at present) and it will account for 40% of the built capacity in Valais Canton.

GENERATING ASSETS READY FOR THE OPENING OF THE MARKET

The opening of the market, the first phase of which came into force on 1 January 2009, requires electricity producers to change the way they operate and manage their power plants. During 2008, numerous resources were activated to ensure that the generating assets would meet the new requirements under the legislation.

The European directive governing this market opening requires provision of a larger quantity of control energy to ensure that production and consumption levels are matched at all times. The management of this control energy, up to now EOS' responsibility in its area of operation (western Switzerland), will now be centralised at national level by swissgrid. This requirement imposes new constraints on electricity producers. In order to meet the needs of swissgrid, the Swiss producers will have to provide 1000MW of power.

“The management of this control energy, up to now EOS' responsibility in its area of operation (western Switzerland), will now be centralised at national level by swissgrid.”

Only some facilities, such as Grande Dixence, Electra-Massa, FMHL and possibly Salanfe, are sufficiently flexible to supply this type of energy. They have adjusted their equipment and management as well as their IT systems. Nonetheless, these new standards involve costs that will inevitably be passed on in the electricity price. A plan to expand the generating fleet, a firm commitment in favour of the new renewable forms of energy: in 2008 EOS did everything to ensure that it continues to fulfil its mission and to meet the challenges of the future.

GRANDE DIXENCE COMPLEX A WORK OF PHARAONIC PROPORTIONS

The construction in the 1950s of the Grande Dixence dam was truly epic. EOS, through its pioneering and historical construction work, successfully met a tremendous technical and human challenge. The company built a hydropower scheme whose size, bold design and investment went well beyond anything previously done.

At the end of the Second World War, Switzerland had to boost its energy capability to support the growth of its industries. In 1945, the Federal Office for Water and Geology surveyed the country's hydropower potential and the Dix valley stood out as the site with the greatest potential for development. Lying at the heart of Valais Canton, this high valley satisfied all the geological and topographical conditions for its conversion to a giant storage reservoir.

In August 1950, EOS founded the “Grande Dixence SA” company, which major Swiss energy producers, Basel-City Canton, Bernische Kraftwerke AG, Société de Participations, and Nordostschweizerische Kraftwerke AG later joined as shareholders. Work started that same year. About 3,000 people laboured under difficult conditions of altitude, cold, and gale force winds to complete this avant-garde project.

The dam, the linchpin of the Grande Dixence complex, required 1.3 million tonnes of cement alone. No fewer than nine cement works in Switzerland worked flat out for several years to produce the material. Special wagons were ordered to carry it by rail, and cable cars were specifically created to transfer it to the site.

A dam unlike any other
The wall may be impressive, but it is just the tip of the iceberg. Even today, the dam is unique. Nestled between the cliffs of the Dix Valley, its 285-metre wall is still the highest in the world. This gravity dam, a colossus heavier than the Pyramid of Cheops, holds several records. To enable it to hold the over 400 million m³ stored each year, 6 million m³ of concrete was poured between the mountains. For comparison, a similar quantity of concrete could build a wall 1.5 metres high and 10 centimetres wide around the Equator!

The challenge was not only to erect a wall to retain an artificial lake. The scheme also had to collect water from 35 Valais glaciers between the Zermatt and the Hérens valleys and bring it to the Dix valley. To that end, around 100km of tunnels had to be dug in the mountain, 75 water intakes installed to feed them and four pumping stations built to distribute the water.

In 1965, after 15 years of titanic labour, the Grande Dixence complex was completed. The Fionnay and Nendaz power plants, together with the EOS-owned plant at Chandoline, took turns to convert this mass of water into power and supply the equivalent of 400,000 households with electricity throughout the year.

New facilities were built on the site between 1993 and 1998, notably the underground power plant at Bieudron. With this configuration, the Cleuson-Dixence complex enabled the generating capacity of the Grande Dixence hydropower scheme to be increased by

a factor of 2.5. Idle since the accident of December 2000, it is currently being restored and the Bieudron plant should again be generating power at the start of 2010.

Building our energy assets of the future

SINCE 1919, EOS HAS BEEN DESIGNING, BUILDING AND MANAGING THE ENERGY SUPPLY OF THE FUTURE.

FORCES MOTRICES HONGRIN-LÉMAN SINCE 1971

YESTERDAY

Some structures may be massive but stand out because of their grace, and the Hongrin dam is one of those. Completed in 1971 after five years of building work, its fine double arch rises above the Hongrin and Petit Hongrin rivers. Like all great civil engineering works, the project matured slowly: as early as 1944, a first concession was requested to meet the needs of the post-war boom. Today, the reservoir is a favourite place for walkers in the Pays d'Enhaut district. But these 52 million m³ of water are not retained here

just to provide a sight for sore eyes. Above all, they are a tremendous power reserve that, as the need arises, sets in motion the turbines of the underground power plant at Veytaux, near Château de Chillon. Over nine kilometres of piping stretch between Lake Hongrin and Lake Geneva, forming a link as precious as it is invisible between two of the most beautiful landscapes in Vaud Canton.

TODAY AND TOMORROW

Built to last and designed to grow, the Hongrin-Léman complex has a promising future ahead. Forces Motrices Hongrin-Léman plans to increase the power of the existing facilities by 75%, i.e. 180MW. One of the advantages of the project is that it will optimise an existing scheme. The Hongrin dam, just like the inlet tunnel and the lined shaft, will not be changed at all. The surge shaft will be adapted underground. A new, completely invisible, cavern will be opened near the existing one. There, from 2013, two addition-

al pump-turbine sets will increase the capacity of the scheme from 240 to 420MW. At almost 40 years of age, this scheme will be generating additional peak energy to meet consumption peaks. And by supplying control energy, it will enable variations in the production of the new renewable energies - especially windfarms and solar power units - to be compensated.



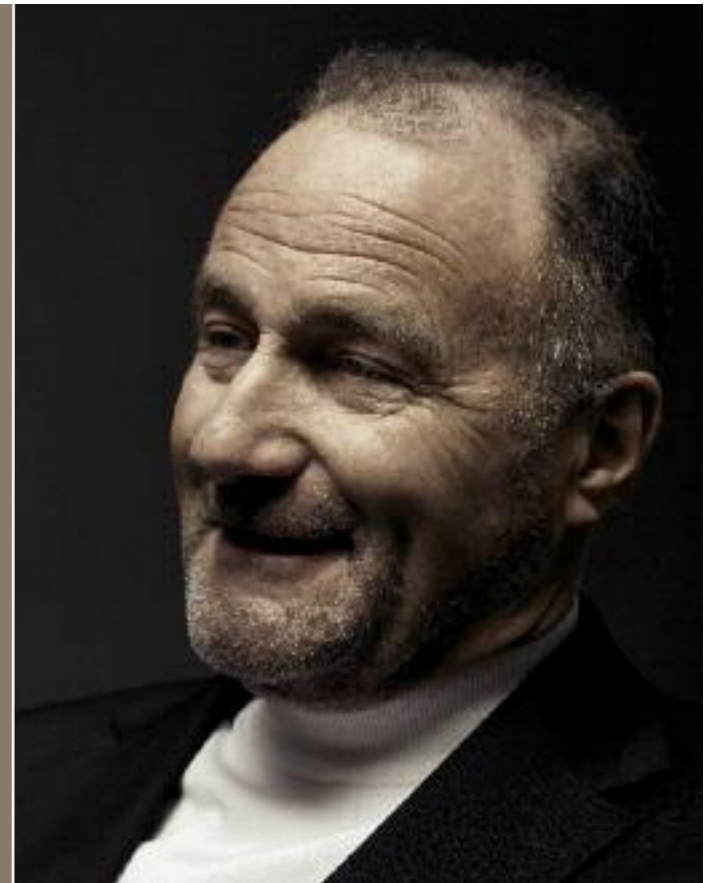
Veytaux: construction of the Léman hollow-jet valve in the nineteen seventies

Construction of the Hongrin dam water intake, 1962-1967

Aerial view of Hongrin dam

“ IT’S FANTASTIC TO BE ABLE TO GENERATE OUR ENERGY BY TAMING SUCH A WONDERFUL NATURAL FORCE.”

Alain Jaccard, FMHL + Project Leader



SUPPLY (EXCLUDING PURCHASES AND TRADING)

Company / hydropower
complex

Power plants

OWN OR JOINT-VENTURE HYDROPOWER PRODUCTION*
(EOS SHARE OF ENERGY GENERATED IN SWITZERLAND)

| | | 2008 | 2007 |
|--|------------------------------------|--------------|--------------|
| | | GWH | GWH |
| EOS own production | Chandoline | 325 | 275 |
| Grande Dixence Complex | Fionnay and Nendaz | 1,460 | 1,265 |
| Energie Electrique du Simplon SA | Gondo, Gabi, Tannuwald | 176 | 172 |
| Electra-Massa SA | Bitsch | 145 | 132 |
| Forces Motrices de Conches SA | Heiligkreuz, Fieschertal, Neubrigg | 123 | 121 |
| Forces Motrices Hongrin-Léman SA | Veytaux | 558 | 508 |
| Salanfe SA | Miéville | 139 | 120 |
| Société des Forces Motrices du Grand-St-Bernard SA | Pallazuit | 31 | 34 |
| Forces Motrices de Fully SA | Fully | 8 | 11 |
| Société des Forces Motrices de Martigny-Bourg SA | Martigny-Bourg | 13 | 14 |
| Total hydropower | | 2,978 | 2,652 |
| Pumped storage | | 2,666 | 2,345 |
| Run-of-river | | 312 | 307 |

SWISS THERMAL POWER GENERATION (EOS SHAR)

| | | | |
|----------------------------|--|-----|-----|
| Kernkraftwerk Leibstadt AG | | 461 | 467 |
|----------------------------|--|-----|-----|

POWER PURCHASE CONTRACTS

| | | | |
|----------------------|--|--------------|--------------|
| | | 5,430 | 3,325 |
| Overall total | | 8,869 | 6,444 |

* See p.15 for joint-venture percentages.



TRANSMISSION

The business ...

A vital link between generating facilities and centres of consumption, the EOS high and very-high-voltage transmission grid is a key constituent of Switzerland's security of supply. The rise in electricity consumption and the need to expand production in Switzerland mean that this network must be reinforced. And the opening of the electricity market changes the way it is managed.

EOS was established specifically to create an electricity transmission grid 89 years ago. The company's initial achievement was the Geneva-Lausanne line, the first link in the western Switzerland network. Since then, the grid has been gradually extended throughout western Switzerland and the Group now has almost 1,000km of high and very-high-voltage lines that are in part interconnected with the national and European grids. Apart from maintaining the existing network, the Group has prepared for the opening of the electricity market, which has consequences on the operating and management of its transmission system. It has also worked hard to develop the detailed arrangements for cooperating with swissgrid, which is responsible for operating the Swiss very-high-voltage (VHV) grid as of 1 January 2009.

“The creation of an electricity transmission grid was the prime task of EOS, which was established specifically for that purpose 89 years ago.”

To increase the security of supply in French-speaking Switzerland, cope with the rise in consumption in the country as a whole and ensure the transmission of electricity from new production sources, EOS must connect the western Switzerland grid to the national grid by building the two missing sections: the VHV Yverdon-Galmiz and Chamoson-Chippis-Mörel lines. This will guarantee a reliable supply of electricity 24 hours a day to homes and businesses in French-speaking Switzerland.

OPENING OF THE ELECTRICITY MARKET:
AN IMMENSE CHANGE

The present liberalisation of the electricity market is the biggest upheaval the sector has known in recent decades. It is bringing far-reaching changes to the way the people in the industry operate. To prepare for this immense transformation, EOS successfully ran a major project called ROME (“Réussir l’Ouverture du Marché de l’Electricité” - “Succeed in Opening the Electricity Market” - “Succeed in opening” just means that the market will be opened;

“The present liberalisation of the electricity market is the biggest upheaval the sector has known in recent decades.”

“Manage the Opening of the Electricity Market Successfully” or “Ensure the Successful Opening of the Electricity Market” are better phrases for what is meant here) during the whole of last year. This project involved all the EOS divisions, from generation through transmission to commerce

and trading. Everyone in fact must adjust to a profoundly changing environment.

NEW LEGISLATION

On 1 January 2008, the Federal Electricity Supply Act (Loi sur l’approvisionnement en électricité - LApEI) came into force. Its Implementing Ordinance (OApEI), adopted by the Federal Council on 14 March 2008, came into effect on 1 April 2008. The market in Switzerland will open in two stages. From 1 January 2009, it applies to major customers whose annual consumption exceeds 100MWh. It will extend to all Swiss consumers from 1 January 2014. To ensure non-discriminatory access to the grid, LApEI requires companies to legally separate the operation of the transmission system from other business activities. The companies concerned have one year, from 1 January 2009, to comply with the law.

From EOS Réseau SA to swissgrid

Anticipating this deadline, EOS transferred its transmission operations to a new independent company, EOS Réseau SA. Created in December 2007, this entity has been operational since 1 January 2008. On that date, the employees of the Transmission Division and the corporate assets were transferred to the new company. By the end of 2013 at the latest, these assets will be transferred to swissgrid as required by the legislation.

ElCom, a supervisory authority

The Federal Council established the Swiss Federal Electricity Commission (ElCom) to supervise the implementation of the new legislation. In operation since July 2007, it acts as the regulatory authority of the industry. ElCom supervises the liberalised market by verifying the proper application of LApEI and by intervening in any disputes. It monitors electricity prices and the use of the grid, and if necessary it will impose price cuts. It will settle international electricity transmission and trading issues and, in cooperation with the regulatory bodies of countries on Switzerland's borders, will decide which regime to apply to cross-border interconnections. Finally, this body has been entrusted with defending Switzerland's interests at the European level.

CREATION OF BALANCE GROUPS

The opening of the market allows consumers to choose their electricity supplier. A consequence of this arrangement is the creation of balance groups that bring together all the customers affiliated to the same supplier. As part of the MUNCH (Markt Übertragungsnetz Schweiz - Swiss Transmission Grid Market) project, working groups, in cooperation with swissgrid,

HIGH VOLTAGE LINES THE ORIGINAL REASON FOR ESTABLISHING EOS

For 89 years, the Group not only pioneered electricity generation, it also spearheaded electricity transmission. Creating high voltage lines was in fact the first mission entrusted to EOS and the specific reason for establishing the company. To understand this fully, we must go back to the end of the decade that began in 1910. At that time, there was no energy generation and distribution policy in French-speaking Switzerland. The various electricity companies all worked on their own behalf without worrying too much about each other. Due to insufficient links between the power plants and the consumers in the same area, large quantities of energy remained unused in some places whilst there were shortfalls elsewhere.

This situation, which hampered the economic development of the region, could not continue. So the idea came about of creating a supra-regional HV general transmission and distribution grid in western Switzerland to link the main generating and consumption centres, as well as avoid line multiplication.

On 14 March 1919, “Energie de l’ouest-suisse” (EOS), was established as a limited company and charged with producing the grid. Its purpose was “to exploit the hydropower of western Switzerland rationally and intensively”. To do so, it was stipulated in particular “that it shall build and operate a major electricity transmission and distribution network that will bring together the electricity companies – existing or to be created – and the major centres of consumption, with a view to making available to the various parties the power volumes appropriate to cover their present and future needs.”

As early as 1919, EOS initiated a study of the Lausanne-Geneva high voltage line, considered to be the first link of the major western Switzerland grid. Almost 66km long, this line was intended to link the Lausanne generating plant at Pierre-de-Plan to the Chèvres generating plant in Geneva. EOS decided on a long-distance line with three conductor cables and one earth wire supported by metal pylons on concrete bases. EOS specified conductor cables made from aluminium wire wound round a steel core, the first time such a material had been used in Switzerland for a transmission line of that type. Built in 1920, the line was powered up without incident on 26 December of that same year.

Today, with almost 1000km of high and very-high-voltage lines, the western Switzerland network has grown considerably but is still not connected to the 380kV national grid.

have worked out processes to manage the balance groups, to acquire and supply system services – especially control energy reserves – and to ensure the operational management of the transmission network.

In parallel, EOS is in contact with its shareholder-clients in order to decide the arrangements for acquiring and supplying energy, and the terms under which balance sheets and the provision of control energy will be managed.

“EOS is in contact with its shareholder-clients in order to decide the arrangements for acquiring and supplying energy, and the terms under which balance sheets and the provision of control energy will be managed.”

These changes involve the development of new IT tools and in some cases changes to existing systems. We successfully completed the transition at the end of 2008.

TWO NEW LINES ESSENTIAL FOR THE COMPLETION OF THE SWISS GRID

To ensure a secure electricity supply to homes and industries in French-speaking Switzerland, it is absolutely necessary to boost the very-high-voltage (VHV) grid. Although generating and consumption patterns have changed radically in the last 20 or 30 years, the Swiss network has changed little. It is reaching the limits of its capacity more and more frequently, especially on winter nights when imports rise and summer days when exports increase. Moreover, because the western Switzerland network is isolated from the national grid, it no longer meets the European standards that require networks to have sufficient reserves to tolerate without damage the momentary outage of a line or other part of the grid.

Although generating and consumption patterns have changed radically in the last 20 or 30 years, the Swiss network has changed little.

Over the next few years, the problem will become even more critical. swisselectric forecasts that Switzerland will in fact face a generating deficit of around 25 to 30 billion kWh by 2035. To make good the shortfall, the industry plans to invest some CHF 30 billion in developing production, mostly in Switzerland. It is therefore imperative for the country to grow its transmission capability in order to route the additional energy from the points of generation to the centres of consumption.

To meet European requirements and to face the future with confidence, EOS, in cooperation with the other players in the sector and the Swiss

Federal Railways (CFF-SBB), has been working for many years to build two new lines, Chamoson-Chippis-Mörel and Yverdon-Galmiz. These two projects are part of the sectoral plan for electricity transmission lines approved by the Federal Council. Their value was confirmed by the “Transmission Lines and Security of Supply” working group set up by the Department for the Environment, Transport, Energy and Communications (DETEC) following the power outages of recent years in Switzerland and Europe. Moreover, an independent expert’s report, commissioned by the Swiss Confederation and carried out by Professor Hans-Jürgen Haubrich of Aachen University in Germany, has confirmed the urgency of building the missing links in the western Switzerland very-high-voltage network.

“EOS, in cooperation with the other players in the sector and the CCF, has been working for many years on the building of two new lines, Chamoson-Chippis-Mörel and Yverdon-Galmiz.”

The grid is in fact lagging behind the rest of the country. Linked only to the French VHV network, it is not connected to the national 380kV grid. Switzerland needs these projects as quickly as possible to reduce the risk of a blackout like that of 18 January 2005, which plunged half a million people in French-speaking Switzerland into the dark.

Three projects in the hands of the Swiss authorities

Chamoson-Chippis. The planned section of line in central Valais Canton has gone through several versions. The latest version of the planned route has been approved by Valais Canton, the Federal Office for the Environment (FOEN), the environmental protection associations and adjacent owners. As for the rest of the line, the dossier was presented to the Federal Office of Energy (FOEN), which is to give its verdict based on the report presented last year by the Federal Inspectorate for Heavy Current Installations (ESTI).

Chippis-Mörel. The dossier concerning the corridor through which the extension of the Chamoson-Chippis line will pass between Chippis and Mörel is again with FOEN. Valais Canton has also asked EOS to look into the possibility of burying the line for part of the route.

Yverdon-Galmiz. In May 2008, EOS gave FOEN the new Yverdon-Villarepos route, which it had modified following the 1999 public inquiry. At the same time, an investigation into the possibility of laying a cable under Lake Neuchâtel and Lake Morat is in progress. As for the Villarepos-Galmiz section, it is currently open to consultation within ESTI.

Overhead lines still the best solution

The main demands of opponents to these projects concern the burial of the lines. In 2007 therefore, EOS commissioned a report from an engineering consultancy which specialises in underground cable feasibility studies. This report shows that the overhead line is the best solution from every point of view. It is technically the most reliable solution for transmitting 4000MW of power. If there is a failure, only 24 to 48 hours are required for repairs, compared with a week to several months for underground cables.

“Technically, it is still the most reliable solution for transmitting 4000 MW of power.”

It also has less impact on the environment and the landscape than buried lines. Underground lines require a tunnel 4 to 6m in diameter or a trench 10 to 15m wide to be dug along the whole route, the construction of overhead-underground stations as big as football pitches on either side of the line, and the installation every 3km of chambers equipped with giant fans to evacuate the heat produced by the cables. Finally, from an economic point of view, underground cabling would lead, depending on the topography, to substantial extra costs of 8 to 15 times that of an overhead line. This will increase electricity costs by about 15% for Swiss households and even more for businesses. These arguments explain why 99.7% of the European VHV network comprises overhead lines.

The direct current option has proved to be an inadequate solution. The technology is of limited power and can be considered only for long-distance sections exceeding 100km. Furthermore, it has a big impact on the landscape because it requires the construction of very large direct current-alternating current inverter stations.

INTERNATIONAL ACTIVITIES

Offsetting mechanisms

Electricity flows across Europe from north to south and east to west. It necessarily flows through transit countries, which allow their national grid to be used for that purpose. To remunerate these countries, the European Union introduced a compensation mechanism in 2002, from which Switzerland, a focal point of the European network, has benefited.

Towards single auctions

Auction mechanisms for cross-border transmission capacity allocations have been established with Germany, Austria and, from 1 January 2008, with Italy. This system meets European requirements on cross-border exchanges and non-discriminatory access to the grid. The trend

today is to simplify and unify the system, which at the moment uses the services of various operators. To that end, it is intended to have a single auction office in charge of the auctions for several borders. This approach is part of the plan to find tools providing market operators with maximum interconnection capacity, so that they can respond as quickly as possible to fluctuations in demand.

HIGH VOLTAGE LINES THE ORIGINAL REASON FOR ESTABLISHING EOS

Two new very-high-voltage lines are vital for linking French-speaking Switzerland with the rest of the country

The western Switzerland 380kV network is lagging behind the rest of Switzerland. Linked only to the French network, it is not connected to the national grid. This gap increases the risk of a blackout and threatens French-speaking Switzerland's security of supply. To fill the gap, EOS, in cooperation with the other industry operators and the CFF-SBB, has worked for many years to build new lines, the Chamoson-Chippis line and its extension to Mörel, and the Yverdon-Galmiz line.

Chamoson-Chippis-Mörel
This project aims to group together on one route two new 380kV lines and four existing 220kV and 132kV lines. The intention is to build 28km of lines and 72 pylons, which will enable 60km of lines and 190 pylons to be taken out of the Rhône Valley.

The project has been put out to public inquiry three times since 1996, most recently in 2006. In 2007, the Federal Inspectorate for Heavy Current Installations (ESTI) referred the case to the Swiss Federal Office of Energy (SFOE), which has not yet given its opinion.

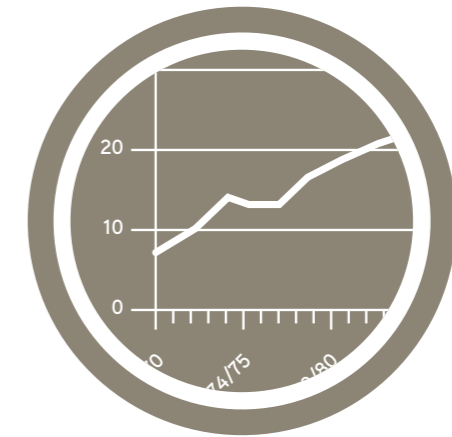
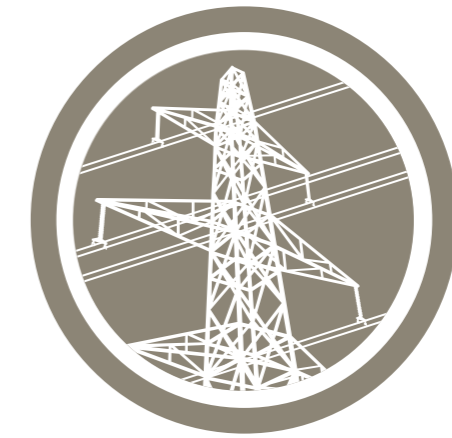
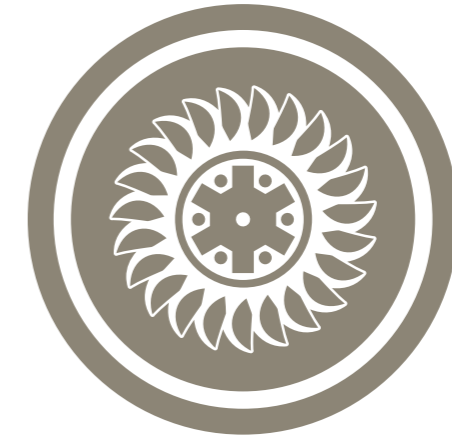
The corridor through which the Chippis-Mörel section will pass should be approved by the Swiss authorities in the course of 2009.

Yverdon-Galmiz
EOS made the first application to build the Yverdon-Galmiz route in 1976; the procedure has therefore been going on for 32 years.

Designed to eliminate a bottleneck in the Swiss VHV network and ensure a secure supply for the CFF-SBB, the plan recommends building 50km of lines and 144 pylons. That will enable 4 new high and very-high-voltage lines and the 125kV line to be bundled together between Montagny and Galmiz. In exchange, it will be possible to remove 22km of lines and 70 pylons from Fribourg Canton.

The dossier concerning the Villarepos-Galmiz section is currently open for consultation within ESTI and the one for the Yverdon-Villarepos section was sent to SFOE in May 2008.

All the papers concerning the Chamoson-Chippis and Yverdon-Galmiz lines are therefore currently with the Federal Administration.



Building our energy assets of the future

SINCE 1919, EOS HAS BEEN DESIGNING, BUILDING AND MANAGING THE ENERGY SUPPLY OF THE FUTURE.

TRADING SINCE 2000

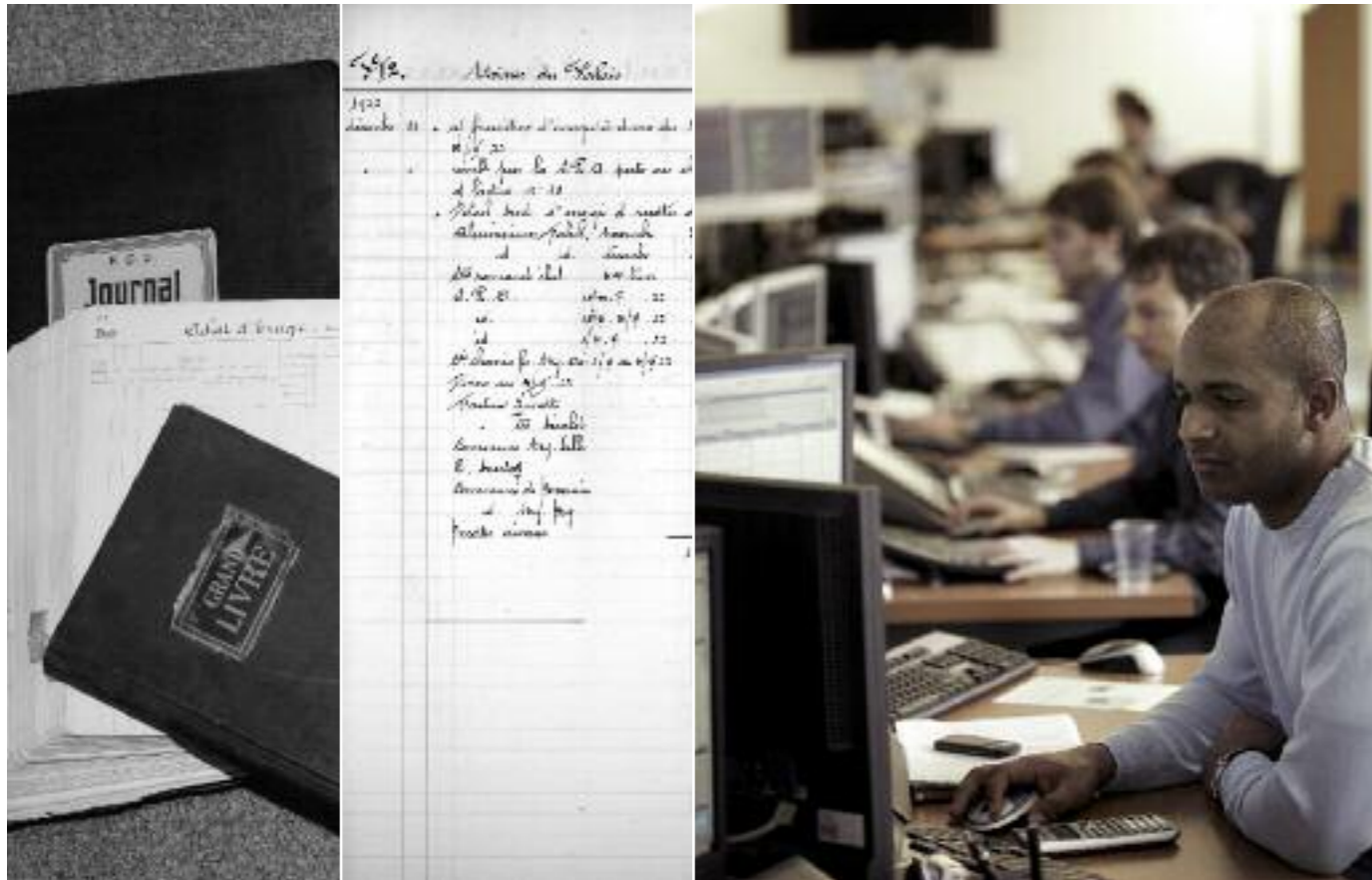
YESTERDAY

Selling – with generation and transmission – is one of the three historic missions of EOS. Just after it was established in 1919, the company drew up the first contracts enabling it to buy and sell electricity from and to the participating power plants, or other companies. For a very long time, the electricity market was closed : a client had very little opportunity to buy or trade energy elsewhere. The market in French-speaking Switzerland therefore needed to be organised. As the network grew and was connected to the grid

in neighbouring countries, commercial relations also expanded. Since then, Switzerland has imported a substantial share of its supply at certain times, and exported its peak energy at other times. In order to make the most of the energy generated by EOS and meet the needs of its shareholder-clients, this new market had to be analysed and understood. The commercial activities grew, especially when the Commerce and Trading Division was established in 2002 and EOS Trading in 2005.

TODAY AND TOMORROW

With a presence on the energy markets of seven countries, EOS today is a recognised partner at European level. The Group is expanding its operations and offers an ever wider range of products and services to its shareholder-clients. On such a complex market, the knowledge of the EOS traders enables the Group to make the very most of its generating fleet by the optimum management of opportunities and risks. These skills are an important part of the growth of EOS, and of Alpiq.



First EOS account books, 1919-1924

EOS trading floor 89 years later

“OUR KNOWLEDGE OF THE EUROPEAN ENERGY MARKET BENEFITS OUR CLIENTS AND THE WHOLE OF SWITZERLAND.”

Martin Bloch, Head of Proprietary Trading





SALES

The mission...

In the EOS chain of businesses, Commerce and Trading deals with everything to do with the market. Changes in multi-commodity prices (oil, coal, gas, CO₂ certificates) closely influence the price of electricity. By expanding its activities, the Commerce and Trading Division has improved its knowledge of these markets. It offers a wide range of products and services to EOS counterparties and shareholder-clients, and also makes the most of the EOS generating fleet and long-term contracts on the energy markets.

In 2008, EOS continued to develop its position in the various markets to optimise the management of risks and opportunities. In an environment marked by major upheavals in the global economy – due in particular to the great fluctuations in the oil price and to the financial crisis – it grew its business volume and strengthened its presence on the European markets.

“In an environment marked by major upheavals in the global economy EOS grew its volume of business and strengthened its presence on the European markets.”

EOS conducts a large proportion of its business with its shareholder-clients. The activity concerns short-term buying and selling of electricity and supplying energy under long-term contracts. Many services are also offered: portfolio management, support in defining risk strategy, participation in the EOS balance group and access to various markets.

In 2008, the Group, with its highly qualified personnel and essential business optimisation tools, achieved results above expectations. It intensively prepared for the opening of the electricity market in Switzerland, and faces the intensification of electricity trading in Europe with quiet confidence. The Atel merger allows EOS to be very ambitious in meeting tomorrow's challenges.

“The Atel merger allows EOS to be very ambitious in meeting tomorrow's challenges.”

MANY UPS AND DOWNS ON THE ELECTRICITY MARKET

The spot market price of electricity varied greatly throughout 2008. Influenced by the weather and by the big swings in primary energy prices, especially oil (between \$50 and \$150 a barrel), it reached record levels in Germany in September before falling at the end of the year.

Because the primary energy and electricity markets are linked, prices recorded big fluctuations on the futures market. For example, baseload for 2009 in Germany began 2008 at 60€/MWh and a few months later stood above 90€/MWh. The financial crisis made the markets nervous and thus very volatile. After a succession of rises and falls, the trend definitely became bearish when the financial crisis hit the real economy.

CO₂ certificate prices had similar swings: rising strongly before moving back down.

RESULTS ABOVE EXPECTATIONS

Thanks to controlled risk-taking and accurate anticipation of the market, the trading specialists successfully coped with this unstable situation and achieved results well above the annual budget. The team managing the EOS generating facilities also took advantage of market opportunities and made the most of the energy produced.

“Thanks to controlled risk-taking and accurate anticipation of the market, the trading specialists successfully coped with this unstable situation.”

Compared with 2007, trading net earnings in 2008 rose 20% to CHF 38 million. The expansion of trading activities had already led to an increase in workforce numbers in 2007; this trend was confirmed in 2008.

ELECTRICITY MARKET OPENING IN SWITZERLAND

2008 was marked by the final preparations for the opening of the Swiss electricity market, the first phase of which came into effect on 1 January 2009. The EOS control area was transferred to swissgrid as of that date. One of the main changes was the introduction of the “balance group”, a virtual structure that allows swissgrid to manage the forward planning and proper invoicing of the energy supplied to balance consumption. EOS offered various companies,

“One of the main changes was the introduction of the “balance group”, a virtual structure that allows swissgrid to manage the forward planning and proper invoicing of the energy supplied to balance consumption.”

especially its shareholder-clients, the possibility to join its balance group so that they can benefit from the very wide variety of activities. The second important change concerns the involvement of large producers such as EOS in the control energy market established by swissgrid. The electricity producers must reserve part of their production so that it can be used to control the Swiss grid.

ITALY: AUCTIONS ESTABLISHED

The introduction, on 1 January 2008, of an auction system on the Switzerland-Italy border changed the structure of the Italian market. The market has become more standardised and traders are now more in evidence than originators.

GERMANY: NEW ACQUISITIONS UNDER CONSIDERATION

Given the continuing uncertainties over the plan to build a combined-cycle gas turbine power plant at Chavalon, EOS is contemplating the acquisition of new generating capacity in Germany. Various natural gas-fired power plant projects are being considered to that end.

FRANCE: THE GROUP CONTINUES TO GROW

The regulatory confusion that has reigned for some years on the French electricity market continued through 2008. Although this market was liberalised in 2007, a number of barriers make it non-liquid and hard to penetrate. In that uncertain environment, the quantities of energy bought and sold in France were due essentially to the traditional EOS counterparties. However, the situation has changed on the acquisitions front. Following the EOS acquisition of a 35% stake in the French company SERHY and the creation of EOS-France, the Group grew its presence on the small-scale hydropower market in France. Negotiations are also in progress to take a stake in a natural gas-fired power plant.

EUROPE: PAN-EUROPEAN EXCHANGE ESTABLISHED

The merger of the German EEX and French Powernext exchanges, aimed at developing a pan-European exchange, was completed. The spot markets are managed in Paris and futures in Leipzig. EEX now operates 7 days a week. The new group is currently managing the North-West Europe zone including Germany, France,

“The merger of the German EEX and French Powernext exchanges, aimed at developing a pan-European exchange, was completed.”

Switzerland and Austria. It is likely that this management operation will soon be extended to include Belgium.

In addition, France, Germany and Benelux have continued their work on the market-linking project. This is a matter of linking several exchanges to produce a single virtual market which functions as long as the interconnection capacity is not saturated. As soon as congestion appears, the price-equalisation mechanism no longer applies and a price differential appears between the markets. In 2006, France, Belgium and the Netherlands had already linked their day-ahead markets in order to optimise the management of their D-1 interconnection capacities. This system should be extended to Germany and all the Benelux coun-

tries in 2009 or at the start of 2010. At the same time, a new company (CASC) has been established with responsibility for holding explicit auctions for future capacity allocation.

These initiatives are leading to a standardisation of procedures and products, which will make it much easier to access the markets concerned.

GAS TRADING NOW OPERATIONAL

The EOS gas trading activity, which started in 2007, became operational in 2008. In order to broaden its long-term gas portfolio, the Group also registered with the operators of the gas transmission networks of GTS (Netherlands), Fluxys (Belgium), GRT Gaz (France) and EGT (Germany). This means that it will be part of a long-term gas transmission capacity subscription these operators will offer when the transmission grids are boosted in 2011-2012.

EOS will be ready to supply Chavalon with gas when the framework conditions allowing the project to start are all in place. The Group will also be able to supply the combined-cycle gas turbine plants in which it plans to take shares.

“EOS will be ready to supply Chavalon with gas when the framework conditions allowing the project to start are all in place.”

RENEWABLES MARKET GROWING

EOS, intent on supplying its customers with electricity that is both environment- and climate-friendly, is committed to a strategy aimed not only at expanding its generating operations but also at trading new forms of renewable energy. In that context, EOS took advantage of the growing business of green certificates in France,

“EOS is committed to a strategy aimed not only at expanding its generating operations but also at trading new forms of renewable energy.”

Germany and Switzerland. In particular, it sold large quantities of “Guarantee of Origin” certificates in Germany. EOS also won a Swiss company's call for tenders for Naturemade Basic certificates over a number of years.

7.

EOS GROUP — FINANCIAL REPORT

Note: in the following tables and commentary,
figures are given in thousands of Swiss francs (KCHF),
unless otherwise indicated.

Following the very good results of 2007, the Group maintained its growth in 2008, which resulted in net profits of CHF 206 million (CHF 87 million in 2007, excluding the impact of the impairment reversal)¹⁾. This substantial growth is the result of the measures taken in previous years to ensure the long-term financial sustainability of the Group.

The Group's commercial activities contributed to its excellent 2008 performance. EOS recorded a 56% growth in turnover (CHF 3.5 billion), mainly due to the optimised management of its hydropower generating fleet and to the added value realised by the sale of its peak energy on the electricity markets; demand for this energy is increasing as the new renewable energies develop in Europe. Despite the fall in market prices at the end of 2008, trading results rose to CHF 38 million (CHF 31 million in 2007), 20% higher than in 2007.

In 2008, the Group made a great effort to develop its generating and transmission assets. In addition to major projects such as Bieudron, FMHL +, CTV or the VHV line projects, the Group expanded its renewable energy operations for example, through the acquisition of new skills and mini hydropower and wind power plants in Switzerland and abroad.

2008 PROFIT AND LOSS ACCOUNT

In 2008, the Group continued to develop its trading operations on the European wholesale markets to make optimum use of its generating fleet; this led to numerous wholesale market transactions on the various energy trading platforms in Switzerland and Europe. The result is a 56% growth in turnover to CHF 3.5bn (CHF 2.2bn in 2007), and a 54% rise in energy purchases.

Income from trading operations is CHF 38m (CHF 31m in 2007), on a transaction volume that is also much higher, at CHF 6.9bn.

The share of profit of joint ventures and associates is negative because of the lower value of the fund for the Leibstadt nuclear power station dismantling and waste treatment. Other operating expenses are slightly lower than the previous year.

In 2007, the "Share of profit of joint ventures and associates" and "Other operating expenses" items reflected the impact of the fixed asset impairment reversal.

The reduction in "Materials and services" costs (-7%) essentially results from a downsizing of the joint projects with other partners where the Group bills back their share, and the revenues are accounted for under other operating expenses. The cost of operating and maintaining Group installations remain substantial however, which means that maximum availability of the generating fleet and transmission facilities can be guaranteed.

As a corollary of its strong growth, the Group also developed its administrative support for the operational side. This led to an increase in wage costs, and in other operating expenses, especially management and communication tools.

Following the 2007 reversal of impairment and the resulting increase in assets, depreciation rose significantly. New investments also accounted for the variation to some extent.

The Group's value added operations and the conclusion of the merger with ATEL are a major reason for the rise in costs under "other operating expenses".

Earnings before interest and tax (EBIT) stand at CHF 228.9m (CHF 431.9m in 2007 and CHF 112.7m excluding the impairment reversal effect).

Other operating income has increased due to higher revenues from ATEL HOLDING shares.

Financial costs are negatively impacted by the fall in the Euro against the Swiss franc during the period under review. Financial costs are stable compared with the previous year.

Tax costs vary with income. In 2007, the impairment reversal caused an increase in deferred tax.

Net Group profit is CHF 205.9m, a big increase compared with 2007 (CHF 87.0 excluding impairment reversal). When the effect of the impairment reversal of CHF 247.2m is included, the published net profit for 2007 was CHF 334.2m.

BALANCE SHEET

The balance sheet total remains stable at CHF 4.7bn. Shareholders' equity accounts for 69% of the balance sheet total (72% in 2007). The decrease is mainly due to the fair valuation (market price) of the financial assets in light of the financial market slump at the end of 2008.

Fixed assets fell by CHF 159.5m because of the fair value adjustment to the ATEL HOLDING investment at the end of the year.

Current assets rose CHF 203.2m, CHF 80m of which was cash and cash equivalents and CHF 100m other receivables and accruals, relating to margin calls in favour of counterparties. Given the increase in the trading volume, the level of receivables has risen.

The fall in the value of the financial assets negatively impacts shareholders' equity, which is down CHF 114.0m after earnings for the year are taken into account.

Financial liabilities (short and long term) increased by CHF 44.4m. During the year, the Group repaid a loan of CHF 110m and drew on its credit facilities in order to finance its operating and investment activities.

Total short-term debt, excluding short-term financial liabilities, grew by CHF 148.8m, and reflects the changes in the Group's business activities.

CASH FLOW

Cash flow before variation in working capital was CHF 246.0m in 2008, compared with CHF 117.8m in 2007. With a capital investment level of CHF 113.6m, the Group has definitely applied its growth strategy by continuing its major projects in Switzerland and developing its renewable energy activities.

¹⁾ In 2007, EOS Holding effected an impairment reversal to the value of CHF 247.2m.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

50

| | Note | 2008 | 2007 |
|--|--------|--------------------|--------------------|
| Net turnover | 1 | 3,497,262 | 2,244,158 |
| Share of profit of joint ventures and associated companies | 14, 15 | (20,447) | 163,754 |
| Other operating income | 2 | 22,611 | 171,556 |
| Total operating income | | 3,499,426 | 2,579,468 |
| Energy purchases | 3 | (3,071,870) | (1,996,322) |
| Materials and services | 4 | (21,548) | (23,114) |
| Personnel expenses | 5 | (59,392) | (44,116) |
| Depreciation | 6 | (63,846) | (42,061) |
| Other operating expenses | 7 | (53,907) | (41,965) |
| Total operating expenses | | (3,270,563) | (2,147,578) |
| Earnings before interest and tax (EBIT) | | 228,864 | 431,890 |
| Income from other financial assets available for sale | 8 | 61,537 | 17,528 |
| Interest income | 9 | 8,866 | 4,217 |
| Financial cost | 9 | (45,238) | (28,042) |
| Earnings before tax (EBT) | | 254,029 | 425,593 |
| Income taxes | 10 | (48,083) | (91,408) |
| Net Group profit | | 205,946 | 334,185 |
| - attributable to parent company shareholders | | 204,393 | 333,744 |
| - attributable to minority shareholders | | 1,553 | 441 |

CONSOLIDATED BALANCE SHEET

51

| | Note | 31.12.2008 | 31.12.2007 |
|---|------|------------------|------------------|
| ASSETS | | | |
| Tangible fixed assets | 12 | 547,704 | 503,188 |
| Intangible fixed assets | 13 | 447,103 | 432,395 |
| Investments (joint ventures) | 14 | 803,787 | 805,872 |
| Investments (associated companies) | 15 | 47,544 | 11,062 |
| Other long-term financial assets | 16 | 2,201,497 | 2,454,618 |
| Total fixed assets | | 4,047,635 | 4,207,134 |
| Inventory and work in progress | 17 | 7,449 | 3,156 |
| Receivables arising from deliveries and services | 18 | 276,585 | 257,825 |
| Deferred tax assets | | 363 | - |
| Other receivables and accruals | 19 | 148,182 | 49,135 |
| Cash and cash equivalents | | 242,437 | 161,657 |
| Total current assets | | 675,016 | 471,773 |
| Total assets | | 4,722,651 | 4,678,907 |
| LIABILITIES | | | |
| Share capital | 20 | 324,000 | 324,000 |
| Additional contributions | 20 | 37,740 | 37,740 |
| Accumulated profits | 20 | 2,896,554 | 3,011,909 |
| Equity attributable to Group shareholders | | 3,258,294 | 3,373,649 |
| Equity attributable to minority shareholders | | 3,292 | 1,931 |
| Total shareholders' equity | | 3,261,586 | 3,375,580 |
| Long-term financial liabilities | 21 | 375,083 | 510,413 |
| Provisions | 22 | 26,456 | 24,642 |
| Employee benefits | 23 | 10,801 | 11,136 |
| Other long-term liabilities | 24 | 20,670 | 20,270 |
| Deferred tax liabilities | 10 | 308,035 | 345,384 |
| Total long-term liabilities | | 741,045 | 911,845 |
| Short-term financial liabilities | 21 | 302,195 | 122,490 |
| Liabilities arising from purchases and services | 25 | 185,217 | 193,096 |
| Current tax payable | | 64,343 | 20,443 |
| Other short-term liabilities and accruals | 26 | 167,675 | 54,856 |
| Provisions | 22 | 590 | 597 |
| Total short-term financial liabilities | | 720,020 | 391,482 |
| Total liabilities | | 1,461,065 | 1,303,327 |
| Total liabilities and shareholders' equity | | 4,722,651 | 4,678,907 |

CONSOLIDATED CASH FLOW STATEMENT

52

| | Note | 2008 | 2007 |
|---|-------|------------------|-----------------|
| Earnings before interest and tax (EBIT) | | 228,865 | 431,890 |
| Adjustments for: | | | |
| - Depreciation | 6 | 63,846 | 42,061 |
| - Gains and losses on disposals | 2,7 | (13) | (1,936) |
| - Variation in provisions | | 1,478 | 332 |
| - Impairment reversal | | - | (148,388) |
| - Other items | | (20,841) | (8,796) |
| Share in profits of joint ventures and associates | 14,15 | 20,447 | (163,754) |
| Dividends received from joint ventures and associates | 14,15 | 6,082 | 3,997 |
| Interest paid | | (23,593) | (22,806) |
| Tax paid | | (30,273) | (14,833) |
| Cash flow | | 245,997 | 117,767 |
| Variation in working capital | | (42,951) | (13,453) |
| Cash flow from operations | | 203,046 | 104,314 |
| Tangible and intangible fixed assets | | | |
| - Investments | 12,13 | (39,014) | (20,337) |
| - Disposals | | 1,006 | 8,191 |
| Acquisition of subsidiaries | | (47,271) | - |
| Associated companies and joint ventures | | | |
| - Investments | 14,15 | (61,060) | (28,099) |
| - Disposals | 15 | - | 562 |
| Other financial assets available for sale | | | |
| - Investments | | (13,968) | (4,749) |
| - Dividends received | | 40,738 | 19,526 |
| Financial loans granted and repaid | | (2,644) | 551 |
| Interest received | | 8,578 | 2,760 |
| Cash flow from investing activities | | (113,635) | (21,595) |
| Other financial liabilities | | | |
| - Loans | | 150,133 | 8,000 |
| - Reimbursements | | (122,976) | (18,206) |
| Dividends paid to minority shareholders | | (416) | (104) |
| Dividends paid to shareholders | | (25,110) | - |
| Cash flow from financing activities | | 1,631 | (10,310) |
| Unrealised exchange rate differences | | (10,262) | (362) |
| Change in cash and cash equivalents | | 80,780 | 72,047 |
| Cash at the beginning of the period | | 161,657 | 89,610 |
| Cash and cash equivalents at the end of the period | | 242,437 | 161,657 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

53

| | Share capital | Additional contributions | Accumulated profits | Variation or evaluation of financial instruments | Translation differences | Total Group equity | Minority interests | Total Shareholders' equity |
|---|----------------|--------------------------|---------------------|--|-------------------------|--------------------|--------------------|----------------------------|
| At 1.01.2007 | 324,000 | 37,740 | 1,103,883 | 730,154 | 2,195,777 | 1,593 | 2,197,370 | |
| Change in fair value of other financial assets available for sale | | | | 837,023 | 837,023 | | | 837,023 |
| Change in fair value of financial hedging instruments | | | | 7,105 | 7,105 | | | 7,105 |
| Net profit for the year | | | 333,744 | | 333,744 | | 441 | 334,185 |
| Total income and expenses for the period | | | 333,744 | 844,128 | 1,177,872 | 441 | 1,178,313 | |
| Dividends paid to minority shareholders | | | | | 0 | | (104) | (104) |
| At 31.12.2007 | 324,000 | 37,740 | 1,437,627 | 1,574,282 | 3,373,649 | 1,931 | 3,375,580 | |
| At 1.01.2008 | 324,000 | 37,740 | 1,437,627 | 1,574,282 | 3,373,649 | 1,931 | 3,375,580 | |
| Change in fair value of other financial assets available for sale | | | | (268,018) | (268,018) | | | (268,018) |
| Change in fair value of financial hedging instruments | | | | (24,292) | (24,292) | | | (24,292) |
| Translation differences | | | | | (2,329) | | | (2,329) |
| Net profit for the year | | | 204,393 | | 204,393 | | 1,553 | 205,946 |
| Total income and expenses for the period | | | 204,393 | (292,310) | (2,329) | (90,245) | 1,553 | (88,692) |
| Dividends paid | | | (25,110) | | (25,110) | | | (25,110) |
| Dividends paid to minority shareholders | | | | | 0 | | (416) | (416) |
| Acquisition of minority shareholders' interests | | | | | 0 | | 224 | 224 |
| At 31.12.2008 | 324,000 | 37,740 | 1,616,910 | 1,281,972 | (2,329) | 3,258,294 | 3,292 | 3,261,586 |

GROUP ACCOUNTING POLICIES

GENERAL INFORMATION

EOS HOLDING is a public limited company incorporated under Swiss law and domiciled in Lausanne. It is owned by:

| | |
|---|--------|
| • Romande Energie SA (RE), Montreux (part of Groupe Romande Energie Holding SA, Morges) | 28.72% |
| • Services Industriels de Genève (SIG), Geneva | 23.02% |
| • Groupe E SA, Fribourg | 22.33% |
| • Ville de Lausanne (SIL), Lausanne | 20.06% |
| • FMV SA, Sion | 5.87% |

The main business of EOS and its subsidiaries is the production and transmission of electricity in Switzerland and the marketing of electricity in Switzerland and abroad.

The consolidated accounts for the financial year ending 31 December 2008 were approved by the Board of Directors of EOS HOLDING on 17 March 2009 and will be presented to the Annual General Meeting on 19 March 2009.

GROUP ACCOUNTING POLICIES

Accounting basis

The consolidated accounts have been prepared in accordance with the international accounting standards published by the International Accounting Standards Board (IASB) and the interpretations of the IFRS standards published by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. The financial statements are presented in thousands of Swiss francs (KCHF) and prepared on the historic cost basis, with the exception of certain financial instruments that are measured at fair value.

Drawing up financial statements in accordance with the IFRS standards implies the use of estimates and assumptions impacting the assets and liabilities disclosed, the contingent assets and liabilities on the balance sheet date, as well as the revenues and expenses for the accounting period. Although the estimates are based on the best knowledge available to the Executive Management about the current situation or future operations of the Group, actual results can differ from those predicted when the estimates were done. Aspects involving great judgment and complexity and those where assumptions and estimates significantly impact the preparation of the financial statements are described in Note 31.

Changes in accounting methods

Since 1 January 2008, the Group has applied the following interpretation:

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This interpretation gives directions about the measurement of the limit placed by IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how a pension fund asset or liability can be affected by laws or contractual requirements regarding minimum funding. The retrospective application of IFRIC 14 did not lead to any adjustment to the consolidated financial statements of the Group.

The application of the other amendments and interpretations mentioned below, which came into effect during the year, did not impact the accounting methods, financial performance or financial situation of the Group:

IAS 39 (Amended) Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of financial assets (Effective date 1 July 2008)

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (Effective date 1 March 2007)

IFRIC 12 Service Concession. Arrangements (Effective date 1 January 2008)

Standards and interpretations published but not yet applicable

Certain new standards, amendments and interpretations to existing standards have been published and are applicable to the accounting periods of the Group beginning on or after 1 January 2009 or to later periods, but they have not been applied prospectively by the Group:

Standards, amendments and interpretations applicable from the start of 2009

IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 (Amended) Consolidated and Separate Financial Statements – Cost of an investment in a subsidiary, a joint venture or an associate (Applicable from 01.01.2009) The amendment to IFRS 1 allows an entity to determine the “cost” of an investment in its opening IFRS balance sheet either in accordance with IAS 27 or by using a presumed cost. The amendment to IAS 27 requires all the dividends received from a subsidiary, joint venture or associate to be presented in the income statement in the separate financial statements. These new requirements only apply to the separate financial statements and consequently have no impact on the consolidated financial statements of the Group.

IFRS 2 (Amended) Share-based Payment – Vesting Conditions and Cancellations (Applicable from 01.01.2009) The purpose of this amendment is to clarify that vesting conditions are either service conditions or performance conditions and also specifies that all cancellations, either by the entity or by other parties, must receive the same accounting treatment. This amendment has no effect on the Group because it has no share-based payment plan.

IFRS 8 Operating Segments

(Applicable from 01.01.2009) This new standard imposes a managerial approach whereby segment information must be presented on the same basis as that used for internal reporting. The expected impact of the adoption of IFRS 8 is still being assessed by the Executive Management, but it is likely that segment information must be supplied in a manner consistent with the information produced internally for key management personnel. The Group does not however anticipate any effect on its results or its financial situation.

IAS 1 (Revised) Presentation of Financial Statements (Applicable from 01.01.2009) The changes to the standard affect mainly the presentation of the Statement of Changes in Equity. No effect on the results or the financial situation of the Group is expected following the adoption of this revised standard.

IAS 23 (Revised) Borrowing Costs

(Applicable from 01.01.2009) The amended standard excludes the possibility of recognising all borrowing costs as expenses. The adoption of this revised standard will have no impact on the Group’s accounting policies because it already capitalises borrowing costs on qualifying assets.

IAS 32 Financial Instruments: Presentation and IAS 1 (Amended) Presentation of Financial Statements – Puttable Instruments and Obligations arising on Liquidation (Applicable from 01.01.2009) This amendment requires certain puttable instruments and certain financial instruments that place the entity under an obligation to give a third party a proportion of the net assets of the entity solely on liquidation are classed under shareholders’ equity rather than under liabilities. The adoption of this amendment will have no impact on the financial situation or the financial performance of the Group because it has not issued an instrument of this kind.

Amendments resulting from the Annual Improvements of May 2008

Various amendments to several standards will come into effect in 2009. The expected impact is still being assessed by the Executive Management,

but no significant effect is expected on the Group’s consolidated accounts.

IFRIC 13 Customer Loyalty Programmes

(Applicable from 01.07.2008) This interpretation specifies that when products or services are sold with a customer loyalty incentive, the contract is a multiple element arrangement and the consideration to be received from the customer is allocated between the components of the contract based on their fair value. The adoption of this interpretation will have no impact on the consolidated financial statements because the Group has not introduced programmes of this kind.

IFRIC 15 Agreements for the Construction of Real Estate

(Applicable from 01.01.2009) This interpretation clarifies when and how revenues and costs relating to the sale of a real estate unit must be recognised when agreement is reached between a builder and a buyer before construction is completed. It also provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. The adoption of this interpretation will have no impact on the consolidated financial statements because the Group does not have such activities.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

(Applicable from 01.10.2008) This interpretation provides guidance on the kind of risk hedged, its identification and the entity that may hold the hedging instrument. It will have no impact on the consolidated financial statements because the Group does not carry out hedging operations of this kind.

IFRIC 18 Transfers of Assets from Customers

(Applicable from 01.07.2009) This interpretation applies to the accounting for transfers of tangible assets by entities that receive such transfers from their customers. It clarifies the requirements of IFRS in agreements in which an entity receives from a customer an item of property that the entity must then use either to connect the customer to a network or to provide the customer with access to a supply of goods or services (such as electricity, gas or water). The Group will apply this interpretation prospectively to transfers of assets received from customers from 1 July 2009. The expected impact is still being assessed by the Executive Management.

Standards, amendments and interpretations applicable later in 2009

IFRS 3 (Revised) Business Combinations

(Applicable from 01.07.2009) The revision of this standard involves the following significant

changes to the application of acquisition methods to business combinations: 1) acquisition costs will be expensed, 2) in a business combination, if the acquirer obtains control without purchasing the whole of the acquiree’s equity, the remaining minority interests will be measured either at fair value, or on the basis of their proportionate share of the net identifiable assets of the acquiree, 3) if the acquirer obtains control through a business combination achieved in stages, the previously held interests in the acquiree must be remeasured at fair value and a corresponding gain or loss recorded in the profit and loss account, 4) any change in the contingent consideration of an acquisition will be recognised not in goodwill but in the profit and loss account. The Group will apply IFRS 3 (Revised) from 1 January 2010. The amendments may have a significant impact on the accounting of future business combinations.

IAS 27 (Amended) Consolidated and Separate Financial Statements

(Applicable from 01.07.2009) This amendment requires the effects of any transaction with minority interests to be recognised under equity if there is no change of control. They will no longer be recognised as goodwill or as capital gains and losses. The standard also provides guidance on accounting for loss of control. Each remaining minority interest in the entity is remeasured at fair value and a loss or gain recognised in the profit and loss account. In addition, the total income must be attributed to the shareholders of the parent company and to the minority interests even if the balance of the minority interests is negative. The Group will apply this amendment from 1 January 2010. The amendments will impact the accounting of future transactions with minority interests.

IAS 39 (Amended) Financial Instruments: Recognition and Measurement – Eligible Hedged Items

(Applicable from 01.07.2009) This amendment clarifies that an entity is authorised to designate a portion of the fair value or cash flow variation of a financial instrument as a hedged item. The Group will apply this amendment from 1 January 2010. No significant impact is anticipated on the financial situation or financial performance of the Group.

IFRIC 17 Distributions of Non-Cash Assets to Owners

(Applicable from 01.07.2009) This interpretation applies to non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners. It deals with distributions of non-cash assets and distributions that give shareholders the choice either of receiving a non-cash asset or a cash alternative. It provides

guidance on when an entity must recognise the dividend payable, how it must measure the dividend payable, and when an entity pays the dividend, how it recognises the difference between the carrying amount of the distributed assets and the carrying amount of the dividend payable. This interpretation will have no impact on the consolidated financial statements because the Group does not distribute non-cash dividends.

Scope of consolidation

The consolidated accounts include figures for EOS HOLDING, its subsidiaries, its joint ventures and associated companies.

Subsidiaries are companies under Group control. EOS HOLDING has control when it has the power to govern, directly or indirectly, the financial and operating policies of an enterprise so as to benefit from its operations (usually more than 50% of the voting rights). The financial statements of subsidiaries are fully integrated into the consolidated accounts as of the date on which the Group begins to exercise control and until the date on which the Group ceases to do so.

Joint ventures and associated companies are companies in which the Group exercises a significant influence over the financial and operating policies, without however having control (usually between 20% and 50% of voting rights). The financial statements of these enterprises are subject to equity accounting from the date on which the Group begins to exercise a significant influence and until the date when the Group ceases to do so.

Joint ventures in which the Group holds more than 50% of voting rights, but has limited control because of contractual rights, or holds less than 20% of voting rights but has a significant influence, are also accounted for by the equity method.

Method of consolidation

The Group consolidates newly acquired shareholdings using the purchase method. The difference between the cost and the fair value of the net assets of the company acquired appears in the balance sheet under goodwill. If goodwill is negative, it is recorded directly in the profit and loss account. The goodwill of joint venture partners and associates is included in the carrying amount of equity-accounted shareholdings. When a Group company is disposed of, it is eliminated from the scope of consolidation on the date on which control is lost. The Group records the difference between the selling price and the value of the net assets disposed of in the profit and loss account on the same date.

Intra-group transactions

Transactions and unrealized gains and losses between Group companies are eliminated on consolidation. Unrealised gains with joint venture partners and associates proportionate to the Group's share of the company are eliminated and deducted from the equity-accounted shareholding in the accounts.

Foreign currency transactions

For Group companies, transactions denominated in foreign currencies are translated at the exchange rate applicable when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates applicable on the balance sheet date. Differences arising on the translation of these operations are stated in the profit and loss account.

The Group's main subsidiaries present their accounts in CHF. The subsidiaries' net assets in foreign currencies are translated at the exchange rate applicable on the balance sheet date and the Group's share of the profits at the average exchange rate for the year. Exchange differences arising on the translation of these items are stated in shareholders' equity.

Net turnover

Turnover represents all revenues from the transmission and commercialisation of electricity, net of discounts and reductions. Amounts received are recorded when the electricity has been delivered.

As part of its trading activity, the Group sells large quantities of electricity, which considerably increases the volumes processed during the year. In order to improve the relevance and comparability over time of its turnover, the Group accounts only for the net income from these operations.

Income taxes

Taxes on the income of the period include current and deferred taxes. The tax impact on the items recognised under shareholders' equity is also recorded under equity.

Current tax is the tax payable on the taxable profit for the year, and any adjustments to the tax payable and recoverable in respect of the taxable profit from prior periods.

Deferred tax is recorded to take account of temporary differences that occur when the tax authorities record and assess assets and liabilities using rules that are different from those used to prepare the consolidated accounts. This tax is calculated using the liability method based on the tax rates expected to apply when the assets or liabilities are realised. Any change in the tax rate is recorded in the profit and loss account unless it is directly linked to the items recorded under shareholders' equity.

Deferred tax liabilities are recorded for all taxable timing differences except non-deductible goodwill. Deferred tax assets are recorded for all timing differences and for all deductible losses carried forward to the extent that it is likely that taxable income will be available for offsetting in the future.

Impairment

At each balance sheet date, the Group tests its assets for evidence of impairment. If evidence of impairment is found, the recoverable amount of the asset is estimated, and an impairment charge is recorded in the profit and loss account if the carrying amount is greater than the recoverable amount. The recoverable amount of goodwill and of intangible assets with an indefinite useful life is estimated each year.

The recoverable amount is the higher of the fair value of the asset less costs to sell, and its value

in use. The value in use is the discounted value of the estimated future cash flows expected from the asset. If an asset does not generate cash inflows that are largely independent of other assets, the value in use is determined for the cash generating unit to which the asset belongs. The recoverable amount is discounted at the Group's average borrowing rate plus a rate corresponding to the inherent risks of the asset. In the case of the financial assets issued by the Group, the level of discounting is determined by the asset's effective rate of interest. Short-term receivables are not discounted.

An impairment charge entered during prior periods is adjusted when there is a change in the estimated recoverable amount. The adjustment is recorded in the profit and loss account up to an amount corresponding to the carrying amount that would have been determined, net of depreciation, if no impairment had been entered. An impairment of goodwill is not reversed during a subsequent financial year.

Tangible fixed assets

Tangible fixed assets are stated at acquisition or construction cost, net of accumulated depreciation and impairment. The cost includes the costs of replacing part of the assets when they are incurred and if the criteria for recognition are met. The costs of acquiring concessions to use the hydraulic power are included under this heading. All other repair and maintenance costs are recognized under income as they occur.

Interest on the financing of fixed assets under construction is capitalised.

Where a fixed asset is made up of a number of elements with varying estimated useful lives, each element is accounted for separately and depreciated over its useful life.

Depreciation is calculated using the straight-line method over the useful life of each asset. Generating assets subject to a free right of return are maximum depreciated over the life of the concessions. Fixed assets under construction and land are not depreciated. The useful life of the main tangible fixed assets is:

| | |
|--|----------------|
| • Hydropower plant, civil engineering works | 80 years |
| • Hydropower plant, equipment and machinery | 20 to 40 years |
| • Nuclear power plant buildings, equipment and machinery | 20 to 40 years |
| • Transmission and distribution network lines (VHV and HV) | 40 to 60 years |
| • Transmission and distribution network substations | 25 to 40 years |
| • Administrative buildings | 60 to 80 years |
| • Other buildings | 10 to 25 years |
| • IT components | 1 to 5 years |

Intangible fixed assets

Intangible fixed assets are valued at acquisition cost, net of accumulated depreciation and impairment.

Depreciation is calculated using the straight-line method over the useful life of each asset. Energy drawing rights and rights of use are depreciated over a period equal to the duration of the right, which is generally more than 20 years. IT software, purchased or developed in-house, is depreciated over a period of one to five years, starting from the time when it was brought into service. Goodwill and intangible assets with an indefinite useful life are no longer amortised but are tested annually for impairment. Interest on the financing of energy drawing rights and on current projects is capitalised.

Holdings in joint ventures and associated companies

Holdings in joint ventures and associated companies are stated in the consolidated balance sheet using the equity method.

Consequently, these equity holdings are entered for an amount corresponding to the Group's share in the net assets of the companies and the goodwill arising on acquisition. The companies' net assets, goodwill and profits are valued on the same accounting basis as the Group. If the restated net assets of joint ventures are negative, the Group's share is treated as a liability and stated under liabilities due to joint ventures.

Other financial assets

Shareholdings in which the Group holds less than 20% of the voting rights and which are not equity-accounted are considered financial assets available for sale and are measured at fair value. All unrealized gains and losses are recorded in shareholders' equity. When an asset is sold, the realised gains and losses are recorded in the profit and loss account. Impairment is recorded in the profit and loss account where there is a sustained loss. Fair value is determined using the market price or estimated future cash flow discounting techniques. When the fair value cannot be reliably estimated, financial assets are stated in the balance sheet at amortised cost.

Long-term loans granted to joint ventures are measured at amortised cost.

Inventory and work in progress

Inventory is valued at the lower of acquisition cost or net realisable value.

Work in progress is stated using the percentage of completion method. When the estimated profit is uncertain or when a loss is expected, the value is adjusted immediately.

Receivables

Receivables are valued at amortised cost. A loss on a receivable is recognised where there is objective evidence (such as likelihood of

bankruptcy or significant financial difficulties on the part of the debtor) that the Group will not be able to recover the amounts due under the contractual terms of the invoice. The carrying amount of the customer receivable is reduced by recourse to the "Bad debt provision" account in the balance sheet.

Cash and cash equivalents

Cash comprises cash in hand and at bank and post office and financial institution deposits with a maturity date no greater than 90 days.

Financial liabilities

Debt includes bonds, bank financing and other borrowings.

Bonds are stated at depreciated cost. The difference between the issue value and the redemption value is depreciated using the effective interest rate method. Transaction costs are included in the issue value.

Provisions

Provisions include commitments for which the outcome, due date or amount is uncertain. They are stated in the balance sheet when the Group has a legal or implicit obligation resulting from a past event, when it is probable that an outflow of funds will be necessary in order to settle the obligation and when the amount of the commitment can be reliably estimated. When an outflow of funds is not probable or cannot be reliably estimated, the obligation is not recorded in the balance sheet but disclosed under contingent liabilities.

When the time effect is significant, the expected cash flows to settle the obligation are discounted. The provision is discounted at the market rate plus, if necessary, a rate reflecting the specific risks of the liability. The increase in the provision associated with the passage of time is recognised as a financial cost.

Other Long-Term Liabilities

Other liabilities mainly comprise commitments to joint ventures and correspond to the share of negative net assets of the consolidated equity-accounted companies.

Other liabilities are valued at amortised cost.

The financial option is measured at fair value. All unrealised gains and losses are recorded in the profit and loss accounts under energy purchases and under financial costs for the discounting effect.

Employee Benefits

Pension liability

EOS HOLDING and the Group's companies are affiliated with the Caisse Pension Energie (CPE), a legally independent, collective pension fund, based on the Swiss defined benefits scheme, for the sector.

The liabilities and the fair value of the assets used to fund pension commitments are valued each year by an independent expert. The liability is determined by the projected unit method of funding. This method takes account of pensions currently being paid, future pension costs and estimated future increases in salaries and pensions. The surpluses and shortfalls in the fair value of the assets compared with the current value of the commitments are treated in different ways.

The sum recognised as a liability or an asset under a defined benefit scheme includes the discounted value of the defined benefits obligation, less the cost of past services not yet recognised and less the fair value of the scheme assets directly used to meet the obligations. The value of an asset is limited to the sum represented by any cost of past services not yet recognised and the discounted value of any economic benefit available in the form of repayment by the scheme or decrease in future contributions to the scheme.

The CPE's articles of association stipulate that if the technical balance sheet has a shortfall of more than one tenth of the liabilities and no improvement is foreseeable, the contributions must be increased and/or anticipated future benefits reduced by an amendment to the articles of association in order to rebalance the CPE's accounts. Thus, shortfalls are stated in the balance sheet for the portion that exceeds 10% of the discounted value of the commitment ("corridor"). This excess is reflected in the profit and loss account based on the length of the expected average residual working life of the employees.

From 1 January 2007, a cash balance pension plan was taken out for those receiving variable

salaries, the contributions paid being recognised in the profit and loss account under "Pension costs".

Voluntary pension payments

Some companies in the Group have granted all retired employees indexation of pensions not covered by the CPE together with membership of the health insurance scheme.

Voluntary pensions are a liability in respect of all retired employees and are immediately recognised in the profit and loss account.

Early retirement

Some companies in the Group have given all their employees the possibility of taking early retirement at 60 years of age.

Post-employment contract benefits ("Pont AVS") are a liability in respect of all serving members of staff and are recognised immediately in the profit and loss account. Given that these liabilities are on average payable at more than 12 months, the contingency reserve to cover them is discounted.

Segment Reporting

Segment reporting presents the various levels of corporate risk and profitability in terms of business operations and geographical location. The Group operates mainly in the energy sector, which covers electricity generation, transmission and marketing. Activities outside the energy business represent less than 10% of turnover, earnings and consolidated net assets. No segment information is therefore required concerning these operations.

As for geographical location, the Group's operations are managed from its head office in Switzerland and include essentially the optimisation of its assets, which are mainly located in Switzerland. Moreover, the Group's interventions on the wholesale markets in Europe are by way of hedging (optimising) the generating assets. Turnover from end-user deliveries in foreign locations accounts for less than 10% of the total. Risks and gains are therefore generated essentially in Switzerland.

Derivative Financial Instruments

The Group defines the scope of application of derivative financial instruments according to the provisions and principles of IAS 39. In particular, forward purchase and sale contracts with physical delivery of energy or commodities are excluded from the scope of application of IAS 39, if these contracts have been concluded as part of the "normal" business of the Group. This qualification is respected if the following conditions are met:

- systematic physical delivery;
- the contracts cannot be assimilated to option sales within the meaning of the Standard. In the particular case of electricity sales contracts, the contract can be substantially assimilated to a fixed term sale or is likened to a capacity sale.

Consistent with IAS 39, the Group analyses all its contracts – whether financial or non-financial – to identify whether any derivative instruments are embedded. Any contract component that affects the flows of the contract like an autonomous financial derivative meets the definition of an embedded derivative.

If the conditions in the Standard are met, an embedded derivative is recognized separately in the accounts, on the date on which the contract is established.

Derivative financial instruments are fair valued. Changes in the fair value of these derivatives are recorded in the profit and loss account unless designated as hedging instruments in a cash flow hedge. In the latter case, changes in the value of the hedging instruments are recognized under shareholders' equity, with the exception of the ineffective part of the hedges.

The Group uses derivative instruments to hedge its foreign exchange and interest rate risks as well as those connected with certain commodities contracts. The criteria adopted by the Group to define a derivative instrument as a hedging operation are those provided in IAS 39:

- The hedging operation must hedge the changes in the fair value or cash flows of the hedged item attributable to the hedged risk and the effectiveness of the hedge (degree of offsetting the changes in value of the hedging instrument with those of the item hedged or the future transaction) is within a range of 80% to 125%;
- for cash flow hedging operations, the future transaction, the item hedged, must be highly probable;
- the effectiveness of the hedge is measured reliably;
- the hedging operation is supported by adequate documentation from its inception.

The Group uses the following types of hedge:

(a) Fair value hedge

This is a hedge of the exposure to changes in fair value of an asset or liability recognised in the balance sheet or a firm commitment to buy or sell an asset. The change in fair value of the hedged item attributable to the hedged component is recognised in profit or loss and offset by mirror changes in fair value of the hedging instrument,

with only the ineffective part of the hedge impacting earnings.

(b) Cash flow hedge

This is the hedging of future transactions that are highly probable where changes in the cash flow generated by the hedged item are offset by changes in the value of the hedging instrument. Cumulative changes in fair value are recorded under shareholders' equity for the effective part and under profit or loss for the ineffective part (corresponding to the surplus from variability in the value of the hedging instrument compared with the change in fair value of the hedged item). When the cash flow hedged materialises, the amounts recorded up to that point under shareholders' equity are placed in the profit and loss account, mirroring the hedged item flows.

The hedging relationship comes to an end when:

- a derivative instrument ceases to be an effective hedging instrument;
- a derivative instrument reaches maturity, is sold, cancelled or exercised;
- the hedged item has reached maturity, has been sold or repaid;
- a future transaction is no longer considered to be highly probable.

SCOPE OF CONSOLIDATION

60

| | Registered office | Capital | Activity | Control 2008 | Control 2007 | Interest 2008 | Interest 2007 |
|--|---------------------|---------------------|----------|---------------------|---------------------|---------------|---------------|
| MAIN SUBSIDIARIES | | | | | | | |
| Energie Ouest Suisse, (EOS) | Lausanne | 145,000 | P, T, H | 100.0 | 100.0 | 100.0 | 100.0 |
| Energie Electrique du Simplon SA | Simplon-Dorf | 8,000 | P | 80.0 | 80.0 | 80.0 | 80.0 |
| Centrale Thermique de Vouvy SA | Vouvy | 1,000 | P | 95.0 | 95.0 | 95.0 | 95.0 |
| AVENIS | Lausanne | 1,000 ¹⁾ | M | 100.0 | 100.0 | 100.0 | 100.0 |
| Salanfe SA | Vernayaz | 18,000 | P | 100.0 | 100.0 | 100.0 | 100.0 |
| EOS Trading | Lausanne | 10,000 | M | 100.0 | 100.0 | 100.0 | 100.0 |
| EOS Réseau SA | Lausanne | 200 ²⁾ | T | 100.0 | 100.0 | 100.0 | 100.0 |
| EOS France S.A.S ³⁾ | Toulouse (F) | EUR 7,785 | H | 100.0 | 0.0 | 100.0 | 0.0 |
| EOS NATURE S.A.S ⁴⁾ | Toulouse (F) | EUR 500 | M | 70.0 | 0.0 | 70.0 | 0.0 |
| SAS LE BAYET ⁵⁾ | St-Paul-s/Isère (F) | EUR 37 | P | 100.0 | 0.0 | 100.0 | 0.0 |
| CEPE LES GRAVIERES ⁶⁾ | Vergigny (F) | EUR 40 | P | 100.0 | 0.0 | 100.0 | 0.0 |
| Biogas neu Kosenow GmbH & Co KG ⁷⁾ | Hambourg (D) | EUR 190 | P | 100.0 | 0.0 | 100.0 | 0.0 |
| Eole Jura SA ⁸⁾ | Delémont | 100 | P | 100.0 | 0.0 | 100.0 | 0.0 |
| NARZOLE ENERGIE UNIPERSONAL S.R.L. ⁹⁾ | Turin (I) | EUR 10 | P | 100.0 | 0.0 | 100.0 | 0.0 |
| MAIN JOINT VENTURES | | | | | | | |
| Grande Dixence SA | Sion | 300,000 | P, H | 60.0 | 60.0 | 60.0 | 60.0 |
| Cleuson-Dixence, société simple | Sion | - | P | 31.8 ¹⁰⁾ | 31.8 ¹⁰⁾ | 72.7 | 72.7 |
| Forces Motrices Hongrin-Léman SA | Château-d'Oex | 30,000 | P | 39.3 | 39.3 | 39.3 | 39.3 |
| Electra-Massa | Naters | 40,000 | P | 23.0 | 23.0 | 23.0 | 23.0 |
| Forces Motrices de Conches SA | Lax | 30,000 | P | 41.0 | 41.0 | 41.0 | 41.0 |
| Société des Forces Motrices du Grand-St-Bernard | Bourg-St-Pierre | 10,000 | P | 25.0 | 25.0 | 25.0 | 25.0 |
| Centrales Nucléaires en Participation SA | Berne | 150,000 | P | 33.3 | 33.3 | 33.3 | 33.3 |
| Forces Motrices de Martigny-Bourg SA ¹¹⁾ | Martigny | 3,000 | P | 18.0 | 18.0 | 18.0 | 18.0 |
| Centrale Nucléaire de Leibstadt SA ¹²⁾ | Leibstadt | 450,000 | P | 5.0 | 5.0 | 5.0 | 5.0 |
| Forces Motrices de Fully SA | Fully | 800 | P | 28.0 | 28.0 | 28.0 | 28.0 |
| MAIN ASSOCIATED COMPANIES | | | | | | | |
| Cisel Informatique SA | Matran | 1,200 | S | 20.0 | 20.0 | 20.0 | 20.0 |
| HYDRO Exploitation SA | Sion | 13,000 | S | 27.6 ¹⁴⁾ | 27.6 ¹⁴⁾ | 49.7 | 49.7 |
| Etrans SA ¹³⁾ | Laufenbourg | 7,500 | T | 14.5 | 14.5 | 14.5 | 14.5 |
| Cleuson-Dixence Construction SA (CDC) | Sion | 110 | S | 31.8 ¹⁵⁾ | 31.8 ¹⁵⁾ | 72.7 | 72.7 |
| Swissgrid SA ¹⁶⁾ | Laufenbourg | 15,000 | T | 13.9 | 13.9 | 13.9 | 13.9 |
| ARA Biogaz Brokenlande GmbH & Co ¹⁷⁾ | Hambourg (D) | EUR 630 | P | 23.8 | 23.8 | 23.8 | 23.8 |
| ARA Bioenergie Brokenlande GmbH & Co ¹⁸⁾ | Hambourg (D) | EUR 630 | P | 23.8 | 0.0 | 23.8 | 0.0 |
| Yfrégie SAS ¹⁹⁾ | Paris (F) | EUR 25,000 | P | 20.0 | 0.0 | 20.0 | 0.0 |
| S.E.R.H.Y. SAS société d'études et de réalisations hydroélectriques ¹⁷⁾ | St-Amans-Soult (F) | EUR 1,540 | H, P, S | 35.5 | 0.0 | 35.5 | 0.0 |
| KohleNusbaumer SA ¹⁸⁾ | Lausanne | 100 | S | 35.0 | 0.0 | 35.0 | 0.0 |

P Production
T Transport
M Marketing / Sales
S Prestations de services
H Holding

1) Reduction of 30% paid-up capital of CHF 24,000,000 to CHF 1,000,000, 15 May 2007.
2) Company incorporated 6 December 2007. CHF 100,000 increase in share capital to CHF 200,000 on 19 June 2008.
3) Company incorporated 10 July 2008
4) Company incorporated 1 September 2008
5) Company acquired 27 June 2008
6) Company acquired 29 July 2008
7) Company in process of incorporation at 31 December 2008
8) Company incorporated 31 October 2008
9) Company acquired 14 November 2008

10) Simple partnership 68.2% owned by GRANDE DIXENCE SA.
11) Company incorporated 15 October 2007.
12) Company incorporated 17 September 2008.
13) Company acquired 15 December 2008
14) Company 36.8% owned by GRANDE DIXENCE SA.
15) Sale of 2.4% of HYDRO EXPLOITATION SA shares in 2007.
16) Company 68.2% owned by GRANDE DIXENCE SA.
17) Company acquired 12 February 2008.
18) Company acquired 12 September 2008

19) Joint ventures CENTRALE NUCLÉAIRE DE LEIBSTADT SA and FORCES MOTRICES DE MARTIGNY-BOURG SA, and associates ETRANS SA and SWISSGRID SA, in which the Group, because of contractual rights, has a significant influence with less than 20% of the voting power, are included in the accounts using the equity method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

61

| | Note | 2008 | 2007 |
|---|-------|--------------------|--------------------|
| 1. NET TURNOVER | | | |
| Energy sales and transmission to | | | |
| - third parties | | 2,650,270 | 1,346,518 |
| - shareholders | | 789,286 | 821,582 |
| - joint ventures and associated companies | | 19,213 | 44,671 |
| Profit on trading operations | | 38,493 | 31,387 |
| | | 3,497,262 | 2,244,158 |
| Electricity trading operations | | | |
| Sales | | 6,887,281 | 4,728,173 |
| Purchases | | (6,896,336) | (4,694,615) |
| Adjustments for contracts open at the end of the period | 27 | 47,548 | (2,171) |
| Profit on trading operations | | 38,493 | 31,387 |
| 2. OTHER OPERATING INCOME | | | |
| Capitalised costs | 12,13 | 5,145 | 5,290 |
| Changes in work in progress | | 8,058 | 1,526 |
| Gains on sales of assets | | 13 | 1,942 |
| Reversal of impairment | 11 | - | 148,388 |
| Release of provisions | 22,23 | 65 | 31 |
| Other operating income from | | | |
| - third parties | | 4,120 | 6,580 |
| - shareholders | | 2,102 | 5,696 |
| - joint ventures and associated companies | | 3,108 | 2,103 |
| | | 22,611 | 171,556 |
| 3. ENERGY PURCHASES | | | |
| Energy purchases from | | | |
| - third parties | | (2,810,243) | (1,379,835) |
| - shareholders | | (42,816) | (418,133) |
| - joint ventures and associated companies | | (218,811) | (198,354) |
| | | (3,071,870) | (1,996,322) |
| 4. MATERIALS AND SERVICES | | | |
| Materials and services obtained from | | | |
| - third parties | | (13,050) | (7,925) |
| - shareholders | | (830) | (1,874) |
| - joint ventures and associated companies | | (7,668) | (13,315) |
| | | (21,548) | (23,114) |

| | Note | 2008 | 2007 |
|---|------|-----------------|-----------------|
| 5. PERSONNEL EXPENSES | | | |
| Wages, salaries, other | | (48,458) | (34,449) |
| Pension costs | 23 | (3,113) | (3,136) |
| Voluntary pension payments | 23 | (399) | (182) |
| Other social security costs | | (4,874) | (3,722) |
| Other staff costs | | (2,548) | (2,627) |
| | | (59,392) | (44,116) |
| On the balance sheet date, the Group had 312 full time equivalent employees (275 in report 2007 the previous year). | | | |
| 6. DEPRECIATION | | | |
| Ordinary depreciation of | | | |
| - tangible fixed assets | 12 | (21,782) | (20,645) |
| - intangible fixed assets | 13 | (42,064) | (21,416) |
| | | (63,846) | (42,061) |
| 7. OTHER OPERATING EXPENSES | | | |
| Royalties and special tax on hydropower | | (9,885) | (10,223) |
| Pumping and restoration power | | (226) | (431) |
| Disbursements, travel and entertainment expenses | | (4,242) | (3,458) |
| Insurance | | (1,208) | (1,156) |
| Capital tax, and other taxes | | (5,883) | (6,240) |
| Administrative expenses paid to | | | |
| - third parties | | (28,678) | (17,278) |
| - shareholders | | (85) | (216) |
| - joint ventures and associated companies | | (670) | (983) |
| Other operating expenses paid to | | | |
| - third parties | | (2,918) | (1,520) |
| - shareholders | | (112) | (454) |
| Losses on sales of assets | | - | (6) |
| | | (53,907) | (41,965) |

| | Note | 2008 | 2007 |
|---|-------|-----------------|-----------------|
| 8. INCOME FROM OTHER FINANCIAL ASSETS AVAILABLE FOR SALE | | | |
| Dividends | | 40,738 | 19,526 |
| Other income | | 20,799 | - |
| Impairment of other financial assets | | - | (1,998) |
| | | 61,537 | 17,528 |
| 9. NET FINANCIAL COSTS | | | |
| Interest income | | 8,866 | 4,217 |
| Interest income | | 8,866 | 4,217 |
| Interest costs | | (25,462) | (25,971) |
| Exchange rate differences, net | | (18,512) | (736) |
| Bank charges, commissions, other | | (1,264) | (1,335) |
| Financial cost | | (45,238) | (28,042) |
| Components of interest income | | | |
| Interest from loans to | | | |
| - third parties | | 6,588 | 901 |
| - joint ventures and associated companies | | 506 | 527 |
| Interest income from cash and cash equivalents | | 1,462 | 1,061 |
| Capitalised interest | 12,13 | 191 | 590 |
| Variation of fair value of other derivative financial instruments | | 119 | 1,138 |
| | | 8,866 | 4,217 |
| Components of interest cost | | | |
| Interest on bonds | | (16,300) | (16,269) |
| Interest on bank financing and mortgages | | (1,034) | (621) |
| Interest on other borrowings from | | | |
| - third parties | | (6,039) | (6,275) |
| - joint ventures and associated companies | | (407) | (8) |
| Impact of discounting of provisions and other long-term liabilities | 22,24 | (1,373) | (1,799) |
| Variation of fair value of other derivative financial instruments | | (309) | (999) |
| | | (25,462) | (25,971) |

10. TAXES**Income taxes**

| | | |
|--------------|-----------------|-----------------|
| Current tax | (73,094) | (25,498) |
| Deferred tax | 25,011 | (65,910) |
| | (48,083) | (91,408) |

Components of current tax

| | | |
|------------------------------|-----------------|-----------------|
| Tax on profit for the period | (73,094) | (25,498) |
| | (73,094) | (25,498) |

Components of deferred tax

| | | |
|------------------------------|---------------|-----------------|
| Equity-accounted investments | 6,120 | (35,419) |
| Tangible fixed assets | (565) | 161 |
| Intangible fixed assets | 2,921 | (33,723) |
| Other assets | (1,341) | 469 |
| Provisions | (83) | (57) |
| Other liabilities | 105 | 191 |
| Special contributions | 17,854 | 2,468 |
| | 25,011 | (65,910) |

Breakdown of tax charge

| | | |
|--|-----------------|-----------------|
| Group average tax rate | 20.56% | 22.16% |
| Group earnings before tax (EBT) | 254,029 | 425,593 |
| Income tax at the Group's average rate | (52,231) | (94,301) |
| Income and expenses with no tax impact | 4,148 | 2,578 |
| Other | - | 315 |
| | (48,083) | (91,408) |

31.12.2008 31.12.2007

Deferred tax recorded in the balance sheet

| | | |
|--------------------------|------------------|------------------|
| Deferred tax liabilities | (308,035) | (345,384) |
| | (308,035) | (345,384) |

Components of deferred tax recorded in the balance sheet

| | | |
|------------------------------|------------------|------------------|
| Equity-accounted investments | (80,062) | (86,182) |
| Tangible fixed assets | (14,927) | (5,685) |
| Intangible fixed assets | (38,713) | (33,175) |
| Other assets | (3,599) | (3,396) |
| Provisions | 279 | 362 |
| Other liabilities | (89) | (194) |
| Shareholders' equity | (105,479) | (133,815) |
| Special contributions | (65,445) | (83,299) |
| | (308,035) | (345,384) |

Deferred tax on expenses and income recorded in shareholders' equity

| | | |
|---|------------------|------------------|
| Fair value of financial assets available for sale | (112,559) | (133,746) |
| Fair value of financial hedging instruments | 7,080 | (69) |
| | (105,479) | (133,815) |

11. REVERSAL OF IMPAIRMENT

The recoverable amount of Group assets is estimated from the value in use (discount rate 6.75%). This is based on an average selling price curve with a "long-term" view. The curve takes into account both the wholesale market prices in Europe and the conditions of sale to customers for the long term.

However, the dual effect of the rise in market prices and the ending of the delivery of defined quantities of energy on predefined conditions to the "shareholder-clients" on 30 September 2007 led the Group to review the recoverable amount of its assets and reverse some previously recognised impairments, benefiting the 2007 results.

In 2007, this reversal impacted the profit and loss account by CHF 170.8m under "Share of profit of joint ventures" for the impairment of investments in joint ventures and by CHF 148.4m under "Other operating income" for the reversal of the impairment on intangible fixed assets.

| | Buildings and land | Production facilities | Transmission facilities | Other | Current projects | Total |
|---|--------------------|-----------------------|-------------------------|-----------------|------------------|------------------|
| 12. TANGIBLE FIXED ASSETS | | | | | | |
| Gross amounts at 01.01.2007 | 105,134 | 416,715 | 576,749 | 61,332 | 13,457 | 1,173,388 |
| Investments | - | - | 40 | 511 | 11,026 | 11,577 |
| Capitalised costs | - | - | - | - | 2,548 | 2,548 |
| Capitalised interest | - | - | - | - | 114 | 114 |
| Disposals | (2) | (2,233) | (9,909) | (90) | (1,945) | (14,179) |
| Transfers | 190 | 3,024 | 1,943 | 361 | (5,517) | 0 |
| Gross amounts at 31.12.2007 | 105,322 | 417,506 | 568,823 | 62,114 | 19,683 | 1,173,448 |
| Accumulated depreciation at 01.01.2007 | (30,677) | (325,769) | (250,012) | (50,965) | 0 | (657,423) |
| Ordinary depreciation | (617) | (4,355) | (13,214) | (2,459) | - | (20,645) |
| Disposals | - | 2,233 | 5,546 | 29 | - | 7,808 |
| Transfers | - | - | - | - | - | 0 |
| Accumulated depreciation at 31.12.2007 | (31,294) | (327,891) | (257,680) | (53,395) | 0 | (670,260) |
| Net amounts at 31.12.2007 | 74,028 | 89,615 | 311,143 | 8,719 | 19,683 | 503,188 |
| Gross amounts at 01.01.2008 | 105,322 | 417,506 | 568,823 | 62,114 | 19,683 | 1,173,448 |
| Investments | 189 | 184 | 282 | 1,642 | 24,723 | 27,020 |
| Change in scope of consolidation | 20 | 37,896 | - | 10 | - | 37,926 |
| Capitalised costs | - | - | - | - | 4,262 | 4,262 |
| Capitalised interest | - | - | - | - | 116 | 116 |
| Disposals | - | (999) | (6,335) | (90) | - | (7,424) |
| Transfers | 1,672 | (4,503) | 24,182 | (6,289) | (15,560) | (498) |
| Translation differences | (1) | (1,945) | - | (3) | (4) | (1,953) |
| Gross amounts at 31.12.2008 | 107,202 | 448,139 | 586,952 | 57,384 | 33,220 | 1,232,897 |
| Accumulated depreciation at 01.01.2008 | (31,294) | (327,891) | (257,680) | (53,395) | 0 | (670,260) |
| Ordinary depreciation | (755) | (5,163) | (13,537) | (2,327) | - | (21,782) |
| Disposals | - | 999 | 5,627 | 57 | - | 6,683 |
| Transfers | 56 | 3,339 | (6,464) | 3,197 | - | 128 |
| Translation differences | - | 38 | - | - | - | 38 |
| Accumulated depreciation at 31.12.2008 | (31,993) | (328,678) | (272,054) | (52,468) | 0 | (685,193) |
| Net amounts at 31.12.2008 | 75,209 | 119,461 | 314,898 | 4,916 | 33,220 | 547,704 |

As at every financial year end, the recoverable amount of the production facilities has been estimated. On the balance sheet date, the fire insurance value of buildings, machinery and equipment was CHF 686m (CHF 686m the previous year).

Capitalised interest is computed at an interest rate of 3.5% (3.5% in 2007).

In 2008, certain network assets were reclassified from tangible to intangible and vice versa. To enable comparison, the 2007 figures have been restated.

| | Acquired rights of use | Energy drawing | Other | Current projects | Total |
|---|------------------------|------------------|-----------------|------------------|------------------|
| 13. INTANGIBLE FIXED ASSETS | | | | | |
| Gross amounts at 01.01.2007 | 61,176 | 835,096 | 15,829 | 5,779 | 917,879 |
| Investments | - | - | - | 8,760 | 8,760 |
| Capitalised costs | - | - | - | 2,742 | 2,742 |
| Capitalised interest | - | - | - | 476 | 476 |
| Transfers | - | 1,649 | 6,340 | (7,990) | 0 |
| Gross amounts at 31.12.2007 | 61,176 | 836,745 | 22,169 | 9,767 | 929,857 |
| Accumulated depreciation at 01.01.2007 | (8,095) | (609,780) | (6,559) | 0 | (624,435) |
| Ordinary depreciation | (774) | (18,270) | (2,372) | - | (21,416) |
| Impairment reversal | - | 148,388 | - | - | 148,388 |
| Accumulated depreciation at 31.12.2007 | (8,869) | (479,662) | (8,931) | 0 | (497,463) |
| Net amounts at 31.12.2007 | 52,307 | 357,083 | 13,238 | 9,767 | 432,395 |
| Gross amounts at 01.01.2008 | 61,176 | 836,745 | 22,169 | 9,767 | 929,857 |
| Investments | - | - | 463 | 11,531 | 11,994 |
| Change in scope of consolidation | 46'358 | - | 27 | - | 46,385 |
| Capitalised costs | - | - | - | 883 | 883 |
| Capitalised interest | - | - | - | 75 | 75 |
| Disposals | (252) | - | - | - | (252) |
| Transfers | - | - | 9,433 | (9,018) | 415 |
| Translation differences | (2,720) | - | (1) | - | (2,721) |
| Gross amounts at 31.12.2008 | 104,562 | 836,745 | 32,091 | 13,238 | 986,636 |
| Accumulated depreciation at 01.01.2008 | (8,869) | (479,662) | (8,931) | 0 | (497,463) |
| Ordinary depreciation | (5,752) | (31,738) | (4,574) | - | (42,064) |
| Transfers | - | - | (46) | - | (46) |
| Translation differences | 38 | - | 1 | - | 39 |
| Accumulated depreciation at 31.12.2008 | (14,583) | (511,400) | (13,550) | 0 | (539,533) |
| Net amounts at 31.12.2008 | 89,979 | 325,345 | 18,541 | 13,238 | 447,103 |

As at every financial year end, the recoverable amount of the energy drawing rights has been estimated. Capitalised interest is computed at an interest rate of 3.5% (3.5% in 2007).

In 2008, certain network assets were reclassified from tangible to intangible and vice versa. To enable comparison, the 2007 figures have been restated.

| | Note | 31.12.2008 | 31.12.2007 |
|------------------------------------|------|----------------|----------------|
| Investments in joint ventures | | 803,787 | 805,872 |
| Liabilities towards joint ventures | 24 | (270) | (270) |
| | | 803,517 | 805,602 |

14. JOINT VENTURES

| | GRANDE DIXENCE SA and CLEUSON-DIXENCE ¹⁾ | Other joint ventures assets ²⁾ | Other joint ventures liabilities ²⁾ | Total |
|----------------------------------|--|---|--|----------------|
| Net amounts at 01.01.2007 | 455,598 | 163,923 | (270) | 619,251 |
| Investment | 27,801 | 298 | - | 28,099 |
| Group share of profit | 143,029 | 18,835 | - | 161,864 |
| Dividends | - | (3,612) | - | (3,612) |
| Net amounts at 31.12.2007 | 626,428 | 179,444 | (270) | 805,602 |
| Net amounts at 01.01.2008 | 626,428 | 179,444 | (270) | 805,602 |
| Investment | 24,907 | - | - | 24,907 |
| Group share of profit | (7,102) | (14,949) | - | (22,051) |
| Dividends | - | (4,643) | - | (4,643) |
| Transfert | - | (298) | - | (298) |
| Net amounts at 31.12.2008 | 644,233 | 159,554 | (270) | 803,517 |

1) GRANDE DIXENCE SA, in which the Group holds 60% of the voting power, is stated in the balance sheet using the equity method because the Group does not have exclusive control over this company's financial and operating policies. In fact, the Group must obtain a qualified majority for certain important decisions concerning contracts and the articles of association. Similarly, CLEUSON-DIXENCE is also accounted for using the equity method for the same reasons. GRANDE DIXENCE SA in fact owns 15/22nds of CLEUSON-DIXENCE shares while the Group owns only 7/22nds directly. Although the CLEUSON-DIXENCE simple partnership is not a company in the legal sense, the Group has not integrated it by proportionate consolidation as recommended by IAS 31.30, opting rather for the alternative equity method permitted by IAS 31.38. Because of its legal status, its funding comes entirely from its owners. Consequently, the current account between the simple partnership and the Group is stated in the Balance Sheet as an interest accounted for using the equity method.

2) Joint ventures are accounted for using the equity method. The Group's share of net assets, restated to the Group's accounting standards, is stated in assets under investments. A negative share is presented in liabilities. Given its obligation to cover their expenses, the Group states its commitments to the joint ventures as liabilities.

| | Gross amounts 2008 | Gross amounts 2007 | Group share 2008 | Group share 2007 |
|---|-----------------------|-----------------------|---------------------|---------------------|
| Tangible fixed assets | 1,833,275 | 1,743,754 | 1,254,756 | 1,189,209 |
| Intangible fixed assets | 10,118 | 10,631 | 7,359 | 7,732 |
| Financial assets | 21,935 | 21,861 | 13,168 | 13,122 |
| Current assets | 35,299 | 123,328 | 21,433 | 77,757 |
| Long-term liabilities | (736,030) | (829,359) | (441,813) | (497,810) |
| Short-term liabilities | (347,253) | (267,779) | (210,670) | (163,582) |
| Net assets | 817,344 | 802,436 | 644,233 | 626,428 |
| Income from joint ventures | 133,445 | 365,358 | 80,993 | 220,963 |
| Operating expenses and other operating income | (149,352) | (130,893) | (88,095) | (77,934) |
| Net income | (15,907) | 234,465 | (7,102) | 143,029 |

GRANDE DIXENCE SA AND CLEUSON-DIXENCE CONSOLIDATED KEY FIGURES

| | | | | |
|---|-----------------|----------------|----------------|----------------|
| Tangible fixed assets | 1,833,275 | 1,743,754 | 1,254,756 | 1,189,209 |
| Intangible fixed assets | 10,118 | 10,631 | 7,359 | 7,732 |
| Financial assets | 21,935 | 21,861 | 13,168 | 13,122 |
| Current assets | 35,299 | 123,328 | 21,433 | 77,757 |
| Long-term liabilities | (736,030) | (829,359) | (441,813) | (497,810) |
| Short-term liabilities | (347,253) | (267,779) | (210,670) | (163,582) |
| Net assets | 817,344 | 802,436 | 644,233 | 626,428 |
| Income from joint ventures | 133,445 | 365,358 | 80,993 | 220,963 |
| Operating expenses and other operating income | (149,352) | (130,893) | (88,095) | (77,934) |
| Net income | (15,907) | 234,465 | (7,102) | 143,029 |

On 12 December 2000, the Cleuson-Dixence penstock, which brings water from the Grande Dixence dam to the Bieudron power plant, burst. Bringing the plant back into service requires the complete reconstruction of the pressure shaft lining and other work amounting to an investment of about CHF 365m before building loan interests. The design and engineering work involved started in 2004. The first phase of the civil engineering work has been completed and the sheet metalworking phase began mid-2007. The project, whose size and security requirements make it exceptional, is running to time and budget. The facility is expected to be brought back into operation in 2010.

| | Gross amounts 2008 | Gross amounts 2007 | Group share 2008 | Group share 2007 |
|---|-----------------------|-----------------------|---------------------|---------------------|
| KEY FIGURES FOR OTHER JOINT VENTURE ASSETS | | | | |
| Tangible fixed assets | 2,690,403 | 2,773,152 | 280,477 | 283,702 |
| Intangible fixed assets | 365,461 | 418,838 | 121,819 | 139,611 |
| Financial assets | 773,704 | 946,879 | 43,092 | 52,087 |
| Current assets | 449,997 | 292,789 | 52,509 | 30,684 |
| Long-term liabilities | (3,095,860) | (3,315,305) | (265,125) | (293,812) |
| Short-term liabilities | (480,669) | (157,524) | (73,624) | (33,234) |
| Goodwill acquired by the Group | - | - | 406 | 406 |
| Net assets | 703,036 | 958,829 | 159,554 | 179,444 |
| Income from joint ventures | 858,203 | 1,278,746 | 146,541 | 154,801 |
| Operating expenses and other operating income | (1,078,105) | (794,322) | (161,490) | (135,966) |
| Net income | (219,902) | 484,424 | (14,949) | 18,835 |

| KEY FIGURES OF OTHER JOINT VENTURE LIABILITIES | | | | |
|---|--------------|--------------|--------------|--------------|
| Tangible fixed assets | - | - | - | - |
| Financial assets | - | - | - | - |
| Current assets | 10 | 9 | 3 | 3 |
| Long-term liabilities | (878) | (878) | (263) | (263) |
| Short-term liabilities | (32) | (31) | (10) | (10) |
| Net assets | (900) | (900) | (270) | (270) |
| Income from joint ventures | 5 | 5 | 2 | 2 |
| Operating expenses and other operating income | (5) | (5) | (2) | (2) |
| Net income | 0 | 0 | 0 | 0 |

| | 31.12.2008 | 31.12.2007 |
|--|---------------|---------------|
| 15. INVESTMENTS IN ASSOCIATED COMPANIES | | |
| Movements | | |
| Net amount at the beginning of the period | 11,062 | 10,001 |
| Investments | 36,153 | - |
| Group share of income | 1,604 | 1,890 |
| Capital gain from disposals | - | 118 |
| Income from disposals | - | (562) |
| Dividends | (1,439) | (385) |
| Translation differences | (134) | - |
| Transfer | 298 | - |
| Net amount at the end of the period | 47,544 | 11,062 |

| | Group share 2008 | Group share 2007 |
|----------------------------------|---------------------|---------------------|
| KEY FIGURES | | |
| Tangible fixed assets | 34,905 | 3,234 |
| Intangible fixed assets | 26,651 | 1,838 |
| Financial assets | 810 | 420 |
| Current assets | 39,310 | 35,161 |
| Long-term liabilities | (20,113) | (2,542) |
| Short-term liabilities | (35,160) | (28,190) |
| Net assets | 46,403 | 9,921 |
| Goodwill acquired by the Group | 1,141 | 1,141 |
| Group share | 47,544 | 11,062 |
| Operating profit | 39,793 | 34,640 |
| Operating profit (EBIT) | 2,450 | 2,308 |
| Group share of net profit | 1,604 | 1,890 |

| | 31.12.2008 | 31.12.2007 |
|---|------------------|------------------|
| 16. OTHER FINANCIAL ASSETS | | |
| Other financial assets available for sale | 2,195,366 | 2,451,009 |
| Long-term loans to | | |
| - third parties | 1,840 | - |
| - non-consolidated companies | 188 | 188 |
| - joint ventures and associated companies | 3,305 | 3,305 |
| Pension fund assets | 23 | 798 |
| | 2,201,497 | 2,454,618 |

Other investments are recorded in the balance sheet at fair value. The fair value of other investments was established on the basis of the share price on the balance sheet date.

Following the capital operations effected during 2008, EOS' stake in ATEL HOLDING decreased from 31.5% at the end of 2007 to 18.57% at the end of 2008 (see Note 33).

| | 31.12.2008 | 31.12.2007 |
|---|--------------|--------------|
| 17. INVENTORY AND WORK IN PROGRESS | | |
| Goods and materials | 84 | 47 |
| Work in progress | 7,365 | 3,109 |
| | 7,449 | 3,156 |

| | 31.12.2008 | 31.12.2007 |
|---|----------------|----------------|
| 18. RECEIVABLES ARISING FROM DELIVERIES AND SERVICES | | |
| Receivables from | | |
| - third parties | 172,732 | 176,096 |
| - shareholders | 101,602 | 80,702 |
| - joint ventures and associated companies | 3,612 | 2,282 |
| Bad debt provision | (1,361) | (1,255) |
| | 276,585 | 257,825 |

| | Receivables 31.12.2008 | Losses on receivables 31.12.2008 | Receivables 31.12.2007 | Losses on receivables 31.12.2007 |
|---|---------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Breakdown of receivables outstanding on the balance sheet date: | | | | |
| Due 0-30 days before | 276,669 | (548) | 257,644 | (548) |
| Due 31-121 days before | 455 | - | 353 | - |
| Due 121-365 days before | - | - | - | - |
| Due more than one year before | 822 | (813) | 1,083 | (707) |
| | 277,946 | (1,361) | 259,080 | (1,255) |

| | 2008 | 2007 |
|---------------------------------|----------------|----------------|
| Movement in bad debt provision: | | |
| Balance at 1 January | (1,255) | (2,728) |
| Allocation | (106) | - |
| Appropriation | - | 1,295 |
| Release of provision | - | 178 |
| Balance at 31 December | (1,361) | (1,255) |

| | Note | 31.12.2008 | 31.12.2007 |
|---|------|----------------|---------------|
| 19. OTHER RECEIVABLES AND ACCRUALS | | | |
| VAT, withholding tax and other refundable tax | | 3,447 | 1,999 |
| Pension fund receivables | | 152 | 228 |
| Prepaid benefits and services | | 297 | 224 |
| Derivative financial assets | 27 | 39,819 | 1,377 |
| Accrued interest from | | | |
| - joint ventures and associated companies | | - | 22 |
| Short-term loans (advances) to | | | |
| - third parties | | - | 6 |
| - joint ventures and associated companies | | 26,119 | 7,494 |
| Other receivables and accruals from | | | |
| - third parties | | 50,652 | 20,934 |
| - shareholders | | - | 31 |
| - joint ventures and associated companies | | 27,696 | 16,820 |
| | | 148,182 | 49,135 |

20. EQUITY

SHARE CAPITAL

At 31 December 2008, the company's share capital comprised 3,240,000 fully paid-up registered shares each with a par value of CHF 100.-.

In accordance with the EOS HOLDING articles of association, shareholders wishing to dispose of all or part of their shares must first inform the Board of Directors. The latter informs the other shareholders in order to give them an opportunity to acquire the holding. A share transfer is only valid if it has been approved by the Board of Directors and recorded in the Share Register.

ADDITIONAL PAYMENTS

Additional capital payments are the difference between the issue price and the par value of the paid-up capital shares. These payments are not distributable to shareholders.

ACCUMULATED PROFIT

Accumulated profit includes all legal, statutory and free reserves resulting from profits made by Group companies, as well as the variation in the fair value of the financial instruments.

DIVIDEND

The Board of Directors proposes to distribute a dividend for 2008 of KCHF 85,000 (KCHF 25,110 in 2007). In addition, as part of the completion of the merger with ATEL Group in January 2009 (see note 33), the Board of Directors is proposing an extraordinary dividend of KCHF 400,000. This means that a total dividend of KCHF 485,000 will be submitted to the Annual General Meeting for approval.

CAPITAL MANAGEMENT

The Group's capital management policy aims to maintain and grow a solid capital base in order to support the continued development of the Group's business operations, with the following key drivers:

- Invest in new energy generation projects.
- Develop commercial affairs, especially through market diversification (types of energy and geographical location).
- Guarantee the solidity of the Group as a counterparty on the energy markets.
- Strengthen the Group to assure secure supply for western Switzerland.
- Guarantee an adequate return on capital for shareholders.

Because the investment activity involves sizeable funding, the Group sustains at all times the quality of its financial market borrowings. To that end, the Group monitors its target balance sheet structure and interest coverage ratio through EBITDA.

The target balance sheet structure is expressed as the ratio between equity and the balance sheet total. Shareholders' equity is equity including the equity attributable to minority shareholders. Interest is interest costs excluding discounting effects and impairment of other financial instruments.

At 31 December, the target balance sheet structure ratio and the interest coverage ratio were as follows:

| | 31.12.2008 | 31.12.2007 |
|--------------------------------------|------------|------------|
| Target balance sheet structure ratio | 69.0% | 72.0% |
| Interest coverage ratio | 8.0 | 6.3 |

| | Effective rate | Term | Fair Value ¹⁾ 2008 | Fair Value ¹⁾ 2007 | 31.12.2008 | 31.12.2007 |
|---|----------------|-----------|----------------------------------|----------------------------------|----------------|----------------|
| 21. FINANCIAL LIABILITIES | | | | | | |
| Long-term financial liabilities | | | | | 375,083 | 510,413 |
| Short-term financial liabilities | | | | | 302,195 | 122,490 |
| | | | | | 677,278 | 632,903 |
| Bonds | | | | | | |
| - CHF 300 million at 4%, due 02.2009 | 4.20% | 1998-2009 | 301,079 | 301,691 | 299,605 | 299,139 |
| - CHF 125 million at 2.875%, due 09.2014 | 3.12% | 2006-2014 | 130,595 | 124,209 | 123,508 | 123,274 |
| Borrowings from financial institutions | | | | | | |
| - Bank | 4.34% | 2000-2008 | - | 10,003 | - | 10,000 |
| - Bank | 3.05% | 2006-2021 | 10,415 | 9,416 | 10,000 | 10,000 |
| - Bank | 3.20% | 2007-2022 | 8,486 | 7,482 | 8,000 | 8,000 |
| - Bank ²⁾ | Libor | 2005-2010 | 60,002 | 59,991 | 60,000 | 60,000 |
| - Insurance | 3.54% | 1998-2008 | - | 110,075 | - | 110,000 |
| - Insurance | 4.44% | 2000-2010 | 10,285 | 10,292 | 10,000 | 10,000 |
| - Bank | 3.34% | 2008-2011 | 104,825 | - | 99,898 | - |
| - Bank | 3.34% | 2008-2011 | 52,467 | - | 50,000 | - |
| - Bank | Euribor | 2008-2018 | 16,177 | - | 16,177 | - |
| Other debts towards | | | | | | |
| - third parties | | At sight | 90 | 2,490 | 90 | 2,490 |
| - joint ventures and associated companies | | At sight | - | - | - | - |
| Total Group financial liabilities | | | 694,421 | 635,649 | 677,278 | 632,903 |

The Group had confirmed committed credit facilities with various banks for a total of CHF 465m at 31 December 2008 (CHF 390m at 31 December 2007)

| | Total | Maturities | | |
|---|---------|------------|-----------|-----------|
| | | < 1 year | 1-5 years | > 5 years |
| Confirmed credit facilities at 31.12.2008 | 465,000 | - | 465,000 | - |
| Confirmed credit facilities at 31.12.2007 | 390,000 | - | 390,000 | - |

1) Fair value is based on the discounting of future cash flows at market rates. The Group's market rates are estimated from the government bond plus a risk premium of 0.5%.

2) These are committed credit facilities, which can be used in the form of short-term fixed-rate advances. The contractual interest rate is based on the Libor rate at the start of the drawdown operation for the whole term plus a margin. Given that the expiry dates of the confirmed lines of credit are greater than 1 year, they are stated under "long-term financial liabilities".

| | Note | 31.12.2008 | 31.12.2007 |
|-----------------------|---------------|---------------|---------------|
| 22. PROVISIONS | | | |
| Long-term provisions | | 26,456 | 24,642 |
| Short-term provisions | | 590 | 597 |
| | | 27,046 | 25,239 |
| | Dismantling | Other | Total |
| At 01.01.2007 | 23,230 | 597 | 23,827 |
| Allocations | - | 600 | 600 |
| Appropriations | - | - | 0 |
| Released provisions | - | - | 0 |
| Discounting effects | 813 | - | 813 |
| At 31.12.2007 | 24,043 | 1,197 | 25,240 |
| At 01.01.2008 | 24,043 | 1,197 | 25,240 |
| Allocations | 664 | 1,123 | 1,787 |
| Appropriations | - | - | 0 |
| Released provisions | - | (7) | (7) |
| Discounting effects | 26 | - | 26 |
| At 31.12.2008 | 24,733 | 2,313 | 27,046 |

The dismantling provision is earmarked for the dismantling of the CENTRALE THERMIQUE DE VOUVRY SA facility. As long as no definitive decision has been taken about the restoration of the site, the dismantling of the plant has been indefinitely deferred. From 2007, this provision takes into account the discounting effect recognised under financial costs.

23. EMPLOYEE BENEFITS

| | Pensions | Early retirement | Voluntary pensions | Total |
|---|--------------|------------------|--------------------|---------------|
| At 01.01.2007 | 2,222 | 3,620 | 6,374 | 12,216 |
| Contributions paid | (3,537) | - | (648) | (4,185) |
| Net cost stated in profit and loss account | 2,803 | 35 | 182 | 3,020 |
| Released provisions | - | (31) | - | (31) |
| At 31.12.2007 | 1,488 | 3,624 | 5,908 | 11,020 |
| Amount recognised as a liability in the balance sheet | 1,604 | 3,624 | 5,908 | 11,136 |
| Amount recognised as an asset in the balance sheet | (116) | - | - | (116) |
| At 01.01.2008 | 1,488 | 3,624 | 5,908 | 11,020 |
| Contributions paid | (3,320) | - | (662) | (3,982) |
| Net cost stated in profit and loss account | 1,972 | 652 | 399 | 3,023 |
| Released provisions | - | (55) | (3) | (58) |
| At 31.12.2008 | 140 | 4,221 | 5,642 | 10,003 |
| Amount recognised as a liability in the balance sheet | 938 | 4,221 | 5,642 | 10,801 |
| Amount recognised as an asset in the balance sheet | (798) | - | - | (798) |

Pensions represents the Group's financial commitment to the CPE. It is the portion of the scheme asset shortfall or surplus recognised in the accounts (see below).

Early retirement pensions are the Group's liability towards serving members of staff. The liability towards employees who have taken early retirement is transferred to the CPE. Early retirement pensions are granted to all employees from the age of 60.

Voluntary pensions are the Group's liability in respect of former employees. They are made up of the indexing of non-CPE retirement pensions and membership of the health insurance scheme.

Reconciliation of scheme liabilities

| | 31.12.2008 | 31.12.2007 |
|--|------------|------------|
| Discounted value of pension liability at the start of the period | 234,366 | 228,689 |
| Interest cost | 8,219 | 7,907 |
| Current service cost | 4,184 | 3,518 |
| Contributions of plan members | 1,766 | 1,597 |
| Current benefits | (5,034) | (10,649) |
| Actuarial gains / losses | (10,676) | 3,304 |
| Discounted value of pension liability at the end of the period | 232,825 | 234,366 |

Reconciliation of scheme assets

| | 31.12.2008 | 31.12.2007 |
|--|----------------|----------------|
| Fair value of assets at the start of the period | 250,352 | 238,994 |
| Expected return on pension assets | 12,519 | 11,812 |
| Employer's contributions | 3,321 | 3,537 |
| Contributions of plan members | 1,765 | 1,597 |
| Current benefits | (5,034) | (10,649) |
| Actuarial gains / losses | (65,311) | 5,061 |
| Fair value of assets at the end of the period | 197,612 | 250,352 |

Effective return on scheme assets

| | 31.12.2008 | 31.12.2007 |
|---|------------|------------|
| Expected return on assets | 12,519 | 11,812 |
| Actuarial gains / (losses) on scheme assets | (65,311) | 5,061 |
| Effective return on scheme assets | (52,792) | 16,873 |

Pension liabilities stated in the balance sheet

| | 31.12.2008 | 31.12.2007 |
|--|-----------------|----------------|
| Discounted value of pension fund liabilities | (232,825) | (234,366) |
| Fair value of pension plan assets | 197,612 | 250,352 |
| Asset surplus / (shortfall) | (35,213) | 15,986 |
| Unrecognized actuarial gains and losses | 35,073 | (10,026) |
| Amounts not recognized in accounts (§ 58(b) limitation) | - | (7,448) |
| Asset surplus/ (shortfall) recognized in accounts | (140) | (1,488) |
| Relating to scheme liabilities | (938) | (1,604) |
| Relating to scheme assets | 798 | 116 |

The CPE rate of coverage, calculated in accordance with current Swiss accounting rules, was 99% at 31 December 2008 (2007: 127.9%).

| | 31.12.2008 | 31.12.2007 | 31.12.2006 | 31.12.2005 |
|---|----------------|----------------|------------|------------|
| Pension charges recognised in the profit and loss account | | | | |
| Current service cost | 4,184 | 3,517 | | |
| Interest cost | 8,219 | 7,907 | | |
| Expected return on assets | (12,519) | (11,812) | | |
| Recognised actuarial losses / (gains) (§ 92 f.) | (166) | (96) | | |
| Recognised actuarial losses / (gains) (§ 58A) | 9,703 | (1,231) | | |
| § 58(b) limitation effect | (7,449) | 4,518 | | |
| Net cost of Group pension liability | 1,972 | 2,803 | | |
| The Group expects to pay contributions amounting to KCHF 4,200 to the CPE in 2009 | | | | |
| Scheme asset components | | | | |
| Equity instruments - Third parties | 79,654 | 116,189 | | |
| Debt instruments - Third parties | 80,276 | 92,680 | | |
| Fixed assets neither occupied nor used | 36,769 | 35,700 | | |
| Other | 913 | 5,783 | | |
| Total scheme asset components | 197,612 | 250,352 | | |
| Actuarial assumptions | | | | |
| Discount rate | 3.50% | 3.50% | | |
| Expected rate of return on scheme assets | 4.00% | 5.00% | | |
| Future salaries increase | 2.00% | 1.50% | | |
| Future pensions increase | 0.50% | 1.00% | | |
| Actuarial variance record | | | | |
| Discounted value of pension fund liabilities | (242,400) | (234,366) | (228,689) | (215,160) |
| Adjustment of liabilities according to experience | 1,101 | (3,304) | (11,612) | (1,532) |
| Fair value of fund assets | 197,612 | 250,352 | 238,994 | 221,439 |
| Adjustment of assets according to experience | (65,311) | 5,061 | 10,546 | 25,714 |
| Payment to defined contributions plan | | | | |
| Defined contributions plan charges | 1,141 | 333 | | |

24. OTHER LONG-TERM LIABILITIES

| | Note | 31.12.2008 | 31.12.2007 |
|--|------|---------------|---------------|
| Liabilities towards joint ventures | 14 | 270 | 270 |
| Financial option in favor of a shareholder | 30 | 20,400 | 20,000 |
| | | 20,670 | 20,270 |

The Group granted SIG a right to draw power and energy from its share of energy produced by the FORCES MOTRICES HONGRIN-LÉMAN SA joint venture. In contractual terms, the energy supply has been converted to a financial option. The option can be exercised as soon as the hourly price on the Leipzig EEX spot market exceeds the production cost price (strike price). The contract must be renewed from year to year, so that a return to the physical delivery of energy is possible within a year.

The fair value of the option is measured at the end of each accounting period. Fair value is determined from the information available over a five-year horizon and the probability of a physical delivery of energy is taken into account. During 2008, KCHF 3,577 (KCHF 2,241 in 2007) of the liability was appropriated, KCHF 2,627 (KCHF 6,655 in 2007) was allocated and the discounting impact, which appears in financial costs, amounted to KCHF 1,350 (KCHF 986 in 2007).

25. LIABILITIES ARISING FROM PURCHASES AND SERVICES

| | | | |
|---|--|----------------|----------------|
| Liabilities due to | | | |
| - third parties | | 164,831 | 171,722 |
| - shareholders | | 13,876 | 14,840 |
| - joint ventures and associated companies | | 6,510 | 6,534 |
| | | 185,217 | 193,096 |

26. OTHER SHORT-TERM LIABILITIES AND ACCRUALS

| | | | |
|--|----|----------------|---------------|
| VAT, advance tax and other tax payable | | 4,870 | 544 |
| Liabilities in respect of pension institutions | | 326 | 18 |
| Salaries and other social security costs payable | | 13,843 | 7,360 |
| Overtime and holidays payable | | 1,451 | 1,392 |
| Derivative instruments (liabilities) | 27 | 33,096 | 8,862 |
| Accrued interest owed to | | | |
| - third parties | | 13,309 | 13,587 |
| Other debt and transitional amounts owed to | | | |
| - third parties | | 91,009 | 19,871 |
| - shareholders | | 4,678 | 2,013 |
| - joint ventures and associated companies | | 5,093 | 1,209 |
| | | 167,675 | 54,856 |

27. DERIVATIVE FINANCIAL INSTRUMENTS

The tables below present the contractual or nominal amounts and the fair values of the derivative instruments at 31 December 2008 and 2007, by type of contract. The contractual or nominal amounts indicate the volume of business transacted on the balance sheet date and not the risk-exposed value. Fair values are determined from forward market prices or actuarial models that take account of forward prices and the historic hourly profile of expected prices based on the spot prices.

| | Nominal amounts 2008 | Nominal amounts 2007 | Positive amounts 2008 | Positive amounts 2007 | Negative amounts 2008 | Negative amounts 2007 | Valeurs nettes 2008 | Valeurs nettes 2007 |
|---|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|---------------------|
| Energy trading-related instruments | | | | | | | | |
| Forward contracts | (153,905) | (110,531) | 511,474 | 156,877 | (469,946) | (170,459) | 41,528 | (13,582) |
| Option contracts | 16,139 | 37,537 | 1,436 | 8,848 | (5,038) | (1,416) | (3,602) | 7,432 |
| Capacity contracts | 7,319 | 15,475 | 1,340 | - | (2,416) | (2,234) | (1,076) | (2,234) |
| Futures | 5,268 | 34,563 | 2,291 | 5,371 | (455) | (5,849) | 1,836 | (478) |
| Total | (125,179) | (22,956) | 516,541 | 171,096 | (477,855) | (179,958) | 38,686 | (8,862) |
| Swap instruments | | | | | | | | |
| Forward swap contracts | 42,830 | (9,951) | 485 | 1,047 | (1,015) | (669) | (530) | 378 |
| Total | 42,830 | (9,951) | 485 | 1,047 | (1,015) | (669) | (530) | 378 |
| Interest rate instrument | | | | | | | | |
| CAP | 150,000 | 100,000 | (61) | 690 | - | - | (61) | 690 |
| Total | 150,000 | 100,000 | (61) | 690 | 0 | 0 | (61) | 690 |
| Total derivative instruments | 67,651 | 67,093 | 516,965 | 172,833 | (478,870) | (180,627) | 38,095 | (7,794) |

The Group hedges future cash flows relating to predicted electricity, gas, coal and CO₂ purchases and sales. The fair value is the closing price on the EEX stock exchange.

In 2008, the cash flow hedges relating to future CO₂ purchases were assessed as being highly effective and a latent loss of KCHF 31,372 (in 2007 a latent gain of KCHF 309) for the hedging instruments, net of deferred tax liabilities, has been recognised under shareholders' equity. The amount recognised in the profit and loss account for the hedging instruments for 2008 was a profit of KCHF 3,933 before tax (a loss of KCHF 10,128 in 2007).

At 31 December 2008, the hedged risk is identified as the movement in the price of CO₂ certificates for 2009 to 2012, the movement of the price of coal for 2009-2010 and the EUR/USD exchange rate risks relating to these two hedges.

| | | | | | | | | |
|--|----------------|---------------|--------------|------------|-----------------|--------------|-----------------|------------|
| Derivative instruments qualifying as hedges | | | | | | | | |
| Coal swaps | 81,465 | - | 216 | - | (18,832) | - | (18,616) | - |
| CO ₂ swaps | 50,814 | 33,278 | 48 | 520 | (13,937) | (211) | (13,889) | 309 |
| EUR/USD swaps | 92,409 | - | 2,141 | - | (1,008) | - | 1,133 | - |
| Total derivative instruments qualifying as hedges | 224,688 | 33,278 | 2,405 | 520 | (33,777) | (211) | (31,372) | 309 |

28. BUSINESS COMBINATION

In 2008, the following companies were acquired and integrated into the financial statements of the Group:

| | | | |
|--------------|--------|------------------------------------|---------------------|
| • 27.06.2008 | 100.0% | SAS LE BAYET | St-Paul-s/Isère (F) |
| • 29.07.2008 | 100.0% | CEPE LES GRAVIERES | Vergigny (F) |
| • 14.11.2008 | 100.0% | NARZOLE ENERGIE UNIPERSONAL S.R.L. | Turin (I) |

| | Carrying amount (IFRS) | Fair value |
|--|------------------------|-----------------|
| Tangible fixed assets | 31,036 | 37,924 |
| Intangible fixed assets | - | 46,385 |
| Financial assets | 2,101 | 2,101 |
| Other current assets | 216 | 216 |
| Cash and cash equivalents | 536 | 536 |
| Financial liabilities (short- and long-term) | (17,751) | (17,751) |
| Other liabilities (short- and long-term) | (2,935) | (2,935) |
| Deferred tax liabilities | (741) | (18,322) |
| Acquired net assets | 12,461 | 48,154 |
| Net cash flow relating to acquisitions: | | |
| - Cash from investments | | 536 |
| - Acquisition costs | | (48,154) |
| - Financial liabilities not yet paid | | - |
| Net cash flow | | (47,618) |

Since their integration into the Group, the companies acquired have contributed CHF 3m to turnover and CHF 0.5m to net income.

If these companies had been acquired at the start of the accounting period, they would have increased the consolidated turnover by CHF 5.2m (CHF 4.7m in 2007) and net income by CHF 0.6m (CHF 0.5m in 2007).

In 2007, the Group did not integrate any company into its accounts.

29. FINANCIAL RISK MANAGEMENT AIMS AND POLICIES

In accordance with statutory requirements, the Board of Directors must know the risks to the company, decide appropriate measures to manage those risks and implement the measures or ensure that they are implemented. During the financial year, the Board of Directors instructed the Executive Management to assess the risks to be managed and identify their level of management. The Board of Directors was involved in the assessment of the strategic risks and, with regard to operating risks ensured through discussion with the Executive Management that the risks were managed and adequately reported to the Board. It thus has an overview of the key risks and measures, enabling it to define priorities and allocate the necessary resources.

In its business operations, the Group is exposed to financial risks: market risks (including foreign exchange rate risks, interest rate risks, and energy price-related risks), credit risks and cash risks. The Executive Management monitors these risks regularly for changes.

The internal funding and treasury rules approved by the Board of Directors set out the financing, exchange and interest-rate cover policies, and indicate which operations are authorized. The validation of counterparties and their credit limits and the management of the limits of exposure to the price risk associated with the selling of energy for each portfolio are the responsibility of the Risk Management Committee, which applies the Energy Trading Economic Risk Management Policy established by the Board of Directors.

MARKET RISKS

Foreign exchange risks

Practically all the international energy trades are denominated in EUR. The Group is exposed to foreign exchange risks to the extent that there are differences between the amounts received and paid in EUR. These flows offset each other to a very large extent. In order to reduce its residual exposure to foreign exchange risk, the Group uses derivative financial instruments to moderate the effects of exchange rate variation. These financial derivatives involved EUR and USD-denominated commodity transactions for coal and CO₂.

At 31 December, with a variation of +/- 5% between the EUR/USD and the Swiss franc, all other variables remaining constant, the impact on shareholders' equity and pre-tax profit would have been as follows:

| | Equity | Earnings before tax |
|-------------------|--------|---------------------|
| 31.12.2008 | | |
| Euro | 694 | 12,006 |
| USD | 931 | - |
| 31.12.2007 | | |
| Euro | 15 | 6,013 |
| USD | - | - |

INTEREST RATE RISKS

The production and transmission of electricity require considerable capital. In order to limit the impact of interest-rate fluctuations, the Group uses fixed-rate financing, which is usually long-term with phased maturity dates. Cash is invested short-term in CHF and EUR, mainly in fixed-rate products in order to limit interest-rate and foreign-exchange risk. The Group occasionally uses financial derivatives to moderate the effects of these fluctuations. Investments and derivative instruments are only placed with first-class financial institutions.

At 31 December 2008 and 2007, the Group had no funding at variable rates of interest. The Group's exposure to interest rate risks from cash and derivative instruments is not significant.

ENERGY PRICE-RELATED RISKS

The energy trading business is exposed to risks from changes in the energy prices on the European wholesale markets. These risks arise from energy price changes on the spot and forward markets, from a change in price differentials between markets and products and from a possible deterioration in market liquidity. In order to manage the risks associated with these changes, the Group uses physical instruments and financial derivatives as appropriate. Only the Group's core assets and current or future liabilities that are very likely to be realized are hedged. Apart from transactions entered into for hedging purposes, trading is subject to price risk exposure limits approved by the Board of Directors and regularly monitored both by a Risk Management Committee and by the Executive Management. To that end, spot and forward deals are spread across portfolios that have exposure limits; these limits are monitored daily by a Risk Management Department that is an independent entity in the organization.

Value-at-Risk (VaR) is a measure of the price risk on a forward position. This measure is a way of discovering the maximum loss on a portfolio of market-listed forward or future products with statistical certainty (set by the Group at 99%) over a period of time (set at two days). In other words, the VaR calculated by Risk Management answers the question: "what is the maximum loss - with 99% confidence - that the open position under consideration could produce in two days?" So, if a decision to liquidate a position or a portfolio were to be taken, this risk measurement is the one to use because the purchase or sale of open positions could be done using forward products.

The estimated potential loss based on instruments exposed to energy-price related risk was CHF 6.64m at 31 December 2008 and CHF 9.19m at 31 December 2007.

CREDIT RISKS

The majority of forward contracts on the European wholesale markets are over the counter arrangements with other market counterparties. These physical and financial contracts are only entered into with energy market counterparties who meet strict criteria of creditworthiness. A credit line is established for each counterparty based on financial solidity. If the counterparty's financial solidity is not adequate, the Group requires guarantees: bank guarantees from first-class European banking institutions, joint guarantee from the parent company or cash margin calls to suit the exposure. Counterparty risk exposure, defined as the sum of invoices outstanding and the replacement value of the open positions, is regularly monitored and compared with the credit line previously set by the Executive Management or, if necessary, the amount of the guarantee obtained.

The amount given for financial assets shows the maximum credit exposed to credit risk.

| | 31.12.2008 | 31.12.2007 |
|---|------------------|------------------|
| Other financial assets available for sale | 2,195,366 | 2,451,009 |
| Short-term receivables | 276,585 | 257,825 |
| Long-term loans | 6,131 | 3,609 |
| Cash and cash equivalents | 242,437 | 161,657 |
| Interest swaps - asset | - | 690 |
| Forward contracts - asset | - | 378 |
| | 2,720,519 | 2,875,168 |

CASH RISK

The cash risk is defined as the risk that the Group will not be able to meet its obligations in time or at a reasonable price. Group Treasury is responsible for cash, for finance and for the management of due dates. The Group's cash situation is managed through its cash flow and committed credit facilities with various banks totalling CHF 465m at 31 December 2008 and CHF 390m at 31 December 2007.

The table below contains information about the due dates of financial assets and liabilities excluding trade payables and receivables at 31 December 2008 and 2007, based on non-discounted contractual payments.

| | Due or with a due date not greater than one month | Due dates between 1 and 12 months | Due dates between 1 and 5 years | Due dates greater than 5 years | Total |
|--------------------------|---|-----------------------------------|---------------------------------|--------------------------------|----------------|
| 31 DECEMBER 2008 | | | | | |
| ASSETS | | | | | |
| Financial loans | 26,108 | 285 | 1,043 | 4,327 | 31,763 |
| Derivative instruments | - | - | 296,244 | - | 296,244 |
| Cash flow | 242,437 | - | - | - | 242,437 |
| Total assets | 268,545 | 285 | 297,287 | 4,327 | 570,444 |
| LIABILITIES | | | | | |
| Financial liabilities | 106,769 | 314,680 | 181,840 | 179,834 | 783,123 |
| Derivative instruments | - | - | 153,905 | - | 153,905 |
| Total liabilities | 106,769 | 314,680 | 335,745 | 179,834 | 937,028 |
| 31 DECEMBER 2007 | | | | | |
| ASSETS | | | | | |
| Financial loans | 7,500 | - | 366 | 3,458 | 11,324 |
| Derivative instruments | - | - | 120,853 | - | 120,853 |
| Cash flow | 161,657 | - | - | - | 161,657 |
| Total assets | 169,157 | 0 | 121,219 | 3,458 | 293,834 |
| LIABILITIES | | | | | |
| Financial liabilities | 12,924 | 111,944 | 395,763 | 172,748 | 693,379 |
| Derivative instruments | - | - | 120,482 | - | 120,482 |
| Total liabilities | 12,924 | 111,944 | 516,245 | 172,748 | 813,861 |

30. RELATED PARTY TRANSACTIONS

SHAREHOLDERS

The Group carries on an essential part of its business with its shareholders. The Group buys and sells short- and long-term electricity from and to them, supplies them with power transmission services and obtains “associated” services (top-up power supply and provision of services) on their behalf. In addition, some shareholders have entrusted the Group with the management of commercial and /or trading portfolios. All these services are provided between the parties at arm’s length prices.

Agreements with shareholders

In March 2001, EOS, a subsidiary of EOS HOLDING, signed with its “shareholder-clients” at that time (Groupe E, RE, SIG, SIL), now all EOS HOLDING shareholders, a framework agreement and a series of agreements that took effect on 1 October 2001. These agreements contained the arrangements intended to ensure the financial continuity of the company under a long-term plan approved by its shareholders.

Under the framework agreement, from 1 October 2001 and for a further period of six years (that is, until 30 September 2007), the “shareholder-clients” were bound to purchase fixed quantities of energy each year on predefined terms and to grant non-interest-bearing convertible loans or prepayments of CHF 155 m. In accordance with a decision taken by the Extraordinary General Meeting of shareholders on 26 October 2005, these receivables were converted to share capital through the issue of 1,550,000 new registered shares each with a par value of CHF 100.-.

Under the other agreements, from 1 October 2007 to 31 December 2030, the “shareholder-clients” are entitled to purchase electricity from EOS at a price equivalent to the average cost of producing the energy and in quantities not exceeding a total of 1,500GWh p.a. This supply option is deemed to be a purchasing right granted to the “shareholder-clients” that will only enter into force when the right is exercised; the latter depends on future market conditions and will only be extinguished by the physical delivery of the electricity. Where applicable, the cumulative difference accrued over the years between EOS’ average sale price and the average cost of production for the electricity drawn, will impact those financial years in which it occurs and shall not exceed the sum corresponding to the special contributions paid by the “shareholder-clients” during the period between 1 October 2001 and 30 September 2004, i.e. a total of CHF 380m. For 2008, the “shareholders-clients” exercised their right; the price difference for the period and cumulatively at 31 December 2008 was CHF 78m (CHF 11m in 2007), and the balance at 31 December 2008 was CHF 291m (CHF 369 at 31 December 2007).

In July 2005, EOS signed a long-term energy supply contract with the EOS HOLDING shareholders in order to enhance their security of supply and, for EOS, to limit the risks from fluctuating prices on part of its production. The contract came into effect on 1 October 2007 and will automatically end on the scheduled date of termination, i.e., 31 December 2015. The contract was drawn up on the basis of the arm’s length terms applicable at the time and also includes clauses to safeguard against any significant changes in the market conditions.

Right to draw power and energy from its share of the electricity production of the FORCES MOTRICES HONGRIN-LÉMAN SA joint venture.

The Group granted SIG a right to draw power and energy from its share of energy produced by the FORCES MOTRICES HONGRIN-LÉMAN SA joint venture. This right enables SIG to purchase, at production cost, 20% of the joint venture’s average natural water inflows. The right to draw terminates on 30 September 2051 when the current concessions held by FORCES MOTRICES HONGRIN-LÉMAN SA expire. In contractual terms, the energy supply has been converted to a financial option, renegotiable from year to year (see Note 24).

JOINT VENTURES

The Group buys a substantial proportion of its energy from the joint ventures. It has a right to draw power and energy from the joint ventures in proportion to its investment in them. In return and to the same extent, it is required under its agreement with them to cover their costs.

Accounting and financial information pertaining to the joint ventures is presented in Note 14.

ASSOCIATED COMPANIES

HYDRO EXPLOITATION SA is responsible for the maintenance and operation of the Group’s hydro power plants. CLEUSON-DIXENCE CONSTRUCTION SA (CDC) and CISEL INFORMATIQUE SA have been awarded contracts. The management and co-ordination of the national and international VHV transmission networks have been delegated to SWISSGRID SA. All these companies invoice their services at arm’s length prices.

Accounting and financial information pertaining to the associated companies is presented in Note 15.

REMUNERATION OF EXECUTIVE MANAGEMENT AND BOARD OF DIRECTORS

The Board of Directors of the EOS HOLDING Group received remuneration of CHF 1.1m during the period under review (CHF 1.1m the previous year). The Executive Management received remuneration amounting to CHF 4.3m (CHF 3.2m the previous year).

31. UNCERTAINTY OF ACCOUNTING ESTIMATES

At each balance sheet date, the recoverable amount of the generating and supply assets held by the Group, and of the financial option, is estimated. This amount is based on assumptions about future estimated electricity prices. At 31 December 2007, the Group reversed impairments recognised during prior periods (see Note 11).

Changes in electricity prices could have a considerable influence on the future valuation of the generation and supply assets. The composition of these assets and their carrying amounts are:

| | Notes | 31.12.2008 | 31.12.2007 |
|--|-------|------------|------------|
| • Tangible fixed assets (generating facilities) | 12 | 119,461 | 89,615 |
| • Intangible fixed assets (rights of use and drawing rights) | 13 | 415,324 | 409,390 |
| • Joint ventures | 14 | 803,517 | 805,602 |
| • Financial option | 24 | 20,400 | 20,000 |

32. FUTURE LIABILITIES AND CONTINGENT LIABILITIES

The changes in French legislation governing the sustainable management of radioactive materials and waste have caused our French partner to claim that a sum of between CHF 0 and 30m will be due between now and 2011. The discussions presently taking place with the partner make it impossible to estimate reliably the impact this may have on the Group's financial situation and no liability has therefore been recognized.

Apart from the above point, the Group has no commitments other than those given under relations with joint ventures (Note 14).

33. POLE SUISSE OCCIDENTALE (PSO)

The Board of Directors of Atel Holding, EOS Holding and EDF International decided in December 2008 on the business combination of Atel and EOS and to incorporate the energy drawing rights and obligations of the 50% stake held by EDF in Emission SA. The relevant agreements were signed by all parties on 18 December 2008 after the markets closed.

The Extraordinary General Meeting of Atel Holding AG on 27 January 2009 made the following decisions in connection with the merger: (1) To change the company name from "Atel Holding AG" to "Alpiq Holding AG"; (2) To move the registered office of Alpiq Holding AG from "Olten" to "Neuenburg"; (3) To cancel the 314,286 registered Alpiq Holding AG shares held by Aare-Tessin AG für Elektrizität by reducing the capital, this capital reduction to be completed at the earliest after the statutory notice period of 2 months, and (4) To dismiss three former Boards of Directors and appoint five new Boards of Directors. The abovementioned changes to the articles of association (change of corporate name, change of registered office) and the capital increase were entered in the Trade Register of Neuenburg Canton on 28 January 2009.

At its constituent meeting on 27 January 2009, the Board of Directors of Alpiq Holding AG agreed to increase the share capital of Alpiq Holding AG from CHF 218,379,180 to CHF 275,041,590 by issuing a total of 5,666,241 fully paid-up registered shares with a par value of CHF 10. The origin of the capital is the increase approved by the Extraordinary General Meeting held on 7 November 2007 inter alia for this purpose.

In return for the assets it brings to the company, EOS Holding will receive a total of 4,478,730 fully paid-up Alpiq Holding AG registered shares with a par value of CHF 10. Alpiq will also make a cash payment of CHF 1,784.5m in favour of EOS Holding.



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To the General Meeting of
EOS HOLDING, Lausanne

Lausanne, 17 March 2009

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of EOS HOLDING (page 50 to 91), which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes for the year ended 31 December 2008.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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2

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view on the financial position, the result of operations and the cash flow in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd



Pierre Delaloye
Licensed audit expert
(Auditor in charge)



Pierre Alain Coquoz
Licensed audit expert

PROFIT AND LOSS ACCOUNT

| | 2008 KCHF | 2007 KCHF |
|--|-----------------|----------------|
| Other operating income | 1,913 | 1,910 |
| Total operating income | 1,913 | 1,910 |
| Personnel expenses | (9,132) | (3,718) |
| Ordinary depreciation | (57) | (45) |
| Other operating expenses | (16,361) | (4,247) |
| Total operating expenses | (25,550) | (8,010) |
| Earnings before interest and tax (EBIT) | (23,637) | (6,100) |
| Interest income | 45,359 | 19,951 |
| Financial cost | (2,418) | (2,348) |
| Net financial costs | 42,942 | 17,603 |
| Earnings before tax (EBT) | 19,305 | 11,503 |
| Income tax | - | - |
| Ordinary profit | 19,305 | 11,503 |
| Other extraordinary income | 216 | - |
| Other extraordinary expenses | - | (7) |
| Net profit | 19,521 | 11,496 |

| | 2008 KCHF | 2007 KCHF |
|---|----------------|----------------|
| Carry forward at the beginning of the period | 223,733 | 238,812 |
| Profit for the period | 19,521 | 11,496 |
| Balance sheet profit | 243,253 | 250,309 |
| Dividend CHF 26.235 per share (*) (CHF 7.75 per share in 2007) | (85,000) | (25,110) |
| Allocation to the general reserve | (7,856) | (1,466) |
| Balance carried forward | 150,397 | 223,733 |

* For 2008, The Board of Directors is proposing to distribute a dividend of KCHF 85,000 (KCHF 25,110 in 2007). In addition, as part of the completion of the merger with ATEL Group (see Note 33) in January 2009, the Board of Directors is proposing an extraordinary dividend of KCHF 400,000. This means that a total dividend of KCHF 485,000 will be submitted to the Annual General Meeting for approval.

BALANCE SHEET

96

| | KCHF 31.12.2008 | KCHF 31.12.2007 |
|---|--------------------|--------------------|
| ASSETS | | |
| Tangible fixed assets | 230 | 140 |
| Shareholdings | 1,225,166 | 1,219,803 |
| Long-term loans to Group companies | 188 | 188 |
| Total fixed assets | 1,225,584 | 1,220,131 |
| Receivables from sales and services to: | | |
| - Third parties | 1 | - |
| - Group company | - | 66 |
| Other receivables: | | |
| - Third parties | 452 | 703 |
| - Related companies/shareholders | 5,535 | - |
| Cash and cash equivalents | 390 | 5,334 |
| Accrued assets: | | |
| - Third parties | 352 | 4 |
| - Group companies | - | - |
| Total current assets | 6,731 | 6,107 |
| Total assets | 1,232,315 | 1,226,238 |
| LIABILITIES | | |
| Share capital | 324,000 | 324,000 |
| Statutory reserves: | | |
| General | 14,045 | 12,579 |
| Interest agio | 575,000 | 575,000 |
| Balance sheet profit | 243,253 | 250,309 |
| Total shareholders' equity | 1,156,298 | 1,161,888 |
| Financial liabilities | 60,000 | 60,000 |
| Provisions | 112 | 129 |
| Total long-term financial liabilities | 60,112 | 60,129 |
| Liabilities in respect of purchases and services: | | |
| - Third parties | 563 | 384 |
| - Related companies/shareholders | 3,352 | 40 |
| - Group companies | 148 | 267 |
| Other liabilities | | |
| - Third parties | 116 | 91 |
| - Group companies | - | 151 |
| Transitional liabilities: | | |
| - Third parties | 11,726 | 3,288 |
| Total short-term financial liabilities | 15,905 | 4,221 |
| Total liabilities | 1,232,315 | 1,226,238 |

ANNEX

97

PRINCIPLES GOVERNING THE DRAWING UP OF THE ACCOUNTS

The annual accounts of EOS HOLDING have been drawn up in accordance with the rules governing public limited companies. In accordance with statutory requirements of Art. 663b of the Code of Obligations, the Board of Directors must know the risks to the company, decide appropriate measures to manage those risks and implement the measures or ensure that they are implemented. During the financial year, the Board of Directors instructed the Executive Management to assess the risks to be managed and identify their level of management. The Board of Directors was involved in the assessment of the strategic risks and, with regard to operating risks ensured through discussion with the Executive Management that the risks were managed and adequately reported to the Board. It thus has an overview of the key risks and measures, enabling it to define priorities and allocate the necessary resources.

| Companies | Purpose | Directly-held investment in EOS HOLDING at 31.12.2008, % | Directly-held investment in EOS HOLDING at 31.12.2007, % |
|--|--|--|--|
| Shareholdings | | | |
| Energie Ouest Suisse, Lausanne | Production and marketing of electricity | 100 | 100 |
| AVENIS, Lausanne | Management and marketing of electricity | 100 | 100 |
| EOS Trading, Lausanne | Securities trader | 100 | 100 |
| HYDRO Exploitation SA, Sion | Operation of hydropower companies | 28 | 28 |
| Cisel Informatique SA, Matran | IT work | 20 | 20 |
| Cleuson-Dixence Construction SA, Sion | Planning and management of investment projects | 32 | 32 |
| Atel Holding SA, Olten | Holding company in the energy sector | 31 | 31 |

Shareholders of EOS HOLDING at 31.12.2007

| | Nominal value of shares in total | % capital |
|--|-------------------------------------|----------------|
| Romande Energie SA (RE), Montreux (a member of Romande Energie Holding SA, Morges) | 93,068 | 28.725 |
| Services Industriels de Genève (SIG), Geneva | 74,588 | 23.021 |
| Groupe E SA, Fribourg | 72,330 | 22.324 |
| Ville de Lausanne - Services Industriels (SIL), Lausanne | 64,982 | 20.056 |
| FMV SA, Sion | 19,032 | 5.874 |
| Total | 324,000 | 100.000 |

ADDITIONAL INFORMATION

None



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To the General Meeting of
EOS HOLDING, Lausanne

Lausanne, 17 March 2009

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of EOS HOLDING (pages 94 to 97) which comprise the balance sheet, income statement and notes for the year ended 31 December 2008.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Member of the Swiss Institute of Certified Accountants and Tax Consultants



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2

Opinion
In our opinion, the financial statements for the year ended 31 December 2008 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (Art. 728 Code of Obligations (CO)) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Pierre Delaloye
Licensed audit expert
(Auditor in charge)



Pierre-Alain Coquoz
Licensed audit expert

Lausanne, March 2009
On behalf of the Board of Directors:

Dominique Dreyer
Chairman

Guy Mustaki
Vice-Chairman

