



ANNUAL REPORT 2009/10

Executive Summary



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FINANCIAL PUBLICATIONS OF EGL

As of this year, for ecological reasons and due to the fact, that electronic media are becoming more and more important for our stakeholders, EGL will no longer publish a full print version of its Annual Report.

This Executive Summary will provide you with an overview of the course of EGL's business and the financial results for the 2009/10 financial year.



The extended version of the different chapters can be found online at <http://annualreport.egl.eu>. Just type the corresponding numbers into the search engine of the Online Report.

Our Online Report provides you with additional content about EGL, and you can easily download tables from the financial report, as well as PDF's of the individual chapters or the entire report.

Related information on EGL and its activities has been summarised in various publications. These are available as PDF's or can be ordered in print from www.egl.eu/publications.

2009/10 AT A GLANCE

EGL Group

- Gross margin and net profit considerably lower than in the previous year
- Significant negative effects on costs
- Poor financial result due to currency effects
- Stronger focus on strategy implementation

Energy Trading & Origination

- Weaker performance overall, but still solid trading result at gross margin level
- Currency effects and operational expenses detract from operating result
- Hub strategy proves successful
- Operating result: CHF 110.6 million (-56.2%)

Assets

- Generally good results impacted by exit costs related to power plant project and supplier shortfall
- Investments in wind power facilities in Germany and Spain
- Slow-down of further expansion of the asset portfolio
- Operating result: CHF 107.5 million (-41.6%)

Gas Supply & Southeast Europe

- Surplus and falling demand exert pressure on sales margins
- Successful negotiations with natural gas suppliers on price revision
- E.ON Ruhrgas is new partner in project for the Trans Adriatic Pipeline
- Operating result: CHF -37.2 million (+20.0%)



KEY FIGURES 2009/10

		2009/10	2008/09
EGL GROUP			
Net sales	CHF MILLIONS	2,610.2	3,957.7
Gross margin	CHF MILLIONS	648.8	810.4
Earnings before interest, tax, depreciation and amortization (EBITDA)	CHF MILLIONS	245.9	442.6
Earnings before interest and tax (EBIT)	CHF MILLIONS	168.0	329.8
Share of profit of associates	CHF MILLIONS	-5.0	1.7
Financial result	CHF MILLIONS	-98.4	-83.9
Earnings before tax (EBT)	CHF MILLIONS	64.6	247.6
Income tax expense	CHF MILLIONS	-39.3	-60.9
Net profit incl. minority interests	CHF MILLIONS	25.3	186.7
in % of equity	%	1.3	8.8
Free cash flow (drain)	CHF MILLIONS	-6.7	12.7
Cash flow from operating activities	CHF MILLIONS	111.9	174.5
Total capital at 30 September	CHF MILLIONS	5,668.7	6,788.4
Total equity at 30 September	CHF MILLIONS	1,927.5	2,110.8
Gearing	%	43.1%	35.9%
Net debt	CHF MILLIONS	831.5	757.3
Cash and cash equivalents	CHF MILLIONS	478.3	718.4
Average number of employees	FTE	855	746
Number of employees at balance sheet date	FTE	822	832
EGL AG			
Profit for the period	CHF MILLIONS	153.9	236.6
EGL SHARE			
Earnings (excl. minority interests) per share	CHF	9.13	70.83
Dividend per share	CHF	18.00 ¹	18.00
Equity (excl. minority interests) per share	CHF	720.38	788.98
Share price high	CHF	1,089	1,241
Share price low	CHF	710	866

1 Proposal of the Board of Directors





LETTER TO THE SHAREHOLDERS

Dear Shareholder

The European energy markets have been undergoing a fundamental transformation as a result of economic and regulatory changes. This development has had a profound impact on the 2009/10 financial year at EGL, during which time various risks (weak euro, exit costs from a power plant project in Italy, low gas prices and the prolonged outage of a power plant in France) occurred simultaneously. Net income generated was disappointing overall.

EGL has taken the appropriate action by introducing cost-cutting measures and subjecting planned investments to a review. It is imperative for EGL to make the best possible use of the options and expertise at its disposal, in order to successfully capture niche markets, and rapidly capitalise on emerging opportunities.

I am convinced that, having carefully analysed trends in recent months, EGL has charted the right course for further, sustainable profitability. The EGL Board of Directors proposes to the Annual General Meeting of Shareholders an unchanged dividend of CHF 18 per share.

HEINZ KARRER
Chairman of the Board
of Directors



QUESTIONS TO THE CEO

“We must learn to adapt more quickly to a changing market”, says CEO Hans Schulz, with regard to the challenges EGL is facing today and in the future.

Is the disappointing result in the 2009/10 financial year due to EGL losing control of the risks?

We were well aware of the individual risks that we face. But it was extremely unlikely that we would face four risks at the same time: exit costs related to the Energy Plus power plant project, the outage of a power plant in France, the decoupling of natural gas and oil prices and the collapse of the euro against the Swiss franc. We were also forced to close trading positions that were based on falling prices and generated a loss.

Have limits been overstepped?

No. There were no instances of non-compliance with limits. Risk management is about ensuring, among other things, that negative effects remain manageable. That is why we have balanced the positions. In this respect, risk management did what it was supposed to do.

Will you need to rethink your decentralised trading strategy due to current events?

On the contrary, this strategy has proven to be extremely successful. One hub delivered unsatisfactory performance, while the others delivered good to very good performance. We would not have been able to achieve this positive effect if all traders were based in one location.

Where will your focus be in Assets?

Our current development focus in the Assets division is on the wind farms in Italy, in the North Sea and in northern Europe, as well as on large infrastructure projects in which we have invested. I'm thinking in particular of the cable link between Germany and Norway, as well as the Trans Adriatic Pipeline.

“It is essential that we get better at adapting processes and resources to the changed market conditions in order to secure long-term further growth.”



Will the current situation limit your expansion plans?

There are opportunities in all three divisions. The decision as to which opportunities to take up depends on the expected returns, how much risk capital is needed, and the resources available to us. So our approach will be selective and focused. We will slow down the implementation of certain projects, while others will be discontinued altogether. We will also adapt processes and resources to the changed market conditions. All these efforts will make us fit for long-term further growth.

What are other elements of this fitness training?

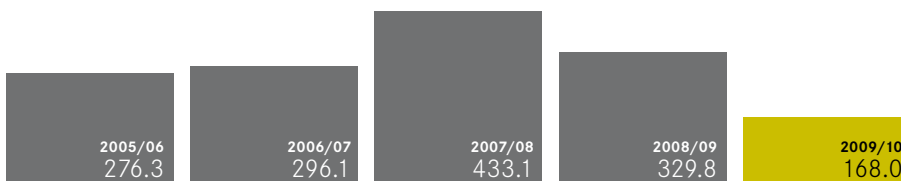
I believe it is essential that we get better at adapting. That means creating a culture in which costs are rapidly reduced when margins drop and, when business volumes and market opportunities increase, quickly integrating new employees and bringing them up to speed. And a trading company like EGL needs an appropriate cushion of liquidity and a solid balance sheet in order to cope with difficult situations.



FINANCIAL DEVELOPMENT

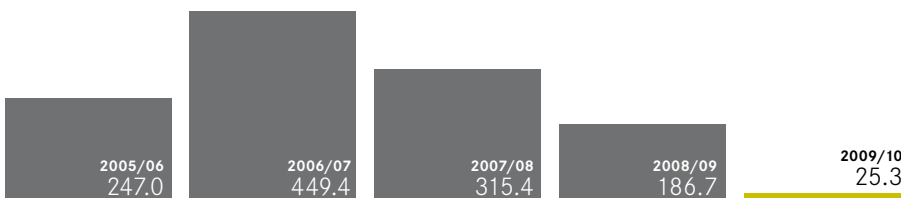
The EGL Group's gross margin fell to CHF 648.8 million, 20% lower than the previous year. Net profit decreased to CHF 25.3 million (-86%).

EBIT lower than in the previous year (in CHF million)



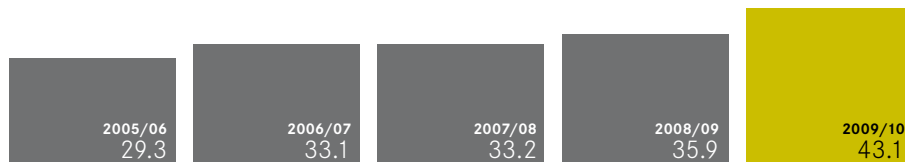
- Gross margin at CHF 648.8 million (-20%)
- Personnel expenses rose by 8% to CHF 162.3 million
- Other operating expenses amounted to CHF 252.7 million (+8%), including exit costs of CHF 47.2 million in relation to the Energy Plus power plant project

Net profit considerably lower (in CHF million)



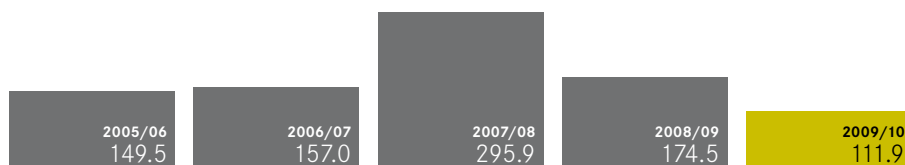
- Financial result at CHF -98.4 million (-18%)
- Net currency result after foreign currency hedging amounted to CHF -52.9 million (-15%)
- Consolidated income tax expenses of CHF 39.3 million (-35%)

Gearing stable (in %)



Increase in the last five years generally due to increase of net debt in relation to equity.

Cash flow from operating activities (in CHF million)



- Cash flow from operating activities at solid level in comparison with net profit
- Cash outflow from investing activities increased to CHF 161.3 million (+ 25%)
- Cash flow from financing activities amounted to CHF -160.6 million (+ 66%)

Gross margin down

EGL gross margin was reduced by 20% compared to the previous year due to the difficult market environment, the considerably lower value of the euro compared to the Swiss franc and the outage of the French nuclear power plant in Bugey.

Cost-cutting measures

EGL intends to cut operating costs and a number of measures have already been launched. Since March 2010 the workforce has been reduced significantly, and cost-cutting measures have resulted in considerable savings within the space of the year. Further measures will be introduced in the 2010/11 financial year.



ENERGY TRADING & ORIGATION

In a challenging environment, EGL operated with varying degrees of success in the different trading regions, but achieved a solid gross margin in local currencies overall.

Demand for electricity low

The economic crisis again impacted energy trading markets during the 2009/10 financial year. Demand for electricity in EGL's key markets was between 5% and 10% lower than the previous-year value.

Hub strategy proves successful

Challenging environment for the trading business. The weak performance of one of EGL's trading hubs was offset in the other regions.

Operating result

CHF 110.6 million (-56.2%)

EGL operated with varying degrees of success in the different trading regions, but overall achieved a solid gross margin in local currencies.

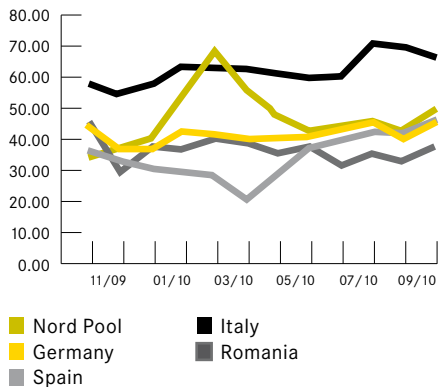
In the Iberian market, EGL expanded its energy trading and origination activities and successfully expanded into the Portuguese market.

In the Nordic markets, EGL successfully exploited opportunities in trading and origination, and positioned itself well in the market for wind power.

In Central and Eastern Europe, trading results were well below expectations due to the difficult environment and an incorrect market evaluation.

Spot prices for electricity 2009/10 financial year

(EUR/MWh)



The weak performance of the trading hub based in Dietikon (Switzerland) led to restructuring.

In the partly liberalised Swiss electricity market, EGL has established itself as a specialist for energy-related services and as a regular provider for ancillary services.

In Italy, EGL performed successfully both in local activities and in transactions across the border.

In 2009, EGL began initial activities from its newest trading centre in London.



ASSETS

Exit costs resulting from the failure to sell the Energy Plus power plant project and the outage of the French nuclear power plant in Bugey had a negative impact on the otherwise good results of the Assets division.

Existing assets

Except for the nuclear power plant in Bugey, all of EGL's energy deliveries were in line with expectations. The SE Ferrara gas-fired combined cycle power plant in Italy started commercial operation in October 2010.

Asset projects

EGL invested in an offshore wind farm in the North Sea off the coast of Germany and in a wind park in Spain. Norwegian grid operator Statnett is the new partner for the NorGer undersea cable between Norway and Germany.

Operating result

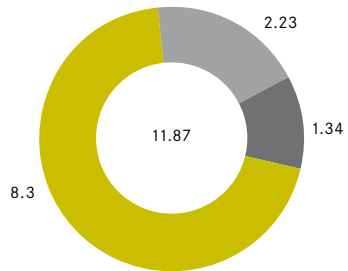
CHF 107.5 million (-41.6%)

Two key negative effects led to an operating result in the Assets division of CHF 107.5 million (-41.6% compared with the previous year). Firstly, the Energy Plus gas-fired combined cycle power plant in Italy could not be sold as planned, as a result of which EGL had to absorb project termination fees and exit costs from contracts.

Secondly, EGL lost out on some of the electricity assigned to it under long-term procurement contracts with Electricité de France due to unplanned repair and inspection work at the French nuclear power plant in Bugey.

Electricity production and procurement 2009/10

(in billion kWh)



Generation technologies

- Gas-fired combined cycle power plants (IT)
- Hydropower (CH)
- Nuclear power (37% CH/63% FR)

EGL underlined its commitment to new renewable Energies by investing in wind power projects on land and offshore in Italy, Spain, Germany and Sweden. Norwegian grid operator Statnett became an important partner for the NorGer undersea cable project.

National grid company Swissgrid has launched a project with the current owners of the Swiss transmission system (including EGL) to ensure the smooth transfer of ownership and responsibility for this grid to Swissgrid.



GAS SUPPLY & SOUTHEAST EUROPE

Although EGL's natural gas business was heavily impacted by the persistent surplus and continued reduction in demand, the operating result of the division improved slightly.

Difficult economic environment

Decoupling of natural gas prices from oil prices as a result of the decline in demand and the continuing surplus. Parts of EGL's natural gas portfolio recorded negative sales margins.

New partner for TAP

The Trans Adriatic Pipeline (TAP) project was further strengthened when E.ON Ruhrgas joined the project in July 2010, bringing additional knowledge and expertise to the table. The project remains open to new partners.

Operating result

CHF -37.2 million (+20.0%)

Low demand

Following the economic crisis demand for natural gas fell in 2009 by

5.4%

Low demand and the resulting low prices for natural gas meant that margins for the sale of natural gas from long-term procurement contracts remained under intense pressure.

EGL took advantage of the flexibility permitted in terms of procured volumes and concluded price revision negotiations for improved purchase conditions.

EGL was able to further expand its presence in Southeast Europe through important partnerships and new activities in the field of wind power management.

EGL was able to contract further volumes of Liquefied Natural Gas (LNG) and sell them to large customers in Spain. The company took the first steps towards creating a LNG business in the key target market of Southeast Europe.

The Trans Adriatic Pipeline (TAP) project was further pursued. An important milestone was reached in July 2010 when E.ON Ruhrgas of Germany joined the project.

EGL negotiated with Turkish pipeline operator BOTAS on the transit of natural gas.



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Agenda

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