

## Media Release

### Difficult market environment and grid depreciation lead to lower net profit

Dietikon, 23 January 2012 – **The EGL Group contracted a lower gross margin of CHF 502.1 million (-23%) over the previous year. The main reasons for the decrease were the significantly lower trading result and the weak euro. Net profit also declined over the previous year to CHF 22.2 million (-12%). This was impacted in particular by a write-off of receivables from the grid operator Swissgrid. However, expansion of the customer business with structured products and innovative services (origination) has developed positively.**

The lower gross margin was largely attributable to the weaker trading result, low operating hours of the gas-fired combined-cycle power plants in Italy due to continued moderate electricity prices, the declining difference in prices between Italy and Central Europe, as well as the weak euro. On the cost side, personnel expenses were reduced by 18 percent through cost-cutting measures that have been completed in the meantime, and other operating expenses were reduced by 5 percent. Within the space of one year, EGL reduced operating costs by over CHF 40 million. As a result of the memorandum of understanding concerning the handover of the high-voltage network in Switzerland to the transmission system operator Swissgrid, EGL had to recognise in its income statement a write-off of receivables from Swissgrid in the amount of CHF 39.8 million. Despite this adjustment, EGL is still of the opinion that the book value of CHF 240.9 million after depreciation and before allowances reflects the correct value. EGL's respective appeals against EICom's low valuation is still pending with the Federal Administrative Court.

#### Energy Trading & Origination

The operating result in the Energy Trading & Origination division decreased significantly to CHF 30.2 million (-73%) compared to the previous year. The main reason was the clearly weaker trading result in cross-border electricity trading with Italy. In contrast, concentration on the expansion of the origination business announced last year is proving effective: The client business with structured products and innovative services developed positively in all trading regions and could be expanded further. This area offers good growth opportunities and generates income that will compensate the volatile income from proprietary trading.

#### Assets

The Assets division also achieved a lower operating result compared to the previous year period with CHF 79.9 million (-20%). The main reason was the lower operating hours of EGL's gas-fired combined-cycle power plants in Italy due to the low clean spark spread, the difference between natural gas and certificate prices on the one hand and electricity prices on the other hand. In contrast, electricity deliveries to EGL through its long-term procurement contracts and participations in nuclear power plants in Switzerland and in France, as well as in a wind farm in Spain were within expectations. Electricity production from hydropower plants in which EGL owns a stake was slightly below the average over the past ten years due to low precipitation.

As part of the asset strategy focus, EGL is concentrating on wind farm projects. Financing for the Global Tech I offshore wind farm in the North Sea off the coast of Germany was secured in the autumn of 2011. Commis-

sioning of the first part of the 400-MW wind farm is scheduled for 2012. In Italy, construction of the Winbis 66-MW wind farm is underway and is expected to go on stream in the third quarter of 2012. In addition, EGL and five Swiss energy providers founded the holding company Terravent AG in July 2011. The company's purpose are investments in wind farms in Europe. In the area of hydropower, EGL has entered a partnership with the largest independent French electricity provider Direct Energie in order to tender for hydropower licenses that are up for renewal in France.

### **Gas Supply & Southeast Europe**

The Gas Supply & Southeast Europe division improved its operating result compared to the previous year to -12.5 million (+66%). In the natural gas business, the persistent surplus in supply, a continuing reduction in demand and an only slightly corrected decoupling of oil and gas prices continued to weigh down sales. In Turkey, EGL and the Demirören Group founded two joint venture companies with the aim of expanding market presence in the Turkish electricity and natural gas market. EGL also signed a memorandum of understanding with the Turkish natural gas company Botas for the purpose of cooperating in the gas sector. EGL made headway with its partners in the Trans Adriatic Pipeline (TAP) project to connect the southern gas corridor. In order to procure natural gas from Azerbaijan, EGL is also in talks with the Shah Deniz consortium. The decision concerning the marketing of this gas field and the preferred transport route to Europe is expected to be made in the first quarter of 2012.

### **Exploit synergies and bundle forces throughout Europe**

For the current financial year, EGL expects a continued challenging business environment, influenced by regulatory measures as well as economic development in Europe. In addition, the decision of the Shah Deniz consortium will have a direct impact on the pursuit of the TAP project. With the planned integration of EGL into the Axpo Group as per 1 October 2012 synergies will be exploited and forces bundled. EGL will bring its pan-European structures and its experience in international energy trading as well as in the origination business into the Group.

### **Further information**

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Downloads: This media release is available as a PDF under [www.egl.eu](http://www.egl.eu), "Media".

The EGL 2010/11 Annual Report is available under [www.egl.eu](http://www.egl.eu), "Investor".

You will find additional information on Axpo's strategic and organisational realignment on the media portal of the Axpo Group [www.axpo.ch](http://www.axpo.ch).

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#### **About EGL**

EGL is a European energy trading company with its own assets. EGL is a leader in proprietary trading, in the sale of standardised products, and in the development of structured products and innovative services for customers. EGL is accredited to trade on all the major European energy exchanges and listed on the SIX Swiss Exchange. Its head office is in Dietikon near Zurich (Switzerland). It also has a local presence in many parts of Europe through its more than twenty subsidiaries.