

# HALF-YEAR REPORT 2006/2007



NETWORKING ENERGIES

Member of **axpo** Group

<b>KEY FIGURES</b>	<b>3</b>
<b>REPORT OF THE CHAIRMAN AND THE CEO</b>	<b>4</b>
<b>ACTIVITY REPORT OF DIVISIONS</b>	<b>6</b>
<b>FINANCIAL DEVELOPMENT</b>	<b>10</b>
<b>CONSOLIDATED INCOME STATEMENT</b>	<b>12</b>
<b>CONSOLIDATED BALANCE SHEET</b>	<b>13</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>14</b>
<b>CONSOLIDATED CASH FLOW STATEMENT</b>	<b>15</b>
<b>NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS</b>	<b>17</b>
<b>CONTACTS</b>	<b>26</b>

## KEY FIGURES

		1ST HALF-YEAR 2006/07 <sup>1)</sup>	1ST HALF-YEAR 2005/06 <sup>1)</sup>	1ST HALF-YEAR 2004/05 <sup>1)</sup>	1ST HALF-YEAR 2003/04 <sup>1)</sup>	1ST HALF-YEAR 2002/03
<b>EGL GROUP</b>						
Energy sales	TWh	34.0	39.3	29.8	29.4	21.4
Net sales	CHF millions	2,914.5	3,019.7	1,905.6	1,641.3	1,060.9
Change relative from previous year	%	-3.5	58.5	16.1	54.7	n/a
Operating profit before interest, tax, depreciation and amortisation (EBITDA)	CHF millions	225.7	162.7	63.5	156.9	100.2
Operating profit (EBIT)	CHF millions	209.1	150.1	54.4	147.4	90.9
in % of net sales	%	7.2	5.0	2.9	9.0	8.6
Result from associated companies	CHF millions	7.2	10.4	10.3	6.4	11.6
Financial result	CHF millions	6.5	-3.1	2.4	15.9	1.5
Income tax expense	CHF millions	-46.4	-24.5	-11.0	-36.5	-18.5
Net profit before minority interests	CHF millions	176.4	132.9	56.1	133.2	85.5
in % of net sales	%	6.1	4.4	2.9	8.1	8.1
Cash flow from operating activities	CHF millions	83.9	74.7	-63.3	-10.8	100.4
Total capital per 31.03.	CHF millions	5,283.1	4,381.3	2,703.3	2,383.1	1,801.2
Equity per 31.03.	CHF millions	1,835.7	1,508.4	1,279.1	1,133.8	890.9
Equity ratio	%	34.7	34.4	47.3	47.6	49.5
Net liquidity per 31.03.	CHF millions	473.6	315.1	146.8	444.2	416.1
Average number of employees (FTE)	FTE	436	341	271	225	242
Number of employees at balance sheet date (FTE)	FTE	453	357	300	238	248
<b>EGL SHARE</b>						
Earnings (before minority interests) per share	CHF	66.26	50.04	21.25	48.90	31.60
Equity per share	CHF	688.93	568.34	484.47	427.12	335.80

<sup>1)</sup> From the financial year 2002/03, the result from energy derivative trading is shown net

## IMPORTANT STRATEGIC MILESTONES ACHIEVED

**In the first half of the 2006/07 financial year, EGL achieved several important milestones in the implementation of its strategy: the first gas-fired combined-cycle power plant in Italy is ready to go into operation, and work on the Trans Adriatic Pipeline progressed according to plan. The net profit of CHF 176.4 million (+33%) was positively impacted by special factors. EGL expects to close the 2006/07 financial year with profit on a par with the previous year.**

Despite a challenging market environment, EGL succeeded in exploiting opportunities and maintaining revenue from trading in energy derivatives and emission certificates on a par with the previous year. Physical energy sales also developed in line with expectations. In the key market of Italy, EGL expanded its customer base and reduced its dependency on large consumers, a client segment with sinking margins.

Profit for the first half of 2006/07 was significantly impacted by special effects, in particular the release of CHF 85.0 million in provisions for onerous energy procurement contracts and the net release of CHF 22.8 million in provisions for “green certificates”.

### **PROGRESS IN STRATEGY IMPLEMENTATION**

In the period under review EGL made further successful progress in developing its focus on the three strategic business areas of electricity trading, own assets and the gas business. The shift from physical trading in electricity towards energy derivatives trading continued. Good progress was made in building up EGL's own assets. The first gas-fired combined-cycle power plant in Italy is ready for operation, and two more power plants will be connected to the grid at the end of 2007 and in summer of 2008 respectively. Efforts to build up EGL's own assets also shaped the development of the Gas Division. EGL achieved important milestones with the conclusion of a long-term agreement with the National Iranian Gas Export

Company (NIGEC) for deliveries of natural gas, and completion of the basic engineering work on the Trans Adriatic Pipeline (TAP) from Greece to Italy via Albania.

### **ORGANISATIONAL CHANGES**

Claudia Wohlfahrtstätter, member of Executive Management and Head of Analytics & Resources, is leaving EGL at the end of May 2007. Claudia Wohlfahrtstätter was appointed to Executive Management at the end of 2003 and played a key role in establishing EGL as a trader in Europe's liberalised markets. The members of EGL Executive Management would like to take this opportunity to thank her for her contribution to making EGL the company it is today.

EGL Executive Management used the occasion of Claudia Wohlfahrtstätter's departure to optimise the management structure and bring it more into line with the EGL business model and strategy. Analytics & Resources will not be continued in the present form, and its departments will be reorganised as of 1 May 2007.

A new Assets business area is being created, comprising the Strategic Asset Management (SAM), Tolling and Business & Project Development departments. This structure will provide better support for the asset-based energy trading business model. The new area will be headed by Guy Bühler, who has been with EGL since 1994. Thanks to his long service with our company, Guy Bühler knows the sector and EGL extremely

well. This appointment will ensure continuity in the drive to build up EGL's own asset portfolio.

Emanuel Höhener will retire as CEO of the EGL Group at the end of the current 2006/07 financial year in order to devote his time to other professional activities. The process of finding a successor is already under way, and the Board of Directors will publish information at the given time.

#### **POSITIVE SHARE PERFORMANCE**

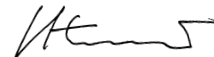
At the beginning of the period under review, the price of the EGL share was CHF 1,040, reaching a high of CHF 1,400 on 23 February 2007. In the first half-year the share therefore put in a positive performance of 34.6% and generated a positive total return (including the dividend) of 36.7%. In the first six months of the financial year, an average of 920 shares per day changed hands. Equity per share (excluding minority interests) rose from CHF 568.3 in the prior-year period to CHF 688.9, while earnings per share increased by 33% from CHF 50.00 to CHF 66.3.

#### **OUTLOOK**

Based on past experience, operating revenue and earnings are likely to perform more weakly in the second half of 2006/07 than in the winter half-year. We therefore expect to close the 2006/07 financial year with a profit on a par with the previous year.



HEINZ KARRER  
Chairman of the Board of Directors



EMANUEL HÖHENER  
CEO

## FIRST GAS-FIRED COMBINED-CYCLE POWER PLANT READY FOR OPERATION

**EGL will shortly reach a milestone in Italy, when the Group's first gas-fired combined-cycle power plant is connected to the grid at the end of May 2007 as planned. The Italian business also met its targets in the period under review.**

Price and capacity structures in the transit business are influenced by monthly and weekly auctions for cross-border exchanges of electricity with Germany and Austria. Italian grid operator Terna conducted auctions for cross-border energy trading with Switzerland, France, Austria, Slovenia and Greece on its reserved channel. EGL was able to command a good position at all auctions, obtaining all the target capacities. Implementation of the new marketing strategy in Italy resulted in a slight drop in transit volumes compared to the previous year.

The first half-year saw a continuation of Italy's shift, under certain circumstances, from energy importer to partial exporter. EGL was also able to leverage this opportunity and export Italian electricity on an hourly basis.

The price situation in Italy largely stabilised, with prices slightly higher than in the 2005/06 financial year. The price drop experienced in markets north of Italy in early 2007 had no impact on the 2007 agreements, since transactions were completed before 31 December 2006.

Local business in Italy also progressed according to plan. Marketing measures to expand the client base were met with a positive response, allowing EGL to reduce its dependency on large consumers, a client segment with sinking margins.

### **TANGIBLE PROGRESS ON GAS-FIRED COMBINED-CYCLE POWER PLANTS**

Good progress was made with the construction of the various gas-fired combined-cycle power plants in Italy. An important milestone is about to be achieved, when the 760-MW Calenia Energia plant in Sparanise/Caserta province, in which EGL has an 85% stake, goes into operation at the end of May 2007. The SE Ferrara project in the province of Ferrara and the Rizziconi Energia project in Calabria also made good headway. SE Ferrara is scheduled for connection to the grid at the end of 2007 and Rizziconi Energia in the summer of 2008. Now that local objections have been dismissed, the decision on construction of the fourth project, Energy Plus in Salerno/province of Salerno, is expected by the end of 2007. Construction will take 29 months. Permit procedures are currently under way for two other gas-fired combined-cycle power plants.

## FEWER OPPORTUNITIES DUE TO LOW VOLATILITY

**Trading in the period under review was impacted by low volatility and consequently fewer opportunities. Despite this, EGL succeeded in recording a good trading result.**

The market performed favourably up to the end of 2006. While volatility failed to match the level recorded in the previous-year period, it provided EGL with some interesting opportunities. However, at the beginning of January the effects of the exceptionally mild winter were making themselves increasingly felt. The winter weather was no less unusual abroad. Added to this, full oil and gas depots resulted in a drop in oil prices, a trend which was soon mirrored by a drop in gas and electricity prices.

### **MILD TEMPERATURES AND LOTS OF WIND**

Temperatures in Europe remained warm, accompanied by high winds. While this proved to be good for wind farm operators, it had a negative impact on prices. In January and February, energy generated by wind farms covered almost 20% of consumption in Germany. In other countries such as France, the mild temperatures led to a marked drop in electricity consumption. Nevertheless, electricity prices fell only briefly below the EUR 50 mark before rallying to EUR 53 and remaining at this level for almost two months. This low volatility had a negative effect on trading. The situation was different in Scandinavia, where heavy precipitation and the resultant high availability of hydroelectricity drove prices down further.

Despite less volatility and fewer opportunities, EGL achieved a good trading result. Much of this was thanks to EGL's subsidiaries. EGL Nordic was able to exploit opportunities and benefit from its consistent market orientation. Three years after its foundation, this young enterprise has become the most successful trading house in Scandinavia in terms of performance. EGL España also recorded highly successful business operations. The trading business developed favoura-

bly in Central and Eastern Europe as well, where EGL's activities continue to be dictated by changing regulations and border capacities. This environment offers interesting opportunities.

### **MILD WINTER DEPRESSES CO<sub>2</sub> MARKET**

The mild winter also had an impact on the CO<sub>2</sub> market. Although the 2005 data on greenhouse gas emissions had been pointing to over-allocation as early as May 2006, prices for certificates in the first allocation period of 2005-2007 remained relatively high for a long time. However, when at the end of the year it became clear that the winter would be exceptionally mild, the price collapsed and has never recovered. The price for the second 2008-2012 allocation period also suffered but rallied again to more than EUR 17 per tonne.

### **POWER PLANT PROJECTS IN SPAIN ON TRACK**

Development work for the gas-fired combined cycle power plant project Energia de la Zarza in Extremadura (400 MW) and the two biomass power plant projects (6 and 7 MW respectively) in southern Spain is proceeding according to plan.

## PROGRESS IN PROCUREMENT PORTFOLIO AND NATURAL GAS PIPELINE PROJECT

**EGL expanded its natural gas procurement portfolio with the conclusion of an additional long-term delivery agreement with the National Iranian Gas Export Company (NIGEC). At the same time, work advanced well on the project for the Trans Adriatic Pipeline (TAP) from Greece to Italy via Albania.**

EGL's operational gas business performed well in the period under review. However, due to exceptionally warm weather, physical natural gas volumes were slightly lower compared with the prior-year period.

Deliveries of natural gas to Calenia Energia, the first EGL gas-fired combined-cycle power plant in Italy, were commenced on schedule during the logistically challenging work relating to commissioning of the plant. This called for a high degree of flexibility. Thanks to the structures EGL had created in the gas area, this phase was completed without any problems. Supplies of natural gas to Calenia Energia will enter the commercial phase once the power plant goes into operation at the end of May 2007.

### **ADDITIONAL EUROPEAN LONG-TERM AGREEMENTS**

The long-term natural gas procurement portfolio was further expanded. The conclusion of a long-term purchase agreement with Iranian state supplier NIGEC provides a new source for European natural gas supplies and will play a key role in securing for EGL a competitive supply of natural gas to meet its long-term requirements. Deliveries are scheduled to commence once the Trans Adriatic Pipeline (TAP) goes into operation (startup scheduled for 2010), with a prospective annual capacity of 5.5 billion m<sup>3</sup>/a by 2012. EGL will therefore be able to make full use of the TAP capacity available to it and, together with its existing procurement portfolio, be in a position to supply its own power plants as well as customers such as power plants, industrial customers and resellers in Italy, Switzerland

and other selected European natural gas markets. At the same time natural gas from Iran will help EGL to leverage substantial growth potential in other target markets.

### **WORK PROGRESSING ON NATURAL GAS PIPELINE TO ITALY**

EGL is forging ahead with the new natural gas pipeline across the Adriatic from Greece to Italy via Albania: The basic engineering work on the TAP was successfully completed at the end of March 2007. Work relating to regulatory aspects and permits as well as project financing is now in full swing. The TAP, which will transport some 10 billion cubic metres of natural gas annually from the end of 2010, will significantly improve the security and diversification of gas supplies to Europe.

EGL is to implement the construction in conjunction with partners. The relevant negotiations are in progress.

<b>FINANCIAL DEVELOPMENT</b>	10
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<b>CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE EGL GROUP</b>	
Consolidated income statement	12
Consolidated balance sheet	13
Consolidated statement of changes in equity	14
Consolidated cash flow statement	15
Notes to the consolidated interim financial statements	17

## GOOD HALF-YEAR RESULTS IMPACTED BY SPECIAL FACTORS

**Special factors impacted the good results posted by the EGL Group for the first six months of the 2006/07 financial year. Net profit was up 33% to CHF 176.4 million.**

EGL is consistently pursuing its strategy as an asset-based energy trader. The related shift from traditional physical electricity sales to energy derivatives trading continued in the half-year under review. This increase in trading activities led to a drop in the net volume of physical energy sales and a 3.5% reduction in net revenue to CHF 2,914.5 million. The gross margin amounted to CHF 271.7 million.

### **GOOD NET PROFIT**

The results from trading remained volatile. Nevertheless, revenue from trading in energy derivatives and emission certificates remained stable at CHF 53.5 million (previous half-year CHF 51.2 million). Due to the ongoing expansion of business, costs for personnel (+45% including a one-off effect of CHF 6.1 million as a result of changing the pension fund to a defined contribution plan), materials and third-party supplies (-31%) as well as operating expenses (+31%) were in line with expectations, resulting in an increase during the period under review of 39% in operating profit before interest and taxes (EBIT) at 31 March 2007 to CHF 209.1 million. At CHF 7.2 million, the result from associated companies was 31% below the prior-half-year figure. The financial result increased to CHF 6.5 million (compared to CHF -3.1 million in the previous half-year). This earnings situation resulted in consolidated income tax of CHF 46.4 million (previous half-year: CHF 24.5 million), leading to an after-tax profit of CHF 176.4 million (+33%) for the 2006/07 half-year.

### **SIGNIFICANT FACTORS RELATED TO PROVISIONS**

Market price analyses indicate that future price developments on European electricity trading exchanges and in EGL's sales regions will remain at a sustained high level. Based on assumptions of future market price developments and the related price curves, provisions totalling CHF 85.0 million were released.

In March 2007 the Swiss and Italian authorities signed a bilateral accord on the recognition of certification for electricity from renewable energies, but this applies only to electricity delivered since the 2006 calendar year. Negotiations are still in progress between Italy and Switzerland with regard to the recognition of Swiss-generated energy delivered by EGL in 2005, and the outcome remained unknown at the time of this report. Conversely, the Italian authorities recognised renewable energy produced in Austria and Sweden and exported to Italy in 2005. In all, these effects resulted in a net release of CHF 22.8 million in provisions and a residual balance of CHF 37.9 million.

### CASH FLOW FROM OPERATING ACTIVITIES IN LINE WITH EXPECTATIONS

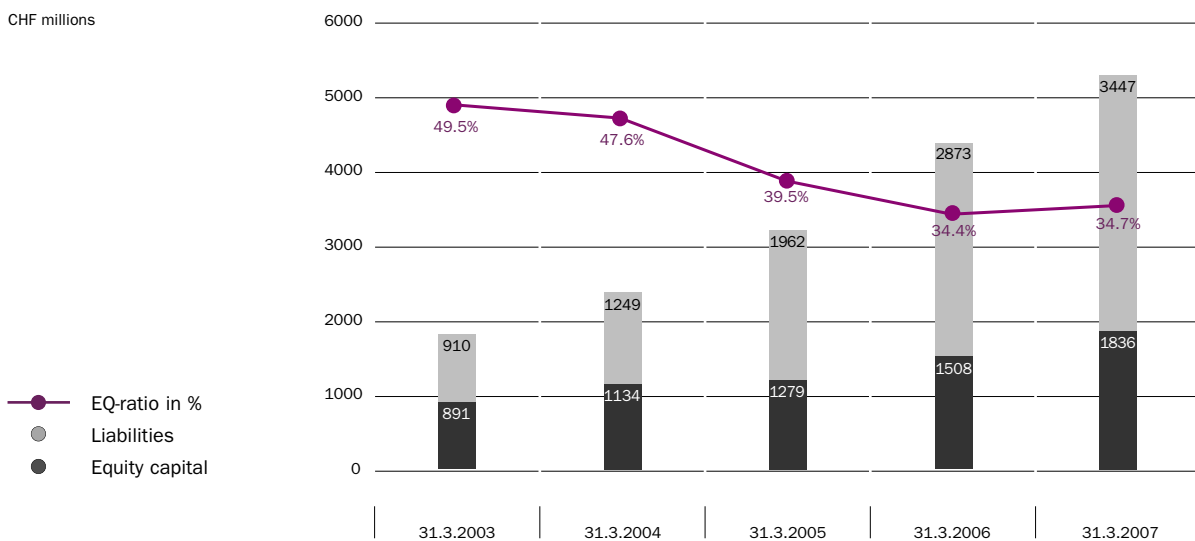
Cash flow from operating activities was CHF 9.2 million higher at CHF 83.9 million (previous half-year CHF 74.7 million). Cash flow from investing activities amounted to CHF –109.9 million (previous half-year CHF –334.4 million), primarily due to investments relating to construction of the gas-fired combined-cycle power plants in Italy. Cash flow from financing activities amounted to CHF 93.8 million (previous half-year CHF 363.7 million). At CHF 571.4 million, cash and cash equivalents at 31 March 2007 were up CHF 75.5 million since the beginning of the financial year.

### EQUITY RATIO REMAINS SOLID

EGL's balance sheet total rose by 20% in the period under review to CHF 5,283.1 million. Non-current assets rose by 7% to CHF 2,177.7 million, mainly on account of investments in power plants in Italy, while current assets were up 30% at CHF 3,105.4 million, primarily due to derivatives (positive replacement values) and other receivables.

Since 30 September 2006, equity capital including minority interests has increased by 10% from CHF 1,672.6 million to CHF 1,835.7 million. At 34.7%, the equity ratio remains solid.

### EQUITY RATIO DEVELOPMENT



## CONSOLIDATED INCOME STATEMENT

CHF MILLIONS	NOTES	OCTOBER-MARCH 2006/07	OCTOBER-MARCH 2005/06
<b>Net sales</b>	3	<b>2,914.5</b>	<b>3,019.7</b>
Capitalised services		3.4	3.7
Other operating income	4	8.2	39.1
<b>Revenues</b>		<b>2,926.1</b>	<b>3,062.5</b>
Energy procurement and cost of goods	5	-2,586.5	-2,810.6
Material and third party supplies		-8.4	-12.2
Personnel expenses		-48.6	-33.5
Other operating expenses		-56.9	-43.5
<b>Operating profit before interest, tax, depreciation and amortisation (EBITDA)</b>		<b>225.7</b>	<b>162.7</b>
Depreciation and amortisation		-16.6	-12.6
<b>Operating profit before interest and tax (EBIT)</b>		<b>209.1</b>	<b>150.1</b>
<b>Result from associated companies</b>		<b>7.2</b>	<b>10.4</b>
Financial income	6	74.3	33.4
Financial expense	6	-67.8	-36.5
<b>Financial result</b>	6	<b>6.5</b>	<b>-3.1</b>
<b>Profit before tax</b>		<b>222.8</b>	<b>157.4</b>
Income tax expense	7	-46.4	-24.5
<b>Profit for the period</b>		<b>176.4</b>	<b>132.9</b>
Attributable to:			
<b>EGL shareholders</b>		<b>174.9</b>	<b>132.1</b>
<b>Minority interests</b>		<b>1.5</b>	<b>0.8</b>
<b>EARNINGS PER SHARE</b>			
Average number of issued bearer shares at a par value of CHF 50 each		2,639,614	2,639,951
Net profit in CHF millions		174.9	132.1
<b>Earnings per share in CHF</b>		<b>66.26</b>	<b>50.04</b>

Undiluted earnings per share are determined on the basis of the weighted average number of shares outstanding. There are no circumstances which lead to a dilution of earnings per share.

## CONSOLIDATED BALANCE SHEET

CHF MILLIONS	NOTES	31.03.2007	30.09.2006
<b>ASSETS</b>			
Tangible fixed assets	8	1,135.9	1,060.0
Intangible assets		134.1	122.3
Investments in associated companies and partner plants		450.2	412.7
Other financial assets	9	416.5	395.1
Investment properties		32.8	33.3
Deferred tax assets		8.2	3.3
<b>Total non-current assets</b>		<b>2,177.7</b>	<b>2,026.7</b>
Inventories		12.7	39.7
Trade receivables		823.0	823.7
Financial receivables		2.5	1.6
Current tax assets		28.3	1.7
Other receivables		722.0	494.5
Derivatives	13	877.5	479.4
Securities		68.0	56.2
Cash and cash equivalents	10	571.4	495.9
<b>Total current assets</b>		<b>3,105.4</b>	<b>2,392.7</b>
<b>Total assets</b>		<b>5,283.1</b>	<b>4,419.4</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		132.0	132.0
Reserves	11	1,686.5	1,522.5
<b>Total equity before minority interests</b>		<b>1,818.5</b>	<b>1,654.5</b>
Minority interests		17.2	18.1
<b>Total equity incl. minority interests</b>		<b>1,835.7</b>	<b>1,672.6</b>
Financial liabilities	12	1,005.5	878.6
Other liabilities		70.7	54.8
Deferred tax liabilities		113.4	89.8
Provisions	14	41.2	90.3
<b>Total non-current liabilities</b>		<b>1,230.8</b>	<b>1,113.5</b>
Trade payables		566.2	614.9
Financial liabilities		165.8	107.2
Current tax liabilities		63.2	34.1
Other liabilities		532.9	286.4
Derivatives	13	863.8	513.5
Provisions	14	24.7	77.2
<b>Total current liabilities</b>		<b>2,216.6</b>	<b>1,633.3</b>
<b>Total liabilities</b>		<b>3,447.4</b>	<b>2,746.8</b>
<b>Total equity and liabilities</b>		<b>5,283.1</b>	<b>4,419.4</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF MILLIONS	SHARE CAPITAL	REVALU- ATION RESERVE	AFS REVALU- ATION RESERVE	RESERVE FROM HEDGE ACCOUNT- ING	ACCUMU- LATED FOREIGN CURRENCY DIFFER- ENCES	OTHER RESERVES	OWN SHARES	TOTAL RESERVES	TOTAL EQUITY BEFORE MINORITY INTERESTS	MINORITY INTERESTS	TOTAL EQUITY INCL. MINORITY INTERESTS
<b>Equity at 1 October 2005</b>	<b>132.0</b>	<b>229.2</b>	<b>163.3</b>	<b>-25.0</b>	<b>1.8</b>	<b>849.1</b>	<b>-</b>	<b>1,218.4</b>	<b>1,350.4</b>	<b>5.3</b>	<b>1,355.7</b>
Changes from securities	-	-	48.8	-	-	-	-	48.8	48.8	-	48.8
Changes hedge accounting	-	-	-	10.3	-	-	-	10.3	10.3	-	10.3
Deferred taxes on IAS 39 values	-	-	-10.5	-1.6	-	-	-	-12.1	-12.1	-	-12.1
Currency translation differences	-	-	-	-	10.7	-	-	10.7	10.7	-0.3	10.4
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>-</b>	<b>38.3</b>	<b>8.7</b>	<b>10.7</b>	<b>-</b>	<b>-</b>	<b>57.7</b>	<b>57.7</b>	<b>-0.3</b>	<b>57.4</b>
Profit for the period	-	-	-	-	-	132.1	-	132.1	132.1	0.8	132.9
<b>Total profit for the period</b>	<b>-</b>	<b>-</b>	<b>38.3</b>	<b>8.7</b>	<b>10.7</b>	<b>132.1</b>	<b>-</b>	<b>189.8</b>	<b>189.8</b>	<b>0.5</b>	<b>190.3</b>
Dividend	-	-	-	-	-	-39.6	-	-39.6	-39.6	-	-39.6
Transactions with minorities	-	-	-	-	-	-	-	-	-	2.2	2.2
Purchase of own shares	-	-	-	-	-	-	-0.3	-0.3	-0.3	-	-0.3
<b>Equity at 31 March 2006</b>	<b>132.0</b>	<b>229.2</b>	<b>201.6</b>	<b>-16.3</b>	<b>12.5</b>	<b>941.6</b>	<b>-0.3</b>	<b>1,368.3</b>	<b>1,500.3</b>	<b>8.0</b>	<b>1,508.3</b>
<b>Equity at 30 September 2006</b>	<b>132.0</b>	<b>229.2</b>	<b>215.6</b>	<b>6.3</b>	<b>18.8</b>	<b>1,052.9</b>	<b>-0.3</b>	<b>1,522.5</b>	<b>1,654.5</b>	<b>18.1</b>	<b>1,672.6</b>
Changes from securities	-	-	0.3	-	-	-	-	0.3	0.3	-	0.3
Changes hedge accounting	-	-	-	19.7	-	-	-	19.7	19.7	1.4	21.1
Deferred taxes on IAS 39 values	-	-	-	-7.2	-	-	-	-7.2	-7.2	-0.5	-7.7
Currency translation differences	-	-	-	-	23.8	-	-	23.8	23.8	0.1	23.9
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>-</b>	<b>0.3</b>	<b>12.5</b>	<b>23.8</b>	<b>-</b>	<b>-</b>	<b>36.6</b>	<b>36.6</b>	<b>1.0</b>	<b>37.6</b>
Profit for the period	-	-	-	-	-	174.9	-	174.9	174.9	1.5	176.4
<b>Total profit for the period</b>	<b>-</b>	<b>-</b>	<b>0.3</b>	<b>12.5</b>	<b>23.8</b>	<b>174.9</b>	<b>-</b>	<b>211.5</b>	<b>211.5</b>	<b>2.5</b>	<b>214.0</b>
Dividend	-	-	-	-	-	-47.5	-	-47.5	-47.5	-4.1	-51.6
Transactions with minorities	-	-	-	-	-	-	-	-	-	0.7	0.7
<b>Equity at 31 March 2007</b>	<b>132.0</b>	<b>229.2</b>	<b>215.9</b>	<b>18.8</b>	<b>42.6</b>	<b>1,180.3</b>	<b>-0.3</b>	<b>1,686.5</b>	<b>1,818.5</b>	<b>17.2</b>	<b>1,835.7</b>

The undistributable proportion of reserves under the Swiss Code of Obligations amounts to CHF 53.2 million.

## CONSOLIDATED CASH FLOW STATEMENT

CHF MILLIONS	NOTES	OCTOBER-MARCH 2006/07	OCTOBER-MARCH 2005/06
<b>Profit before tax</b>		<b>222.8</b>	<b>157.4</b>
Interest, other financial income/expenses, dividends, capitalised capital costs		0.4	4.8
Proceeds from disposal of tangible fixed assets		0.1	1.7
Adjustment of non-cash expenses and income:			
Depreciation and amortisation		16.6	12.6
Result from associated companies		-7.2	-10.4
Change in provisions (without interest)	14	-101.7	0.1
Other non-cash items		4.9	-21.0
Change in inventories		27.4	32.0
Change in trade receivables		9.1	-97.4
Change in other receivables		-215.8	-6.3
Change in trade payables		-55.9	-56.7
Change in other liabilities		247.1	72.2
Change in derivatives		-30.0	7.6
Usage of provisions	14	-0.7	-7.5
Income taxes paid		-33.2	-14.4
<b>Cash flow from operating activities</b>		<b>83.9</b>	<b>74.7</b>
Tangible fixed assets:			
Acquisitions (without capitalised capital costs)	8	-64.8	-243.5
Disposals		4.0	1.2
Intangible assets:			
Investments (without goodwill)		-3.7	-
Investments in subsidiaries, net of cash acquired		-	-26.0
Proceeds from sale of investments (net of cash)		-0.1	-
Investments in associated companies:			
Acquisitions		-33.8	-0.3
Other financial assets and investment properties			
Acquisitions	9	-18.5	-62.6
Disposals	9	0.8	-
Change in securities (current assets)		-12.1	-8.7
Change in current financial assets		0.1	-1.0
Dividends received		5.2	5.4
Interest received		12.2	1.1
Income and expenses from investment properties		0.8	-
<b>Cash flow from investing activities</b>		<b>-109.9</b>	<b>-334.4</b>

CHF MILLIONS	NOTES	OCTOBER-MARCH 2006/07	OCTOBER-MARCH 2005/06
Proceeds from long-term borrowings		110.5	406.7
Payments of finance lease liabilities		-0.7	-1.2
Change in other liabilities (non-current)		15.8	-1.0
Change in financial liabilities (current)		57.9	-
Purchase of own shares		-	-0.3
Change in minority interests		0.9	2.2
Dividends paid		-51.6	-39.6
Interest paid		-39.0	-3.1
<b>Cash flow from financing activities</b>		<b>93.8</b>	<b>363.7</b>
Net foreign exchange differences		7.7	0.7
<b>Change in cash and cash equivalents</b>		<b>75.5</b>	<b>104.7</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	10	<b>495.9</b>	<b>257.4</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	10	<b>571.4</b>	<b>362.1</b>
<b>FREE CASH FLOW</b>			
<b>Cash flow from operating activities</b>		<b>83.9</b>	<b>74.7</b>
Tangible fixed assets		-60.8	-242.3
Intangible assets		-3.7	-
Investments in subsidiaries		-	-26.0
Investments in associated companies		-33.8	-0.3
Other financial assets (excluding financial loans)		0.7	0.1
<b>Free cash flow</b>		<b>-13.7</b>	<b>-193.8</b>

As of 31 March 2007, EGL has aggregate credit facilities of CHF 801.9 million available from banks and financial institutions (30 September 2006: CHF 789.3 million). Of this amount, CHF 508.9 million was used for guarantees as at 31 March 2007 (30 September 2006: CHF 475.0 million).

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 01 GENERAL INFORMATION

The EGL Group, in which the Axpo Group holds 87.41% of the shares, trades in energy throughout Europe. Its target segment consists of industrial consumers throughout Europe. EGL operates trading and sales companies in Italy, Spain, Austria, Poland, Germany, Hungary, Romania, Slovakia, Bulgaria, the Czech Republic, Albania, Greece, Serbia, Norway and Sweden, as well as a shareholding in France. In addition, EGL has investments in power plants in Switzerland and long-term procurement agreements with power plants in France. The Group is also expanding its production portfolio with gas-fired combined-cycle power plants in Italy, and is developing projects aimed at building up its assets in other key markets.

EGL is a leading European energy trading company with a broad and innovative range of products tailored to the needs of its customers. It is well established as an attractive business partner in the procurement market.

### 02 BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**General principles.** The unaudited consolidated interim financial statements as of 31 March 2007 were drawn up in accordance with the International Accounting Standard on interim financial reporting (IAS 34). The accounting policies of the EGL Group used in the consolidated interim financial statements correspond to the principles described in the 2005/06 annual financial statements (pages 77 – 84), with the exception of the explanations outlined below. The comparative figures have been restructured or expanded where required to reflect changes in the presentation of the consolidated interim financial statements.

The changes in the group of consolidated companies are listed under Note 17.

#### **Significant changes to the accounting and valuation principles.**

In 2004 the International Accounting Standards Board (IASB) published a revised version of International Accounting Standard IAS 19 “Employee Benefits” and the new standards and interpretations IFRS 6 “Exploration for and Evaluation of Mineral Resources” and IFRIC 4 “Determining whether an Arrangement contains a Lease”. In 2005 the following revised standards and interpretations were published: IAS 39 “Financial Instruments: Recognition and Measurement” and IAS 21 “The Effects of Changes in Foreign Exchange Rates”, IFRIC 6 “Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment” and IFRIC 7 “Applying the Restatement Approach under IAS 29”. This was followed in 2006 by publication of the new interpretations IFRIC 8 “Scope of IFRS 2” and IFRIC 9 “Reassessment of Embedded Derivatives”. The EGL Group adopted these new and revised standards and interpretations for the first time with effect from 1 October 2006. IFRIC 10 “Interim Financial Reporting and Impairment”, also published in 2006, is applicable for the first time in the first reporting period of financial years beginning on or after 1 November 2006. Early adoption is recommended and the EGL Group adopted this interpretation early with effect from 1 October 2006.

Adoption of these revised principles had no material impact on the Group’s financial position and results of operations.

## NOTES

**Foreign currency exchange rates:**

The following rates were applied for the conversion of foreign currencies items in the income statement and balance sheet into CHF:

CURRENCY	UNIT	PERIOD-END EXCHANGE RATE IN BALANCE SHEET		AVERAGE RATES IN INCOME STATEMENT	
		31.03.2007	30.09.2006	OCTOBER-MARCH 2006/07	OCTOBER-MARCH 2005/06
		ALL	100	1.3000	1.3510
CZK	100	5.8000	5.5860	5.7000	5.3750
EUR	1	1.6250	1.5881	1.6050	1.5533
HUF	100	0.7000	0.5820	0.6000	0.6150
NOK	100	20.0000	19.2600	19.5000	19.5520
PLZ	100	42.0000	40.0000	41.5000	40.1700
RON	100	48.4000	40.0000	47.0000	–
SEK	100	17.4000	17.1150	17.5000	16.5140
SKK	100	4.9000	4.2390	4.6000	4.0970
USD	1	1.2200	1.2542	1.2350	1.2992

**03 NET SALES**

CHF MILLIONS	OCTOBER-MARCH 2006/07	OCTOBER-MARCH 2005/06
Net sales from energy business	2,858.2	2,966.6
Income from energy derivatives	54.0	49.1
Income from emission certificates	–0.5	2.1
Other net sales	2.8	1.9
<b>Total</b>	<b>2,914.5</b>	<b>3,019.7</b>

In addition to consolidated net sales, there are also electricity sales under ceded electricity procurement rights and sub-participations. These sales from so-called “quota transactions” are not included in the total mentioned above since they are netted against any similarly ceded procurement rights. They amount to CHF 131.8 million (previous half-year: CHF 113.9 million).

**04 OTHER OPERATING INCOME**

Other operating income includes the one-off proceeds in the previous half-year of CHF 31.9 million from the sale of rights to NOK AG, a subsidiary of Axpo Holding AG.

## NOTES

## 05 ENERGY PROCUREMENT AND COST OF GOODS

CHF MILLIONS	OCTOBER-MARCH 2006/07	OCTOBER-MARCH 2005/06
Energy procurement from third parties	-2,537.9	-2,725.2
Energy procurement from partner plants	-95.5	-90.1
Energy procurement from related parties	-38.1	-11.5
Change in provision for onerous procurement contracts	85.0	16.2
<b>Total</b>	<b>-2,586.5</b>	<b>-2,810.6</b>

Non-consolidated electricity procurement for quota transactions amount to CHF 131.8 million (previous half-year: CHF 113.9 million; see Note 3).

## 06 FINANCIAL INCOME AND EXPENSES

CHF MILLIONS	OCTOBER-MARCH 2006/07	OCTOBER-MARCH 2005/06
Interest income	12.5	4.0
Income from investment properties	0.8	-
Exchange gains	55.9	25.6
Other financial income	5.1	3.8
<b>Total financial income</b>	<b>74.3</b>	<b>33.4</b>
Interest expense	-12.2	-10.1
Depreciation of investment properties	-1.3	-
Exchange losses	-50.2	-25.2
Other financial expense	-4.1	-1.2
<b>Total financial expense</b>	<b>-67.8</b>	<b>-36.5</b>
<b>Total</b>	<b>6.5</b>	<b>-3.1</b>

Financial income and expenses include realised and unrealised exchange rate gains and losses.

## 07 INCOME TAX EXPENSE

CHF MILLIONS	OCTOBER-MARCH 2006/07	OCTOBER-MARCH 2005/06
Current tax expense	-35.6	-16.3
Deferred tax expense	-10.8	-8.2
<b>Total income tax expense</b>	<b>-46.4</b>	<b>-24.5</b>

Current income taxes consist of taxes paid or due on the results of the individual companies for the period under review in accordance with local regulations.

## NOTES

**08 TANGIBLE FIXED ASSETS**

Investments in equipment amount to CHF 1.9 million (previous half-year: CHF 3.5 million), investments in plants under construction CHF 82.4 million (previous half-year: CHF 240.3 million), and investments in property CHF 0 million (previous half-year: CHF 0.2 million).

No tangible fixed assets were pledged as collateral for financial liabilities.

At 31 March 2007 there are obligations of CHF 568.7 million (30 September 2006 CHF 622.8 million) for the purchase of tangible fixed assets.

**09 OTHER FINANCIAL ASSETS**

CHF MILLIONS	OTHER INVESTMENTS	LONG-TERM LOANS TO ASSOCIATED COMPANIES	OTHER LONG-TERM FINANCIAL ASSETS	TOTAL
<b>ACQUISITION COST</b>				
<b>Balance at 30 September 2006</b>	<b>278.4</b>	<b>115.2</b>	<b>1.5</b>	<b>395.1</b>
Additions	–	18.6	–	18.6
Disposals	–	–	–0.8	–0.8
Change in valuation not affecting net income	0.7	–	–	0.7
Currency translation differences	–	2.9	–	2.9
<b>Balance at 31 March 2007</b>	<b>279.1</b>	<b>136.7</b>	<b>0.7</b>	<b>416.5</b>

All other investments are classified as “available for sale” and recognized at fair value. The value adjustment in the amount of CHF 0.7 million was recognised in equity and is shown in Note 11, as well as in the statement of changes in equity. It mainly involves the investment in Electricité de Strasbourg S.A., France.

**10 CASH AND CASH EQUIVALENTS**

CHF MILLIONS	31.03.2007	30.09.2006
Petty cash, cash at banks and post-office	229.4	246.8
Short-term cash deposits	342.0	249.1
<b>Total</b>	<b>571.4</b>	<b>495.9</b>

Short-term cash deposits are available within 90 days.

## NOTES

## 11 EQUITY

Gains or losses on financial instruments recognised directly in equity according to IAS 39 contain available for sale revaluation reserve and reserve from hedge accounting:

CHF MILLIONS	2006/07	2005/06
<b>Balance at 1 October</b>	<b>221.9</b>	<b>138.3</b>
Financial assets available for sale:		
Change in fair value of securities (current assets)	-0.4	-0.9
Change in fair value of other financial assets	0.7	49.7
Hedge accounting	19.7	10.3
Applicable deferred tax	-7.2	-12.1
<b>Balance at 31 March</b>	<b>234.7</b>	<b>185.3</b>

The share capital is divided into 2,640,000 fully paid-up bearer shares with a par value of CHF 50. EGL AG holds 386 of its own shares (unchanged from 30 September 2006).

## 12 FINANCIAL LIABILITIES (NON-CURRENT)

CHF MILLIONS	31.03.2007	30.09.2006
Bond	245.4	245.2
Long-term loans from third parties	759.8	633.1
Long-term loans from related parties	0.3	0.3
<b>Total</b>	<b>1,005.5</b>	<b>878.6</b>

A ten-year domestic bond for a principal amount of CHF 250 million was issued on 23 November 2005, with a coupon of 2.5%. The bond is listed on the SWX under the security number 2.326.262.

The long-term loan liability to third parties relates to project financing for gas-fired combined-cycle power plants in Italy in the amount of EUR 466.1 million, at a variable interest rate of 4.95% (30 September 2006: EUR 398.7 million, at a variable interest rate of 4.47%). Repayment of the loan will begin once the power plant has gone on-stream, and will last until no later than 2023.

## NOTES

## 13 FINANCIAL INSTRUMENTS (DERIVATIVES)

CHF MILLIONS	REPLACEMENT VALUES		CONTRACT VOLUMES
	POSITIVE 30.09.2006	NEGATIVE 30.09.2006	30.09.2006
<b>ENERGY TRADING</b>			
Standard forward contracts	1,772.9	1,839.0	22,200.5
Futures	–	–	356.7
Options	175.0	176.0	80.7
Swaps	59.3	36.3	1,724.2
Emission certificates	103.2	86.1	529.6
<b>Total before netting</b>	<b>2,110.4</b>	<b>2,137.4</b>	<b>24,891.7</b>
./ Consideration of netting agreements	-1,631.6	-1,631.6	-10,299.7
<b>Total after netting</b>	<b>478.8</b>	<b>505.8</b>	<b>14,592.0</b>
<b>CURRENCIES AND INTEREST RATES</b>			
Purchase	0.5	6.7	258.7
Sale	0.1	1.0	127.1
<b>Derivatives</b>	<b>479.4</b>	<b>513.5</b>	<b>14,977.8</b>

CHF MILLIONS	REPLACEMENT VALUES		CONTRACT VOLUMES
	POSITIVE 31.03.2007	NEGATIVE 31.03.2007	31.03.2007
<b>ENERGY TRADING</b>			
Standard forward contracts	2,977.0	2,815.2	40,175.4
Futures	–	–	457.6
Options	177.1	369.0	475.1
Swaps	70.5	12.5	1,176.9
Emission certificates	77.4	86.4	265.6
<b>Total before netting</b>	<b>3,302.0</b>	<b>3,283.1</b>	<b>42,550.6</b>
./ Consideration of netting agreements	-2,428.5	-2,428.5	-18,593.4
<b>Total after netting</b>	<b>873.5</b>	<b>854.6</b>	<b>23,957.2</b>
<b>CURRENCIES AND INTEREST RATES</b>			
Purchase	0.3	8.7	257.8
Sale	3.7	0.5	216.0
<b>Derivatives</b>	<b>877.5</b>	<b>863.8</b>	<b>24,431.0</b>

Gains and losses on derivatives which qualify as hedges of future cash flows have been recognised directly in equity, in accordance with hedge accounting as per IAS 39 (see Consolidated statement of changes in equity and Note 11). They will be recognised in the income statement over the next 1 to 13 years.

## NOTES

## 14 PROVISIONS

CHF MILLIONS	ONEROUS ENERGY PROCUREMENT AGREEMENTS	OTHER PROVISIONS	TOTAL
<b>Balance at 1 October 2006</b>	<b>84.5</b>	<b>83.0</b>	<b>167.5</b>
Allocation	–	6.1	6.1
Unwind of discount	0.5	–	0.5
Release	–85.0	–22.8	–107.8
Usage	–	–0.7	–0.7
Currency translation differences	–	0.3	0.3
<b>Balance at 31 March 2007</b>	<b>–</b>	<b>65.9</b>	<b>65.9</b>
Current portion of provisions	–	24.7	24.7
Non-current portion of provisions	–	41.2	41.2
<b>Total provision</b>	<b>–</b>	<b>65.9</b>	<b>65.9</b>
<b>EXPECTED OUTFLOW OF FUNDS</b>			
Within 1 year	–	24.7	24.7
Between 1 and 5 years	–	39.8	39.8
In more than 5 years	–	1.4	1.4
<b>Total provision</b>	<b>–</b>	<b>65.9</b>	<b>65.9</b>

The provision for onerous energy procurement contracts relates to expected losses from energy procurement from partner plants and is calculated using the discounted cash flow method. The time horizon extends beyond the term of the licence for the power plants or the term of the procurement contracts. Significant parameters for the calculation are the expected market price development and the interest rate. Due to the sustained rise in market prices, the provision is no longer required and was fully reversed as of 31 March 2007. Since 2004, certification has been required in Italy in order to identify cross-border deliveries of electricity from renewable energies. CHF 22.8 million of the existing provision for green certificates has been reversed in the interim, since recognition by Italy in this order of magnitude is regarded as highly probable.

## NOTES

**15 SEGMENT INFORMATION**

The core business of the EGL Group currently consists primarily of energy trading. The gas business is in the process of being built up, and its presentation is continually being reviewed.

The electricity generating activities of the EGL Group are carried out by partner plants in which EGL is an investor. Each partner plant is its own public limited company. The electricity transmission facilities of EGL are included in the balance sheet of EGL Grid AG, which provides EGL AG with the grid for the transport of traded electricity against payment of the total overall costs. The revenues resulting from the generation and transmission facilities are attributable to EGL AG.

**16 EVENTS AFTER THE BALANCE SHEET DATE**

These consolidated interim financial statements were approved by the Board of Directors on 30 May 2007. No significant events have occurred since the balance sheet date and up to 30 May 2007 which could have an impact on the 2006/07 consolidated interim financial statements or which require to be disclosed.

**17 CHANGES IN THE GROUP OF CONSOLIDATED COMPANIES**

	REMARKS	INVESTMENT RATIO IN %	CHF MILLIONS
<b>FULLY CONSOLIDATED COMPANIES</b>			
EGL Austria Betriebs GmbH	Formation	100.0%	
EGL Bulgaria EAD	Formation	100.0%	
EGL NorGer AS	Formation	100.0%	
Energia de Santa Cruz S.L.	Liquidation	100.0%	
Trans Adriatic Pipeline AG	Formation	100.0%	
<b>OTHER EQUITY CONSOLIDATED INVESTMENTS</b>			
Morano Energia S.r.l.	Capital increase	50.0%	0.1
NorGer AS	Formation	25.0%	
NorGer KS	Formation	25.0%	
Società EniPower Ferrara S.r.l.	Capital increase	49.0%	31.5

In the 2006/07 financial year the following fully consolidated companies were founded, in each of which the EGL Group holds a 100% interest: EGL Austria Betriebs GmbH in Vienna, EGL Bulgaria EAD in Sofia, EGL NorGer AS in Oslo and Trans Adriatic Pipeline AG in Zug. The EGL Group also acquired a 25% interest in each of the two newly founded Norwegian companies NorGer AS and NorGer KS in Kristiansand. These two companies are consolidated using the equity method. Energia de Santa Cruz S.L. was liquidated in the 2006/07 financial year.

## NOTES

**18 CONTINGENT LIABILITIES AND FUTURE FINANCIAL LIABILITIES; LEGAL DISPUTES**

CHF MILLIONS	31.03.2007	30.09.2006
Guarantees	508.9	475.0
Parent company guarantees	147.7	121.3
<b>Total</b>	<b>656.6</b>	<b>596.3</b>

In the financial years 1998/99 and 1997/98, Albula-Landwasser Kraftwerke AG and Misoxer Kraftwerke AG concluded financial transactions to lease their facilities long-term and simultaneously lease them back (lease-and-lease-back transactions). In connection with those transactions, assurance was given to American investors that all contractual obligations arising therefrom would be guaranteed. The risk from these transactions is secured by appropriate provisions at the companies mentioned. Since the risk declines over the term of the transactions, these provisions are released on a straight-line basis.

In the 2004/05 financial year EGL Austria GmbH acquired the remaining stake of 20% in EGL Italy S.p.A. The final price will be decided in arbitration proceedings. No statements can be made on the outcome of these.

The EGL Group is involved in several other legal disputes relating to ordinary business.

## **HEAD OFFICE AND TRADING CENTER**

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EGL Elektrizitäts-Gesellschaft Laufenburg AG

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Lerzenstrasse 10

---

CH-8953 Dietikon (Zurich)

---

Tel. +41 (0)44 749 41 41

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[www.egl.ch](http://www.egl.ch)

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## **REGISTERED OFFICE**

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EGL Elektrizitäts-Gesellschaft Laufenburg AG

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Werkstrasse 10

---

CH-5080 Laufenburg

---

Tel. +41 (0)62 869 63 63

---

[www.egl.ch](http://www.egl.ch)

---

## **CONTACT**

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EGL Elektrizitäts-Gesellschaft Laufenburg AG

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Corporate Communications

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Lerzenstrasse 10

---

CH-8953 Dietikon (Zurich)

---

Tel. +41 (0)44 749 41 21

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E-mail [media@egl.ch](mailto:media@egl.ch)

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[www.egl.ch](http://www.egl.ch)

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## **AGENDA**

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Annual Results 2006/07	12.12.2007
EGL AG Annual General Meeting	25.01.2008

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## **DISCLAIMER**

This Half-Year Report may contain future-oriented statements based on current assumptions and projections made by EGL Executive Management. Due to various known and unknown risks, uncertainties and other factors, the company's actual results, financial position, development or performance may deviate considerably from the forecasts provided here. EGL is under no obligation to maintain these future-oriented statements or to adjust them in line with future events or developments.

The Half-Year Report of Elektrizitäts-Gesellschaft Laufenburg AG is published in English and German. In the event of differing interpretation, the German text shall take precedence.



